

LEGISLATIVE AUDIT COMMISSION



Review of
Office of the State Fire Marshal
Two Years Ended June 30, 2022

620 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW #4594 Office of the State Fire Marshal – FY21-22 Compliance

REVIEW: #4594 OFFICE OF THE STATE FIRE MARSHALL TWO YEARS ENDED JUNE 30, 2022

RECOMMENDATIONS – 23

IMPLEMENTED/PARTIALLY IMPLEMENTED – 22* UNDER STUDY – 1*

***(A few findings were listed as both partially implemented and under study)**

REPEATED RECOMMENDATIONS – 14

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 21

This review summarizes the auditors' report of Office of the State Fire Marshal for the two years ended June 30, 2022 filed with the Legislative Audit Commission on December 21, 2023. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

The Office of the Illinois State Fire Marshal (OSFM) was created through an Act of the General Assembly on June 15, 1909. The Act required the Governor to appoint a State Fire Marshal who would be responsible for overseeing the agency. The initial charge to the agency was to inspect buildings to ensure they were safe from dangerous conditions, as well as to conduct cause and origin investigations of fires and, if evidence existed, to require the arrest of individuals for the crime of arson. In order to fund the operations of the agency, the General Assembly established a tax to be paid by insurance companies on the gross premium receipts collected on fire insurance policies. This tax still exists today and remains the primary funding source for the agency.

The Office provides its services through the following operating divisions:

- Arson Investigation
- Fire Prevention and Building Safety
- Boiler and Pressure Vessel Safety
- Petroleum and Chemical Safety
- Personnel Standards & Education
- Elevator Safety
- Technical Services

The Office is located in Springfield, with additional offices in Chicago and Marion, Illinois. The Chicago office was moved from the JRTC to 555 W. Monroe in Chicago.

Mr. Matthew Perez served as State Fire Marshal during the audit period. James Rivera was appointed in February 2023 and served until Michele Pankow was appointed in June 2025. Michele Pankow is the first woman to hold the position and previously served as

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the first female Fire Chief of the Rockford Fire Department. She began her career with the Rockford Fire Department in 1992 as a Firefighter/Paramedic/EMT.

Appropriations and Expenditures

| Appropriations (\$ thousands) | FY21 | | FY22 | |
|---|----------|----------|----------|----------|
| | Approp | Expend | Approp | Expend |
| OTHER STATE FUNDS | | | | |
| Personal Services | 26,233.6 | 21,933.7 | 25,603.9 | 23,951.3 |
| Contractual Services | 1,531.9 | 1,419.0 | 1,511.9 | 1,423.1 |
| Other Operations | 3,536.3 | 3,273.3 | 3,451.3 | 3,239.0 |
| Designated Purposes | | | | |
| Community Risk Reduction | 50.0 | 3.7 | 50.0 | 17.7 |
| Computer-Based Firefighter Certification Test. | 170.0 | 54.6 | 590.0 | 157.6 |
| Cornerstone | 350.0 | 350.0 | 350.0 | 350.0 |
| Explorer-Cadet Program | 65.0 | 27.1 | 65.0 | 65.0 |
| Firefighter Online Training Mgmt. System | 195.0 | 190.0 | 380.0 | 380.0 |
| Firefighter Training Programs | 280.0 | 280.0 | 230.0 | 230.0 |
| IL Firefighter Peer Support | 60.0 | 0.0 | 60.0 | 60.0 |
| Medal of Honor Ceremony, Scholarships, and Memorial Maintenance | 200.0 | 122.9 | 200.0 | 200.0 |
| Minimum Basic Firefighter Training | 1,000.0 | 1,000.0 | 1,000.0 | 1,000.0 |
| Senior Officer Training | 55.0 | 14.5 | 55.0 | 0.0 |
| Total Designated Purposes | 2,425.0 | 2,042.8 | 2,980.0 | 2,460.3 |
| Grants | | | | |
| Chicago Fire Depart. Training Program | 3,041.6 | 3,041.6 | 3,279.8 | 3,279.8 |
| Development of New Fire Districts | 0.5 | 0.0 | 0.5 | 0.0 |
| Hazardous Materials Emergency Resp. Reimbursement. | 10.0 | 0.0 | 10.0 | 0.0 |
| IL Fire Department COVID Asst. Grants | 0.0 | 0.0 | 1,000.0 | 327.2 |
| Mutual Aid Box Alarm System Admin. Costs | 125.0 | 125.0 | 240.0 | 240.0 |
| Payment To Local Gov't Agencies that Participate in State Training Programs | 950.0 | 665.0 | 1,450.0 | 1,450.0 |
| Small Equipment Grant Program | 3,500.0 | 3,474.0 | 2,500.0 | 2,499.9 |
| Supplemental Payment to reimburse Local Gov't Associated with Training | 500.0 | 500.0 | 0.0 | 0.0 |
| Underground Storage Tank Prog. In Chicago | 550.0 | 550.0 | 550.0 | 550.0 |
| Total Grants | 8,677.1 | 8,355.6 | 9,030.3 | 8,346.9 |
| Capital Improvements | | | | |
| Fire Museum Building Rehabilitation | 2,000.0 | 0.3 | 2,000.0 | 0.0 |
| Maintenance & Rehab. Of Museum Bldg. & Artifacts | 75.0 | 0.0 | 75.0 | 0.0 |

