



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

**ILLINOIS EMERGENCY MANAGEMENT AGENCY AND
 OFFICE OF HOMELAND SECURITY**

State Compliance Examination
 For the Two Years Ended June 30, 2023

Release Date: August 8, 2024

FINDINGS THIS AUDIT: 10	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	2	3	5	2021	21-02, 23-10	23-03, 23-04, 23-09	
Category 2:	2	3	5	2019	23-01		
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	4	6	10				
FINDINGS LAST AUDIT: 10							

SYNOPSIS

- **(24-01)** The Illinois Emergency Management Agency and Office of Homeland Security (Agency) did not exercise adequate controls over its receipts and refund processing and accounts receivable reporting.
- **(24-02)** The Agency did not exercise adequate controls over State property to ensure completeness of property records and accurate and timely reporting to the Office of Comptroller (Comptroller).
- **(24-05)** The Agency did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Category 1:	Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).
Category 2:	Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.
Category 3:	Findings that have no internal control issues but are in noncompliance with State laws and regulations.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER RECEIPTS AND
ACCOUNTS RECEIVABLE**

The Illinois Emergency Management Agency and Office of Homeland Security (Agency) did not exercise adequate controls over its receipts and refund processing and accounts receivable reporting.

Receipts and Refunds

During testing of receipts and refunds transactions and procedures, we were unable to complete the following testing as the Agency was unable to provide the necessary supporting documentation:

- Testing over 2 of 10 (20%) refund receipt transactions, totaling \$ 1,206,354.
- Testing over 3 of 3 (100%) returned checks.
- Testing over the fee rates for Radiation Machine Inspection and Registration fees reported on the Fiscal Year 2022 and Fiscal Year 2023 Fee Imposition Reports.

Accounts Receivable

We performed detailed accounts receivable testing on the following funds: the Radiation Protection Fund (067), the Nuclear Safety Emergency Preparedness Fund (796), and the Low-Level Radioactive Waste Facility Development and Operation Fund (942).

During testing of accounts receivable, we noted the following:

- For Fund 067, various balances reported on all quarterly Form C-98s for Fiscal Year 2022 and 2023 did not agree to the Agency's records. Differences were noted for various aging categories and ranged from net differences of \$ 2,000 to \$ 251,000.
- For Fund 796, various balances reported on 3 of 8 (38%) quarterly Form C-98s for Fiscal Year 2022 and 2023 did not agree to the Agency's records. Differences were noted for various aging categories and ranged from net differences of \$ 5,000 to \$ 12,000.
- For Fund 942, various balances reported on 5 of 8 (63%) quarterly Form C-98s for Fiscal Year 2022 and 2023 did not agree to the Agency's records. Differences were noted

**Supporting receipts and refunds
documentation not provided**

**Inaccurate accounts receivable
reporting**

for various aging categories and ranged from net differences of \$ 2,000 to \$ 38,000.

- Six of the eight (75%) quarterly Form C-99s tested did not agree to the corresponding quarterly Form C-98s. The amount reported for “Total of Past Due Accounts over 180 Days” on the Form C-99 did not agree to the amount reported for “Over 180 Days” on the corresponding C-98. Differences ranged from overstatements of \$38,000 to \$109,000. In addition, the quarterly Form C-99s did not agree to Agency records. Net differences ranged from \$5,000 to \$543,000.

Lack of Segregation of Duties

During testing, we noted one individual performed three parts of the transaction cycle, including:

Lack of segregation of duties

- **Initiation** by generating invoices for amounts due to the Agency,
- **Custody** by handling physical checks and maintaining electronic and physical records, and
- **Recordkeeping** by preparing and posting entries.

Enterprise Resource Planning Program Utilization

ERP system not fully utilized

The State’s implementation of the Enterprise Resource Planning (ERP) program centralized the finance, procurement, grants management, and asset management processes by replacing outdated manual systems and technologies. The ERP can enhance transparency of data, reduce processing time, and improve the timeliness of financial reporting. During the examination period, the ERP’s processing integrity was sufficient to enable reliance upon ERP’s processing of transactions. During our examination, we noted the Agency billed entities for various services; however, the Agency did not fully utilize the Public Sector Collection & Disbursements (PSCD) ERP module. Invoices and bills are generated through the Agency’s legacy Accounts Receivable system, which is an internally developed system based on Microsoft Access. During March 2023, several types of fees were partially migrated to the ERP system. However, invoices and bills and customer data is still entered into the legacy system first. The data is then mapped over to the ERP system electronically. The PSCD maintains transactions related to billings, payments and accounts receivable. During the examination period, the Agency had billings and receipts totaling \$ 10,840,859,988.

Late Deposits

During the entirety of Fiscal Year 2022 through February of Fiscal Year 2023, we noted the Agency did not utilize the PSCD module of the ERP System to process receipts and

Untimely deposit of receipts and refunds

refunds. As such, we tested receipts and refunds deposited outside of the PSCD module during this period, and noted the following:

- The Agency did not deposit 3 refund items, each exceeding \$10,000, on the same day as received.
- The Agency did not deposit 1 receipt item, less than \$500 in totality, when accumulated to \$500 or on the 1st or 15th of the month, whichever was earlier.
- The Agency did not deposit 2 receipt items, totaling \$19,504, within 7 days of receipt, as required per the Agency's deposit extension approval.

