



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, 2010**

Release Date: July 21, 2011

Summary of Findings:

Total this audit:	22
Total last audit:	29
Repeated from last audit:	15

SYNOPSIS

- The Office improperly used funds appropriated by the General Assembly.
- The Office improperly used funds in violation of the Illinois Vehicle Code.
- The Office did not file its Fiscal Control and Internal Auditing Act certification in a timely manner, nor did it maintain documentation to support its evaluation of internal controls.
- The Office did not notify the Secretary of State of all employees whose positions required them to file an economic interest statement.
- The Office did not comply with provisions of the Petroleum Equipment Contractors Licensing Act.

{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, 2010**

EXPENDITURE STATISTICS	2010	2009	2008
Total Expenditures.....	\$ 23,123,257	\$ 22,830,600	\$ 24,127,791
OPERATIONS TOTAL.....	\$ 19,489,304	\$ 18,294,013	\$ 18,394,804
% of Total Expenditures.....	84.3%	80.2%	76.2%
Personal Services.....	8,291,135	9,026,626	9,066,615
Other Payroll Costs (FICA, Retirement).....	4,536,068	4,286,064	3,928,514
All Other Operating Expenditures.....	6,662,101	4,981,323	5,399,675
AWARDS AND GRANTS.....	\$ 3,576,076	\$ 4,526,733	\$ 5,718,987
% of Total Expenditures.....	15.5%	19.8%	23.7%
REFUNDS.....	\$ 57,877	\$ 9,854	\$ 14,000
% of Total Expenditures.....	0.2%	0.0%	0.1%
Total Receipts.....	\$ 6,805,752	\$ 6,526,243	\$ 5,666,900
Average Number of Employees.....	130	139	155

SELECTED ACTIVITY MEASURES (Not Examined)	2010	2009	2008
Arson Investigations.....	1,260	1,247	1,521
Boiler and Pressure Vessel State Inspections.....	22,809	24,479	23,758
Fire Prevention Building Inspections.....	31,827	21,749	21,293
Fire Service Certifications.....	11,294	11,577	9,860
Fire Service Examinations.....	12,608	12,672	11,673
Underground Storage Tank (UST) Inspections...	5,949	6,661	6,498
UST Emergency Responses and Investigations....	538	648	761
Elevator Licenses.....	540	1,861	601

AGENCY DIRECTOR	
During Examination Period:	Mr. David Foreman (6/1/2008 - 8/31/2009) Mr. Dave DeFraties (Acting) (9/1/2009 - 1/3/2010) Mr. Larry Matkaitis (1/4/2010 - Present)
Currently:	Mr. Larry Matkaitis

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INAPPROPRIATE USE OF APPROPRIATED FUNDS

The Office improperly used funds appropriated by the General Assembly.

Funds totaling \$1,061 used inappropriately

During Fiscal Year 2009, the Office received a lump sum appropriation from the Fire Prevention Fund (Fund 047) of \$450,000 for administrative expenses of the Elevator and Safety Regulation Act. However, we noted the Office processed 6 vouchers, totaling \$858, during Fiscal Year 2009 from this appropriation for refunds of overpayments received by the Office. In addition, we noted the Office processed 1 voucher, totaling \$203, for expenses related to the Office's new fire chief training program from this appropriation.

Appropriations made by the General Assembly specify the purposes for which the public funds of the State may be expended. Expending money for costs other than those designated by the Appropriation Act is a violation of the appropriation process and limits legislative control. (Finding 1, page 11)

We recommended the Office limit expenditures from appropriated line items to the purpose for which they are appropriated. In addition, we recommended the Office utilize the appropriation transfer process or request supplemental appropriations when appropriations are insufficient to cover expenses incurred during the fiscal year.

Office agrees with auditors

Office officials agreed with our recommendation and stated they did not process any expenditures from the wrong appropriation codes during Fiscal Year 2010.

NONCOMPLIANCE WITH THE ILLINOIS VEHICLE CODE

The Office improperly used funds in violation of the Illinois Vehicle Code (Code) (625 ILCS 5/3-634).

The Office received a lump sum appropriation from the Illinois Firefighters Memorial Fund (Fund 510) totaling \$185,000 for Fiscal Year 2009. As explained in the Code (625 ILCS 5/3-634), Fund 510 is to be used for expenses associated with the maintenance and upkeep of the Illinois Firefighters' Memorial, the annual medal of honor ceremony, scholarships for children and spouses of firefighters killed in the line of duty, and upkeep of the Illinois Firefighters' Museum (Museum), located on the grounds of the Illinois State Fairgrounds. The Code (625 ILCS 5/3-634(e)) further stipulates that no more than 10% of the annual proceeds

received in Fund 510 shall be used for expenses associated with the Museum.

Office overspent \$14,455 on Illinois Firefighters' Museum

We noted the Office charged expenditures totaling \$184,526 against its appropriation from Fund 510 during Fiscal Year 2009, including expenditures totaling \$56,290 for the Museum. However, the annual proceeds received in Fund 510 from the issuance of license plates during the preceding fiscal year only totaled \$418,347. Accordingly, the Office should have limited their expenditures from this appropriation for the upkeep of the Museum during Fiscal Year 2009 to \$41,835. In conclusion, the actual expenditures charged to this appropriation for the Museum exceeded the statutorily imposed cap for expenditures on the Museum by \$14,455.

