



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE STATE FIRE MARSHAL

Compliance Examination
 For the Two Years Ended June 30, 2018

Release Date: December 18, 2019

FINDINGS THIS AUDIT: 12	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	3	0	3	2006		18-009	
Category 2:	7	2	9	2016		18-010	
Category 3:	0	0	0				
TOTAL	10	2	12				
FINDINGS LAST AUDIT: 5							

SYNOPSIS

- **(18-001)** The Office did not perform all inspections of public schools or always report identified violations to the regional superintendents.
- **(18-002)** The Office did not exercise adequate control over its collection and revenue recognition of fees.
- **(18-003)** The Office did not exercise adequate control over the accuracy, completeness, and timeliness of its State property records and related reporting.

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.

{Expenditures and Activity Measures are summarized on next page.}

**STATE FIRE MARSHAL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

EXPENDITURE STATISTICS	2018	2017	2016
Total Expenditures	\$ 32,636,026	\$ 28,451,645	\$ 27,923,350
OPERATIONS TOTAL.....	\$ 23,007,139	\$ 21,648,177	\$ 21,816,162
% of Total Expenditures.....	70.5%	76.1%	78.1%
Personal Services.....	10,638,444	10,474,292	10,059,964
Other Payroll Costs (FICA, Retirement).....	8,368,451	7,759,816	7,748,149
All Other Operations Items.....	4,000,244	3,414,069	4,008,049
AWARDS AND GRANTS.....	\$ 9,625,132	\$ 6,798,588	\$ 6,105,343
% of Total Expenditures.....	29.5%	23.9%	21.9%
REFUNDS.....	\$ 3,755	\$ 4,880	\$ 1,845
% of Total Expenditures.....	0.0%	0.0%	0.0%
Total Receipts.....	\$ 6,180,486	\$ 6,675,667	\$ 6,502,172
Average Number of Employees.....	121	115	117

SELECTED ACTIVITY MEASURES (Not Examined)	2018	2017	2016
Fire Investigations.....	1,024	1,015	1,039
Boiler and Pressure Vessel State Inspections.....	44,642	48,059	46,732
Fire Prevention Inspections.....	9,502	10,514	12,329
Fire Service Certifications.....	10,164	11,591	11,125
Fire Service Examinations.....	12,796	11,439	8,947
Underground Storage Tank Facility Inspections.....	11,148	11,414	11,142

STATE FIRE MARSHAL
During Examination Period: Mr. Matthew Perez
Currently: Mr. Matthew Perez

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

FAILURE TO PERFORM INSPECTIONS OR REPORT VIOLATIONS

The Office of the State Fire Marshal (Office) did not perform all inspections of public schools or always report identified violations to the regional superintendents.

During testing, we noted the following:

43% of schools were not inspected during Fiscal Year 2018

- The Office did not perform annual fire safety inspections of each public school. We noted 1,138 of 3,427 (33%) and 1,490 of 3,470 (43%) schools were not inspected during Fiscal Year 2017 and Fiscal Year 2018, respectively.
- We reviewed the Office's records for 60 inspected public schools during the examination period. Of these 60 schools, 46 (77%) had violations noted by the inspector. We noted the following:

Inspection violations were not reported

- 20 of 46 (43%) reports with violations did not have evidence the report was submitted to the regional superintendent (superintendent).

Inspection violations were not timely reported

- 4 of 46 (9%) reports with violations were reported to the superintendent between 1 and 20 days late. (Finding 1, pages 12-14)

We recommended the Office work with the Governor and the General Assembly to ensure sufficient resources exist to timely conduct public school building inspections. Further, the Office should enhance its internal controls to provide assurance violation reports are timely sent to the school's applicable superintendent.

Office agreed with recommendation

The Office agreed with the recommendation.

INADEQUATE CONTROL OVER FEES

The Office did not exercise adequate control over its collection and revenue recognition of fees.

During testing, we noted the following:

Failure to collect adequate identifying information

- During our review of the Office's process for collecting inspection fees for boilers and pressure vessels, we noted the Office lacked an adequate process for identifying the party responsible for paying the fee.

Revenue recognition process not in compliance with GAAP

- During our review of the Inspection Certificate process, we noted the Office had a revenue recognition process not recognized by Generally Accepted Accounting Principles (GAAP).

Receivables not referred to the Debt Collection Bureau

- The Office did not refer any of its accounts receivable related to underground storage tanks to the Department of Revenue's Debt Collection Bureau (Bureau). (Finding 2, pages 15-18)

We recommended the Office implement controls to obtain sufficient information about responsible parties to enable the collection of accounts receivable, or seek a legislative remedy to require up-front payment for an inspection at the time when an inspection is scheduled. Further, we recommended the Office refer qualifying debt to the Bureau for external collection efforts and review all of its revenue sources to ensure the appropriate application of GAAP.

Office agreed with recommendation

The Office agreed with the recommendation.

INADEQUATE CONTROL OVER STATE PROPERTY

The Office did not exercise adequate control over the accuracy, completeness, and timeliness of its State property records and related reporting.

Difference of \$21,334 noted between Office records and amount reported to Comptroller

During testing, we were unable to agree the listing of additions provided by the Office to the activity reported in its quarterly *Agency Report of State Property* (Form C-15) reports submitted to the Office of the State Comptroller (Comptroller) for Fiscal Year 2017 Quarter 1, Quarter 2, and Quarter 3. The net difference totaled \$21,334.

Unable to conclude Property Schedule was complete and appropriately reported

Due to this condition, we were unable to conclude whether the Office's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Office's equipment. In addition, due to these limitations, auditors were unable to conclude the Office's Schedule of Changes in State Property on page 56 of the report was complete and appropriately reported.

Several deficiencies noted with property reporting

We also noted other deficiencies such as: items were untimely added to the Office's property listing; freight charges were not added to the value of equipment; items were unable to be located; items were found in a different location than reported; obsolete items not sent to surplus; Form C-15s were filed late; and the Office did not file a Form SCO-560 with the Comptroller.

We recommended the Office strengthen its internal controls over State property by:

1. Reviewing the Office's property listing, including recent equipment transactions, to ensure it is complete and accurate;
2. Timely recording equipment transactions;
3. Maintaining documentation to support the completeness and accuracy of property additions; ensuring Form C-15s submitted to the State Comptroller are accurate; and properly reporting all leases with a fair market value in excess of \$5,000 to the State Comptroller.

Office agreed with recommendation

The Office agreed with the recommendation.

OTHER FINDINGS

The remaining finding pertains to inadequate controls over State vehicles, receipts, grant agreements, monthly reconciliations, and performance evaluations, weaknesses with payment card industry data security standards, failure to establish and maintain a Statewide arsonist database, failure to timely implement statutory changes, and untimely inspection of boilers and pressure vessels. We will review the Office's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Office for the two years ended June 30, 2018, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2018-001 through 2018-003. Except for the noncompliance described in these findings, the accountants stated the Office complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by the Office of the Auditor General's staff.

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

FJM:SJS