From March of Fiscal Year 2023 through the end of the fiscal year, the Agency utilized the PSCD module for certain receipts and refunds. We conducted an analysis of the Agency's receipts data for the period of Fiscal Year 2023 that the Agency utilized the ERP system for receipts and refunds to determine compliance with the State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(b)), noting the following noncompliance:

- The Agency did not deposit 11 receipts items, each exceeding \$10,000, on the same day as received.
- The Agency did not deposit 61 receipt items, exceeding \$500 but less than \$10,000 in totality, within 48 hours.
- The Agency did not deposit 736 receipt items, less than \$500 in totality, when accumulated to \$500 or on the 1st or 15th of the month, whichever was earlier.
- We were unable to determine the timeliness of deposit for 9 receipt items, (Finding 1, pages 9-14) **This finding has been reported since 2019.**

We recommended the Agency implement the necessary controls to: facilitate timeliness of deposits; ensure accuracy of accounts receivable reporting; ensure adequate segregation of duties; and ensure ERP is fully implemented and utilized by the Agency.

Agency agreed with finding

The Agency agreed with the finding and recommendation and stated it began using the PSCD module during FY23 and this will increase visibility of deposit timeliness and provide adequate support for accounts receivable reports. Further, the Agency stated it is in the process of actively filling positions in the accounts receivable unit as vacancies exist.

PROPERTY CONTROL WEAKNESSES

The Agency did not exercise adequate controls over State property to ensure completeness of property records and accurate and timely reporting to the Office of Comptroller (Comptroller).

Inaccurate Reporting

During our testing of all Fiscal Year 2022 and 2023 quarterly *Agency Reports of State Property* (Form C-15), we noted the following:

Inaccurate property reporting

- For Fiscal Year 2023, the Agency duplicated a transaction for building and building improvements for \$63,842. The transaction was recorded twice on the third quarter Form C-15, causing the ending property balance to be overstated by the duplicated amount. The beginning balance on the fourth quarter Form C-15 was also overstated, as the balance included the duplicate transaction.
- For Fiscal Year 2023, we noted a difference of \$7,378 between the asset additions reported on the fourth quarter Form C-15 and the Agency's property control records.

Equipment Additions and Deletions Testing

Support for equipment addition not maintained

- During our testing of equipment additions and deletions for Fiscal Year 2022 and 2023, we noted for 3 of 60 (5%) equipment additions selected for testing, totaling \$ 8,989, the Agency did not retain sufficient support for the addition of equipment to the Agency's property listing.

Freight and installation charges not added to the value of the equipment item

- For 3 of 60 (5%) equipment additions totaling \$ 5,967 selected for testing, freight and installation charges, totaling \$ 93, were not added to the value of the equipment item purchased during the examination period.

Property identification number not assigned

- For 3 of 60 (5%) equipment additions selected for testing, totaling \$ 7,577, the Office did not assign a property identification number to the item when it was added to the Agency's property listing.

Forwards and Backwards Testing

During our testing of property, we noted:

Property listing indicated incorrect location

- 8 of 98 (8%) equipment items selected for forwards (list to-floor) testing, totaling \$ 3,234, could not be located at the location indicated on the Office's property listing.

Equipment not on Agency property listing

- 11 of 87 (13%) equipment items selected for backwards (floor-to-list) testing, could not be traced to the Office’s property listing. (Finding 2, pages 15-17)

We recommended the Agency strengthen its internal controls over State property to ensure property records are complete, reconciled, and updated timely to facilitate accurate and timely reporting to the Comptroller.

Agency agreed with finding

The Agency agreed with the finding and recommendation and stated that during FY24, the Agency hired staff within the property unit. Further, the Agency stated additional staff will help ensure property records are complete and in accordance with the audit recommendations.

INADEQUATE CONTROLS OVER CENSUS RECONCILIATION

The Agency did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

During testing, we noted the following:

Initial complete census reconciliation not performed

- The Agency has not performed an initial complete reconciliation of its census data recorded by SERS and CMS to its internal records to establish a base year of complete and accurate data.

Annual incremental reconciliation process not developed

- Since a base year was not established, the Agency has not developed a process to annually obtain from SERS and CMS the incremental changes recorded by SERS and CMS in their census data records and reconcile these changes back to the Agency’s internal supporting records. (Finding 5, pages 23-24)

We recommended the Agency implement internal controls over the census reconciliation process by conducting a baseline census reconciliation and subsequently reconciling changes in census data annually thereafter.

Agency agreed with finding

The Agency stated it agrees with the finding and recommendation, and stated it has appropriately staffed the Human Resources Division and is taking pro-active measures to ensure that the deficiency in Census Reconciliation will be remediated, and a process will be established to ensure ongoing compliance with this requirement.

OTHER FINDINGS

The remaining findings are reportedly being given attention by Agency personnel. We will review the Agency's progress towards the implementation of our recommendations in our next examination.

ACCOUNTANT'S OPINION

The accountants conducted a State compliance examination of the Agency for the two years ended June 30, 2023, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2023-001, 2023-002, 2023-005, 2023-008, and 2023-010. Except for the noncompliance described in these findings, the accountants stated the Agency complied, in all material respects, with the requirements described in the report.

This State compliance examination was conducted by Kerber, Eck & Braeckel LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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