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| | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| Total Capital Improvements | 2,075.0 | 0.3 | 2,075.0 | 0.0 |
| TOTAL OTHER STATE FUNDS | 44,478.9 | 37,024.7 | 44,652.4 | 39,420.6 |
| FEDERAL FUNDS | | | | |
| U.S. Resource Conservation Recovery Act Underground Storage Tank Program | 1,000.0 | 522.4 | 1,000.0 | 818.6 |
| TOTAL FEDERAL FUNDS | 1,000.0 | 522.4 | 1,000.0 | 818.6 |
| TOTAL | 45,478.9 | 37,547.1 | 45,652.4 | 40,239.2 |

Accountants' Findings and Recommendations

Condensed below are the 23 findings and recommendations included in the audit report. Of these, 14 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by the Office of the State Fire Marshal, via electronic mail received December 21, 2023.

- 1. The auditors recommend the Office work with the Department of State Police to obtain arsonist registration information and create a hyperlink/database that can be published and made available for the public via the Office's website, or seek a legislative remedy.**

FINDING: *(Failure to Establish and Maintain a Statewide Arsonist Database) – First reported 2016, last reported 2022.*

The Office of the State Fire Marshal (Office) did not establish and maintain a Statewide Arsonist Database or make such database available to the public via its website as required by the Arsonist Registration Act (Act).

The Act (730 ILCS 148/60(b)) requires the Department of State Police to furnish to the Office the registration information concerning persons who are required to register under the Act. Then, the Office is to establish and maintain a Statewide Arsonist Database for the purpose of making that information available to the public on the Internet by means of a hyperlink labeled "Arsonist Information" on the Office's website.

This finding was first noted in the Office's State Compliance Examination for the two years ended June 30, 2016. Office management has been unsuccessful in implementing a corrective action plan to remedy this condition.

Office management indicated, as it did during prior examinations, that due to a lack of funding, the Department of State Police has not provided the Office with arsonist registration information. Therefore, the Office has been unable to establish a Statewide Arsonist Database and publish it on the Office's website.

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Failure to establish and maintain a Statewide Arsonist Database and make such a database available to the public via the Office's website represents noncompliance with the Act and limits public awareness of arsonist information.

OFFICE RESPONSE:

The Office accepts the finding. As noted in the Act, the Department of State Police (ISP) is required to provide the Office with registration information of persons who are required to register under the Act. This information is not currently being collected by ISP nor being sent to the Office. Once the Office begins receiving Arsonist registration information from ISP, a hyperlink titled "Arsonist Information" will be included on the State Fire Marshal website, and the information will be made available to the public.

