



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE STATE FIRE MARSHAL

**COMPLIANCE EXAMINATION
For the Two Years Ended: June 30, 2012**

Release Date: April 25, 2013

Summary of Findings:

Total this audit:	13
Total last audit:	22
Repeated from last audit:	8

SYNOPSIS

- The Office needs to improve controls over the purchase, recording and reporting of State property.
- The Office did not accurately report accounts receivable information to the Office of the Comptroller.
- The Office had inadequate controls over its processing of boiler and pressure vessel licensure application.
- The Office failed to conduct inspections of boilers and pressure vessels in a timely manner.

{Expenditures and Activity Measures are summarized on the reverse page.}

**OFFICE OF THE STATE FIRE MARSHAL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2012**

EXPENDITURE STATISTICS	2012	2011	2010
Total Expenditures.....	\$ 24,863,671	\$ 23,040,104	\$ 23,123,257
OPERATIONS TOTAL.....	\$ 21,011,522	\$ 18,801,969	\$ 19,489,304
% of Total Expenditures.....	84.5%	81.6%	84.3%
Personal Services.....	10,200,924	9,423,437	8,291,135
Other Payroll Costs (FICA, Retirement).....	6,322,820	5,181,623	4,536,068
All Other Operating Expenditures.....	4,487,778	4,196,909	6,662,101
AWARDS AND GRANTS.....	\$ 3,845,800	\$ 4,231,900	\$ 3,576,076
% of Total Expenditures.....	15.5%	18.4%	15.5%
REFUNDS.....	\$ 6,349	\$ 6,235	\$ 57,877
% of Total Expenditures.....	0.0%	0.0%	0.2%
Total Receipts.....	\$ 6,700,133	\$ 6,612,241	\$ 6,805,752
Average Number of Employees.....	122	133	130

SELECTED ACTIVITY MEASURES (Not Examined)	2012	2011	2010
Fire Investigations.....	1,066	1,107	1,213
Boiler and Pressure Vessel State Inspections.....	45,924	43,551	44,675
Fire Prevention Building Inspections.....	13,078	12,202	12,765
Fire Service Certifications.....	13,260	12,539	11,294
Fire Service Examinations.....	9,257	7,676	12,608
Underground Storage Tank Inspections.....	10,026	10,037	9,972
Elevator Licenses.....	487	1,419	540

AGENCY DIRECTOR	
During Examination Period:	Mr. Larry Matkaitis
Currently:	Mr. Larry Matkaitis

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NEED TO IMPROVE CONTROLS OVER THE
PURCHASE, RECORDING AND REPORTING OF
STATE PROPERTY**

The Office did not exercise adequate control over the purchase, recording and reporting of State property. We noted the following:

Items not removed timely

- The Office did not timely resolve or remove 5 items, totaling \$8,687, noted as missing during the annual inventory certification process.
- Two of 25 (8%) equipment inventory adjustments were not computed correctly, resulting in equipment overstatements totaling \$1,408.
- Seven of 25 (28%) equipment deletions tested, totaling \$6,372, did not include the amounts of the items to be removed from inventory on the deletion request forms.
- One of 25 (4%) items tested, totaling \$188, appeared on the Office's records, but could not be found at the designated location within the Office. (Finding 2, pages 10-11) **This finding was first reported in 2004.**

Deletion request forms not properly completed

We recommended the Office strengthen internal controls over the recording and reporting of State property by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. Further, the Office should ensure all equipment is accurately and timely recorded on the Office's property records and are properly valued.

Office agrees with auditors

Office officials agreed with our recommendation and stated that items would be removed in a timely manner and deletion forms would be properly completed. (For the previous Office response, see Digest Footnote #1.)

**INADEQUATE COLLECTION AND REPORTING OF
ACCOUNTS RECEIVABLE**

The Office did not accurately report accounts receivable information to the Office of the Comptroller via its Quarterly Summary of Accounts Receivable (C-97 and C-98 Reports).

During our review of the Office's C-97 and C-98 Reports, we noted the following:

Receivable reports not properly completed

- Eight of 8 (100%) C-97 and C-98 Reports filed with the Comptroller did not contain the Estimated

Receivable reports overstated accounts receivable

- Uncollectible nor was the Reconciliation for Comptroller's Offset Compliance completed.
- One of 8 (13%) C-97 and C-98 Reports filed with the Comptroller during Fiscal Years 2011 and 2012 contained errors when compared to the underlying Office records. The accounts receivable amount reported on the C-97 and C-98 quarterly reports ended March 31, 2011 was overstated by \$51,000.
- One of 8 (13%) C-97 Reports filed contained significant adjustments without adequate explanation. The Office reported a \$188,000 increasing adjustment in its C-97 Report for elevator activity for the quarter ended March 31, 2011, but failed to include a proper explanation for the adjustment as required. This adjustment represents 202% of the net receivable balance as of March 31, 2011. (Finding 3, pages 12-13) **This finding was first reported in 1990.**

Receivable report contained adjustment without a proper explanation

We recommended the Office allocate necessary resources to properly report and fully pursue collections on delinquent accounts receivable. Further, the Office should carefully prepare and review accounts receivable reports to ensure accounts receivable are reported in accordance with SAMS procedures.