Failure to adhere to the statutorily imposed cap for expenditures on the Museum reduces the amount of money available in Fund 510 for other statutorily authorized purposes and is noncompliance with the Code. (Finding 2, pages 12-13)

We recommended the Office evaluate all proposed expenditures and repair projects for the Museum before they are initiated to ensure the statutorily imposed cap is not exceeded, or seek legislative remedy to the statutorily imposed cap.

Office agrees with auditors

Office officials agreed that the statutorily imposed cap for expenditures on the Museum was exceeded but noted the expenditures during Fiscal Year 2009 included an emergency roof repair for the Museum. Office officials also stated they spent only a fraction of the amount permitted pursuant to the statutorily imposed cap on the Museum during Fiscal Years 2008 and 2010.

NONCOMPLIANCE WITH THE FISCAL CONTROL AND INTERNAL AUDITING ACT

The Office did not file its Fiscal Control and Internal Auditing Act certification in a timely manner, nor did it maintain documentation to support its evaluation of internal controls.

FY10 FCIAA filed 77 days late

Support for FY09 FCIAA could not be located

The Office did not file its Fiscal Control and Internal Auditing Act certification for Fiscal Year 2010 in a timely manner. The report was due on May 1, 2010 and was filed on July 28, 2010, which is 77 days late. In addition, the Office filed its Fiscal Year 2009 certification in a timely manner; however, the Office was unable to provide the auditors with documented evidence of their evaluation of internal controls.

Timely evaluations of internal controls are necessary to determine whether existing controls are adequate to prevent or detect potential risks. Failure to maintain the necessary

documentation to support the evaluation of internal controls is noncompliance with the State Records Act. (Finding 4, pages 15-16)

We recommended the Office comply with the requirements of the Fiscal Control and Internal Auditing Act by documenting its review of internal controls and filing the required reports in a timely manner.

Office agrees with auditors

Office officials agreed with our recommendation and stated their internal audit staff has assumed responsibility for ensuring compliance with the Fiscal Control and Internal Auditing Act.

ECONOMIC INTEREST STATEMENTS NOT FILED

The Office did not notify the Secretary of State of all employees whose positions required them to file an economic interest statement.

Key employees not required to file statements of economic interests

We noted two employees, the Chief Fiscal Officer and one Public Service Administrator who oversees contracts for the agency, were omitted from the list of employees required to file statements of economic interests. As a result, these employees did not file the economic interest statements due May 1, 2009 and May 1, 2010.

Failure to file and review economic interest statements could lead to employees making decisions in which they should have been disqualified due to a conflict of interest. (Finding 5, page 17)

We recommended the Office periodically review job duties and personnel transactions to ensure all personnel in qualifying positions are reported to the Secretary of State and subsequently file statements of economic interests.

Office agrees with auditors

Office officials agreed with our recommendation and stated corrective action has been implemented.

NONCOMPLIANCE WITH THE PETROLEUM EQUIPMENT CONTRACTORS LICENSING ACT

The Office did not comply with provisions of the Petroleum Equipment Contractors Licensing Act (Act). We noted the following weaknesses:

Minimum amount of training not specified

- The Office did not adopt any rules specifying the minimum amount of training required for the personnel engaged in Underground Storage Tank (UST) activities regulated under the Act.

No log of complaints maintained

- The Act (225 ILCS 729/70) requires the Office to maintain a log of all complaints received concerning violations regarding parties licensed under the Act or unlicensed activity. However, we noted the Office did not maintain a log of complaints received as required. As a result, we could not determine if the Office took appropriate action to investigate or follow up on complaints received.

Refunds issued unnecessarily

- We also noted the Office issued 11 refunds, totaling \$9,300, to parties who were either licensed under the Act or who had applied for licensure. In 10 of these instances, the Office approached the party and offered refunds, either due to overpayment or timing of license expirations. In the other instance, the contractor approached the Office and requested a refund because it did not wish to submit all of the outstanding items necessary to process its renewal application. However, the Act (225 ILCS 729/45(c)) states that all fees paid pursuant to the Act are nonrefundable.

Failure to adopt required rules may result in a lack of necessary training to ensure the proper UST installation, testing, and maintenance for the safety of Illinois owners, operators, and citizens. Failure to maintain a log of all complaints received is noncompliance with State statute and limits the Office's ability to analyze any patterns of complaints received regarding licensed contractors, as well as activity performed by licensed parties. The issuance of refunds when prohibited reduces the amount of funding available to meet the operational needs of the Office. (Finding 12, page 36) **This finding has been repeated since 2006.**

We recommended the Office adopt rules outlining the minimum amount of training as required by the Act or seek legislative remedy to the statutory requirement. We also recommended the Office comply with the Act's requirement to log all complaints concerning violations regarding licensee or unlicensed activity. Lastly, we recommend the Office comply with the Act's prohibition of refunds, or seek legislative remedy to the statutory requirement.

Office agrees with auditors

Office officials agreed with our recommendation and stated legislation currently awaiting gubernatorial approval would resolve the need to establish a minimum amount of training and would allow for refunds in the case of accidental overpayments. Office officials also stated they have established a log for complaints received. (For the previous agency response, see Digest Footnote #1.)

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:CD:PP

AUDITORS ASSIGNED

This examination was performed by the staff of the Office of the Auditor General.

DIGEST FOOTNOTES

**#1 – NONCOMPLIANCE WITH THE PETROLEUM
EQUIPMENT CONTRACTORS LICENSING ACT –
Previous Agency Response**

2008: Accepted. The Office will review the Act and Administrative Rules to become fully compliant.