UPDATED RESPONSE:

Implemented. The Office has included a hyperlink on our website where Arsonist Registration Information will be made available to the public, once the information has been provided to the Office by the Illinois State Police.

- 2. The auditors recommend the Office implement controls to obtain sufficient information about responsible parties to enable the collections 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, the Office should refer qualifying debt to the Bureau for external collection efforts.**

FINDING: *(Inadequate Controls over Fees and Accounts Receivable) – First reported 2018, last reported 2022.*

The Office of the State Fire Marshal (Office) did not exercise adequate controls over its collection of fees and accounts receivable.

During testing, auditors noted the following:

- During review of the Office's process for collecting inspection fees for boilers and pressure vessels, auditors noted the Office lacked an adequate process for identifying the party responsible for paying the fee. The Office has three ways for triggering an inspection by the Office, each of which lacked a process to gather all information needed to collect on the resulting account receivable, such as the identity of the responsible party and its corresponding taxpayer identification number (TIN). Then, when the actual inspection occurs, the Office's inspector only confirms the mailing address and, if the person providing the inspector access to the boiler is willing to provide it, the e-mail address for the entity that pays the building's costs. After the inspection, the Office sends an invoice to the address confirmed by the inspector and, if the amount is not timely paid, the Office sends quarterly statements demanding payment.

Under this process, the Office does not gather enough information to establish and collect each account receivable as established by the Illinois State Collection Act

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of 1986. The Illinois State Collection Act of 1986 (30 ILCS 210/5(c-1) and (g)) requires the referral of all debts of \$250 or more and 90 days past due to the Office of Comptroller's Offset System and the referral of all delinquent debt to the Department of Revenue's Debt Collection Bureau (Bureau).

In order to refer debt to the Office of Comptroller's Offset System, the Statewide Accounting Management System (SAMS) Manual (Procedure 26.40.20) requires the Office to provide the debtor's name and federal employer's identification number (FEIN) or social security number (SSN).

In order to refer delinquent debt to the Bureau, the Illinois Administrative Code (74 Ill. Admin. Code 1200.60(e)) requires the Office to provide the Bureau with information about the debtor. For individuals, this includes the debtor's identity, address, and social security number. For businesses, this includes the debtor's name and business organization type, the business's federal employer identification number, and the social security numbers of the officers of the business.

The SAMS Manual (Procedure 26.20.10) notes detailed information related to an account receivable is needed to support the recognition and tracking of receivables. The SAMS Manual recommends maintaining, at a minimum, (1) the debtor's name, FEIN or SSN, and last known address, (2) the amount owed and the nature of the debt, (3) the initial due date, and (4) documentation of all collection efforts.

Both in the prior examination and the current examination, Office personnel stated the Office does not believe it is cost effective to collect all of the information required to identify the party responsible for paying the receivable.

- For all remaining fees, the Office did not refer any of its delinquent accounts receivable to the Bureau. The Illinois Administrative Code (74 Ill. Admin. Code 1200.50) defines delinquent debt as all amounts owed of \$10 or more which are more than 90 days past due.

Both in the prior examination and the current examination, Office personnel stated, the Office does not believe it is cost effective to refer delinquent accounts to the Bureau.

Finally, this finding was first noted in the Office's State Compliance Examination for the two years ended June 30, 2018. Office management has been unsuccessful in implementing a corrective action plan to remedy this condition.

On its June 30, 2022 accounts receivable reports, the Office reported receivables totaling \$11.812 million, including \$11.638 million reported as more than 90 days past due.

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Failure to gather adequate information about the responsible party to enable the establishment of accounts receivable could result in lost revenue or delayed cash collections for the State. Further, failure to refer qualifying delinquent debt to the Bureau could result in the State realizing less cash than possible from its account receivable and represents noncompliance with State laws and regulations.