Office agrees with auditors

Office officials agreed with our recommendation and indicated a contractor has been hired to provide assistance to the Office in preparing the quarterly accounts receivable reports. (For the previous Office response, see Digest Footnote #2.)

NEED TO IMPROVE CONTROLS OVER BOILER AND PRESSURE VESSEL REPAIR LICENSURE APPLICATIONS

The Office did not exercise adequate control over its processing of applications for boiler and pressure vessel repair licensure.

During our review of 26 new applications for boiler and pressure vessel repair licensure, we noted the following:

Application files missing required documentation

- Ten of 26 (38%) application files did not include evidence of registration as an Illinois Corporation or a Certificate of Authority if a foreign corporation.
- Three of 26 (12%) application files did not include the Article of Incorporation.
- Two of 26 (8%) application files did not include evidence of a letter of authority from the Illinois Secretary of State's Limited Partnership Office.
- Two of 26 (8%) application files did not include the addresses of all general partners, general managers, officers, or limited partners.
- One of 26 (4%) application files did not include

evidence of the name and registered address for the corporation and the name of the registered agents for the corporation.

- One of 26 (4%) application files could not be located. (Finding 6, pages 16-17) **This finding was first reported in 2008.**

Application file could not be located

We recommended the Office thoroughly review all applications to ensure applicants meet all of the required criteria before licensure is granted.

Office agrees with auditors

Office officials agreed with our recommendation and reported the Boiler Division has “rewritten” the letter/request that is sent to all applicants, which now explains what applicants must include each time they renew. The Boiler Division has also developed a “checklist” for use when reviewing applications to ensure all required documents are included. (For the previous Office response, see Digest Footnote #3.)

INSPECTIONS OF BOILERS AND PRESSURE VESSELS NOT PERFORMED TIMELY

The Office did not conduct inspections of boilers and pressure vessels in a timely manner.

Boiler and pressure vessel inspections not performed timely

We noted 21 of 50 (42%) boiler and pressure vessel inspections tested were performed between 1 and 73 days late. (Finding 7, pages 18-19) **This finding was first reported in 2002.**

We recommended the Office implement necessary controls to identify and perform inspections in a timely manner.

Office agrees with auditors

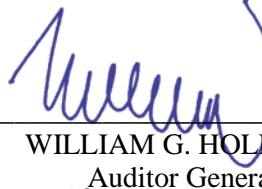
Office officials agreed with our recommendation and stated they will be recommending changes to the administrative rules to allow leeway from the time of expiration of the inspection certificate till the inspection can be completed. (For the previous Office response, see Digest Footnote #4.)

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Office. We will review progress toward the implementation of our recommendations during the next examination.

AUDITORS' OPINION

We conducted a compliance examination of the Office as required by the Illinois State Auditing Act. The Office has no funds that require an audit leading to an opinion on financial statements.



WILLIAM G. HOLLAND
Auditor General

WGH:TMH:RT

SPECIAL ASSISTANT AUDITORS

Winkel, Parker & Foster, CPA PC were our special assistant auditors.

DIGEST FOOTNOTES

#1 – NEED TO IMPROVE CONTROLS OVER THE PURCHASE, RECORDING AND REPORTING OF STATE PROPERTY – Previous Agency Response

2010: Agreed. The Office will evaluate the possibility of purchasing an updated inventory control system.

#2 – INADEQUATE COLLECTION AND REPORTING OF ACCOUNTS RECEIVABLE – Previous Agency Response

2010: Agreed. The Office will ensure compliance with the Comptroller and statutory requirements of the accounts receivable processing and reporting.

#3 – NEED TO IMPROVE CONTROLS OVER BOILER AND PRESSURE VESSEL REPAIR LICENSURE APPLICATIONS – Previous Agency Response

2010: Agreed. All new applications/renewals are being reviewed for documents required by the Act. The Office will review the Act and associated Administrative Rules to determine whether all the information is necessary, and if not, will recommend statutory changes and/or revisions to the rules.

#4 – INSPECTIONS OF BOILERS AND PRESSURE VESSELS NOT PERFORMED TIMELY – Previous Agency Response

2010: Agreed. Based on the current rules, the inspections were late because there is no latitude built into the process. This will be discussed with the Boiler and Pressure Vessel Board and recommendations will be made to clarify the Administrative Rules.