OFFICE RESPONSE:

The Office agrees with the finding. The Office has been aware that it does not collect sufficient detail for boiler inspection fees to verifiably identify the party responsible for the receivable. There are often issues determining what party maintains ultimate responsibility for a boiler or pressure vessel. Neither state statute nor administrative rule gives the Office authority to mandate that a TIN is provided to the Office. Without this information it is difficult to file an offset or engage in other collection methods for delinquent invoices. The Office will continue to examine this issue and work on ways that it may be able to obtain the information necessary to file offsets for overdue boiler and pressure vessel inspection invoices. However, the Office does not believe that requiring upfront payment for inspections is the appropriate solution.

As to referrals to the Department of Revenue's Debt Collection Bureau, the Office in the past has engaged the services of collection agencies identified by the Bureau. The Office had no success in utilizing these services and determined that the administrative work necessary to engage these services is not a good use of time. The Office refers the largest portion of its accounts receivable (underground storage tank fines and penalties) to the Comptroller's offset system and the Office has been successful at receiving some payments utilizing this system.

UPDATED RESPONSE:

Under Study. Boilers doesn't have the ability to collect necessary information to collect all fees. A legislative remedy is thought to take a year or longer. For reporting of delinquent accounts to IDOR's Debt Collection Bureau, the office will review to determine if there is a feasible and cost-effective method to do so.

- 3. The auditors recommend the Office work with the Governor and General Assembly to ensure sufficient resources exist to timely conduct public school building inspections. In addition, the Office should enhance its internal controls to provide assurance violation reports are timely sent to the school's applicable superintendent. Further, the Office should ensure copies of all inspections performed are retained.**

FINDING: *(Failure to Perform School Fire Inspections or Report Violations) – First reported 2018, last reported 2022.*

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 (superintendent).

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During testing, auditors noted the following:

- The Office did not perform annual fire safety inspections of each public school within the State. The auditors noted 807 of 3,420 (24%) and 185 of 3,393 (5%) schools were not inspected during Fiscal Year 2021 and Fiscal Year 2022, respectively.

The School Code (Code) (105 ILCS 5/3-14.21(c)) requires the Office, or a qualified fire official to whom the Office has delegated its authority, to conduct an annual fire safety inspection of each school building in this State.

- The Office did not have sufficient controls in place to ensure violations identified during school inspections performed by qualified fire officials to whom the Office delegated its authority during the examination period were sent to the superintendent within 15 days of the completed inspection. In cases where local fire departments performed the necessary inspections, the Office relied on the local fire department to communicate the noted violations to the regional superintendent of schools, and the Office did not receive documentation to substantiate such communication had occurred in all instances.

The Code (105 ILCS 5/3-14.21(c)) requires the Office to report any violations in writing to the superintendent and reference the specific code selection where a discrepancy has been identified within 15 days after the inspection has been conducted. Furthermore, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with the applicable law.

- Fifty-four of 60 (90%) sampled inspections of public schools conducted by the Office or a qualified official to whom the Office has delegated its authority during the examination period contained violations noted by the inspector. For those 54 inspections containing violations, auditors noted the following:
 - Eight (15%) reports with violations did not have evidence the report had been submitted to the superintendent.
 - One (2%) report with violations was reported to the superintendent 2 days late.

The Code (105 ILCS 5/3-14.21(c)) requires the Office, or a qualified official to whom the Office has delegated its authority, to report violations in writing to the superintendent within 15 days after the inspection was conducted, which triggers a requirement for the superintendent to address violations not timely corrected. Under the Code (105 ILCS 5/3-14.21(b)), if a superintendent finds a school board failed to timely correct a violation, the superintendent shall order the school board to adopt and submit a plan to the superintendent for the immediate correction of the violation. The school board must adopt this plan after conducting a public hearing where notice of the meeting was given in a

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newspaper of general circulation within the school district. If, during the next annual inspection, the superintendent finds the violations have not been corrected, the superintendent must submit a report to the State Board of Education recommending withholding of the school district's general State aid or evidence-based funding so the superintendent can enter into contracts to correct the outstanding violations. During a hearing, after providing notice to both the superintendent and the school board, the State Board of Education can order the diversion of State fund to the superintendent to correct the violations.

- The Office was unable to provide supporting documentation for 1 of 60 (2%) inspections performed. As such, auditors were unable to determine whether the inspection was coordinated with the regional superintendent, the inspection was based on the fire safety code authorized in the Code (105 ILCS 2-3.12), and whether any violations were noted and if so, whether violations were reported to the regional superintendent in writing within 15 days after the inspection and referenced specific code sections where the discrepancy was identified.

The Code (105 ILCS 5/3-14.21(c)) requires the Office, or a qualified fire official to whom the Office has delegated its authority, to conduct an annual fire safety inspection of each public-school building in the State. The inspection shall be coordinated with the regional superintendent and based on the fire safety code authorized in Section 2-3.12 of this code. Any violations shall be reported in writing to the regional superintendent and reference the specific code selections where a discrepancy has been identified within 15 days after the inspection has been conducted. Additionally, the State Records Act (5 ILCS 160/8) requires the Office to make and preserve records containing adequate and proper documentation of the organization's functions.

Finally, this finding was first noted in the Office's State Compliance Examination for the two years ended June 30, 2018. Office management has been unsuccessful in implementing a corrective action plan to remedy this condition.

As in the prior year examination, Office management indicated they do not have the resources necessary to ensure all schools within the State are inspected annually. Office management also indicated the fire department is responsible for sending the inspection report to the applicable superintendent. Additionally, the fire inspection system used by the Office lacks the necessary controls to ensure that fire departments are submitting violations to superintendents as required.

Failure to perform fire safety inspections at all public schools and properly report violations increases the risk that schoolchildren are being educated in dangerous and unsafe conditions and represents material noncompliance with the Code.

OFFICE RESPONSE:

The Office agrees with the finding. The Office has implemented a new internal procedure to ensure all public schools are inspected annually and achieved 100% compliance during

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the last school year. Additionally, the Office believes it has identified a method to ensure when qualified fire officials (QFOs) complete inspections, the QFO's will be able to email the school Superintendents directly. Should a report that is sent to the Office that does not show the report being sent to the Superintendent, the report will be sent back to the QFO's to properly complete. Finally, the Office will continue its efforts to ensure that documentation of all inspections is retained and available for review.

UPDATED RESPONSE:

Partially Implemented. 100% of School Inspections were performed in Fiscal Year 2023, this part of the finding has been corrected. As for the inspection reports being sent by local QFO's to school superintendents, each report gets sent to OSFM and is reviewed. Training will be provided to local QFO's inspecting schools to ensure that they are aware to send inspection reports to both the Regional Superintendent and the Office's Fire Prevention Division. If OSFM is unable to determine that a report was emailed to the Superintendent, then the report will be rejected and will need to be resubmitted. Finally, the Office will continue its efforts to ensure that all inspection reports are retained.

4. **The auditors recommend the Office work with the Department to formally reduce the agreements to perform inspections on the Office's behalf to writing.**

FINDING: *(Lack of Interagency Agreements with the Department of Public Health) – First reported 2020, last reported 2022.*

The Office of the State Fire Marshal (Office) did not have interagency agreements with the Department of Public Health (Department) to ensure fire safety inspections were being performed to comply with licensing requirements for various facilities.

The following statutes (collectively, the Acts) require the Office to perform necessary fire inspections of various facilities to comply with licensing requirements:

- Community Living Facilities Licensing Act (210 ILCS 35/8.5),
- MC/DD Act (210 ILCS 46/3-216), and
- ID/DD Community Care Act (210 ILCS 47/3-216).

In addition, the Acts indicate the Office may enter into an agreement with another State agency to conduct fire safety inspections if qualified personnel are employed by the agency.

The auditors testing indicated the Office did not enter into formal interagency agreements with the Department to ensure the required fire safety inspections were being performed by qualified personnel. As a result, the auditors could not conclude if the Office performed any inspections of the facilities licensed under the Acts.

During the prior and current year examinations, the Office management indicated the Department has adopted the responsibility for conducting inspections of community living

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facilities, medically complex facilities for the developmentally disabled, and intermediate care facilities for the developmentally disabled, but an interagency agreement for the Department to assume that responsibility had not been formally reduced to writing.

As the Office has the overarching responsibility to ensure the inspections are being performed, failure to develop formal interagency agreements detailing the relationship between the Office and the Department increases the risk of inspections not being performed as required at each licensed facility and represents noncompliance with State law.

OFFICE RESPONSE:

The Office agrees with the finding. The Office will continue its efforts to work with the Department of Public Health to enter into a formalized agreement outlining each party's responsibilities in relation to the Act.

UPDATED RESPONSE:

Partially Implemented. The Office has submitted two IGA's to IDPH to address this finding. Once signatures are obtained, this finding will be resolved. This is expected to be remedied prior to the end of Fiscal Year 2024.

- 5. The auditors recommend the Office conduct annual inspections as required by the Act. Additionally, they recommend the Office implement measures to ensure populations provided to facilitate sample selection are accurate and complete.**

FINDING: *(Inadequate Controls over Boiler and Pressure Vessel Inspections) – First reported 2020, last reported 2022.*

The Office of the State Fire Marshal (Office) did not have sufficient controls over the performance of inspections required by the Boiler and Pressure Vessel Safety Act (Act).

After selecting a sample of power boilers under the Office's jurisdiction during the examination period and testing the required inspections, auditors noted 15 of 56 (27%) items selected for testing were not power boilers and were instead historical boilers, such as traction engines, used solely for exhibition purposes and subject to different inspection requirements than power boilers. As such, these items should not have been included within the requested population of power boilers. Additionally, after selecting a sample of low-pressure steam heater boilers under the Office's jurisdiction during the examination period and testing the required inspections, auditors noted 1 of 16 (6%) items selected for testing was a power boiler, which is subject to different inspection requirements than low pressure steam heater boilers. As such, this item should not have been included within the requested population of low-pressure steam heater boilers. Furthermore, after selecting a sample of pressure vessel systems under the Office's jurisdiction during the examination period and testing the required inspections, auditors noted 2 of 60 (3%) items selected for testing were constructed subsequent to the examination period. As such,

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these items should not have been included within the requested population of pressure vessel systems.

Due to these conditions, the auditors 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 § 205.36) to test the Office's power boiler inspections, low pressure steam heat boiler inspections, and pressure vessel system inspections.

Even given the population limitations noted above which hindered the auditor's ability to conclude whether selected samples were representative of the population as a whole, they performed testing and noted the following:

- For 27 of 76 (36%) annual internal power boiler inspections required for the 38 boilers selected for testing, the inspection was not performed by the Office or an external special inspector.

The Act (430 ILCS 75/10(a)(1)) requires power boilers proposed to be used within the State be inspected by the Office or an external special inspector annually. Annual inspections are required for both internal and external inspections of power boilers while they are not under pressure, and external inspections of power boilers while they are under pressure, if possible.

- For 3 of 60 (5%) low pressure boiler systems, including low pressure hot water heating boilers, low pressure hot water supply boilers, and low-pressure steam heater boilers, selected for testing, the Office failed to perform the required biennial inspections.
- For 1 of 60 (2%) low pressure boiler systems, including low pressure hot water heating boilers, low pressure hot water supply boilers, and low-pressure steam heater boilers, selected for testing, the Office failed to perform an inspection of the system prior to the expiration of the related certificate. The inspection was performed 167 days after the previous certificate expired.

The Act (430 ILCS 75/10(a)(2)) requires low pressure hot water heating boilers, low pressure hot water supply boilers, and low-pressure steam heater boilers to be inspected biennially. Good internal controls should ensure inspections are performed prior to the expiration of the previous inspection.

- For 21 of 60 (35%) pressure vessel systems selected for testing, the Office failed to perform an inspection of the system prior to the expiration of the related certificate. The inspections were performed 3 to 267 days after the previous certificates expired.

The Act (430 ILCS 75/10(a)(4)) requires pressure vessels not subject to internal corrosion to receive a certificate inspection every three years. Good internal

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controls should ensure inspections are performed prior to the expiration of the previous inspection.

- For 3 of 14 (21%) traction steam engine boilers and other boilers selected for testing, the Office failed to perform the required inspections every two years.

The Act (430 ILCS 75/10(a)(3)) requires traction steam engine boilers and other boilers constructed before the effective date of the Act and operated solely for exhibition purposes to be inspected every two years.

Office management indicated the error noted with the population of low-pressure boiler systems was due to the inability of the Office's database to separate certain types of categories of systems by high or low pressure. Additionally, Office management indicated the error noted with the population of pressure vessel systems is due to employee oversight. Moreover, Office management indicated the responsibility to have a boiler or pressure vessel system inspected prior to operation lies with the owner/user. Office management further indicated inspection timing and scheduling are greatly impacted by access and availability in stored locations. Finally, Office management indicated failure to perform inspections prior to the expiration of the related certificate is due to employee oversight.

Failure to perform timely required inspections of boiler systems and pressure vessel systems used or proposed to be used in the State as required by the Act represents a risk of compromising the safety of the general public. Further, without the Office providing complete and accurate documentation to enable testing, the accountants were impeded in completing their procedures and providing useful and relevant feedback to the General Assembly regarding the Office's compliance with the Act.

OFFICE RESPONSE:

The Office accepts the finding. There are system limitation issues in how the Boilers are categorized, in the Office's existing system. The Office is in current contract negotiations with a new database that would resolve issues of category population. The Office would like to note that the owner-user of the boiler system is responsible for scheduling inspections of their equipment. Additionally, during FY22, the Office had an open inspector position all year, and that work was being performed by a team with other inspectors. Each finding bullet is addressed below:

- For the 27 of 76 internal power boilers that weren't inspected by either the Office or an external special inspector, the Office agrees with 16 of the inspection reports not being available. We feel that we provided support for the other 12. One reason for 7 of the 12 is that the Office doesn't have copies of these inspections, possibly because the boiler(s) were in compliance and the boiler or pressure vessel was not determined to be unsafe or in violation of rules, therefore, not required to be provided to the Office.

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- For the 3 of 60 (5%) of low-pressure boiler systems where the Office failed to perform biennial inspections, we agree that two inspections were not performed. The third inspection relates to a boiler that was manufactured in 2019 and a first-time inspection was completed in October of 2022. That report was provided, but it does not indicate “initial inspection” on the report, so it remained an audit issue. The Office believes this boiler system to have been in compliance.
- For the 1 of 60 (2%) low pressure boiler systems that was not completed prior to the expiration of the certificate, the Office agrees.
- The Office agrees that 21 of 60 (35%) pressure vessel systems had inspections performed after certificates expired.
- For the 3 of 14 (21%) of traction steam engine boilers that did not have inspections performed every two years, the Office agrees; however, Traction Engines are generally operated anywhere from one day to a week for the entire year. The inspection timing and scheduling with owners are greatly affected by access and availability in stored locations.

UPDATED RESPONSE:

Partially Implemented. Boilers is transitioning to a new system that should assist with the search functionality related to various Boiler types, the Office believes this will ultimately correct the sample issues. The expected timeframe to be on the new system is June 30, 2025. Training will be provided to remind inspectors that Internal and External inspections are required and the timeframes required for each. The Boiler and Pressure Vessel Safety Division being fully staffed should also help remedy this issue.

6. **The auditors recommend the Office routinely review access rights to its applications and data to ensure only authorized users have access and to prevent unauthorized use. They also recommend the Office retain accurate and complete populations of application users.**

FINDING: *(Inadequate Controls over Access Rights) - New*

The Office of the State Fire Marshal (Office) did not maintain adequate controls over termination and review of access to its applications and data

During their testing, auditors noted the Office:

- Could not provide a population of application users of the Attendance Tracking System during the examination period. Office personnel indicated the population of application users was the same as the population of employees during the examination period. However, the auditors were unable to verify whether all employees included within the population of employees had access to the

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application, or whether the population of employees includes individuals who did not have access to the application.

Due to these conditions, auditors were unable to conclude 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 § 205.36). Even though the Office's population of application users could not be relied upon, the auditors tested a sample of users' access rights, noting no exceptions.

- Did not routinely review access rights to the Attendance Tracking System, Central Payroll System, Personnel Standards and Education System, or Underground Storage Tank (UST) Inspection and Contractor Licensing System.
- Did not terminate access for a former employee who continued to have access rights to the Office's evidence tracking system.

The Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Controls section, require entities to develop access provisioning policies and procedures and establish controls to ensure authorized users only have needed access.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Office management indicated they believed a review of access to various systems in conjunction with employee onboarding and offboarding as adequate for an agency their size.

Inadequate internal controls over access to the Office's applications and data could lead to unauthorized access and unauthorized use of its applications and related data.

OFFICE RESPONSE:

The Office accepts the finding. The Office believes that the informal process in place to review access rights as employees are onboarding and offboarding is an adequate process for an agency our size. A user population for the Office systems noted in the finding will be printed each June 30th moving forward. Finally, we agree that a former employee still had access rights to the Evidence Tracking System. We would like to point out that the individual was the recently retired Arson Division Manager. Also, the system resides in a secure room within the Office building that would not have been accessible as badge access had been revoked.

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UPDATED RESPONSE:

Partially Implemented. The Office has a draft policy in place to address access rights reviews. The policy is expected to be finalized in April, with rights reviews beginning prior to the end of Fiscal Year 2024. The Office believes it provided a full population of employees during the audit.

- 7. The auditors recommend the Office implement and document formal change management policies and procedures to control changes to their applications and data. In addition, they recommend the Office implement compensating controls to mitigate the segregation of duties weakness.**

FINDING: *(Inadequate Internal Controls over Applications) - New*

The Office of the State Fire Marshal (Office) failed to implement internal controls over changes to its applications and data.

During their testing, auditors noted the Office:

- Did not have change management policies and procedures to control changes to their applications and data.

The Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST) (Special Publication 800-53, Fifth Revision), Configuration Management section, requires entities to develop and document a change management policy that addresses purpose, scope, roles, and responsibilities in change management.

- Did not document mitigating controls for an inadequate segregation of duties identified in the auditors testing. The auditors noted two Office employees had access to and overlapping roles within the Office's evidence tracking software, and while the software maintains an audit trail to document actions taken by individuals within the system, the Office was unable to provide documentation substantiating any independent reviews of the actions taken within the system were performed during the examination period.

The Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST) (Special Publication 800-53, Fifth Revision), Configuration Management section, requires entities to implement internal controls to ensure proper segregation of duties.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls

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to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

Office management indicated they believed the change management practice used was adequate for an agency their size. Office management also indicated compensating controls exist related to the evidence tracking software which they also believed to be adequate.

Failure to implement internal controls over changes to applications and data could result in unauthorized changes being made. Further, failure to ensure an adequate segregation of duties puts the validity of the evidence tracking at risk.

OFFICE RESPONSE:

The Office accepts the finding. The Office believes that managing the contractually paid IT staff via status reports, regular meetings, etc. is an adequate method to monitor internal controls over applications. The Office will work to develop documentation of testing system changes as well as acceptance/approval of system changes. Additionally, the Office will work to provide auditors assurances that the Evidence Tracking information is monitored and duties are segregated.

UPDATED RESPONSE:

Partially Implemented. The Office is in the process of determining the best way to document these changes, and what systems/changes should be included in such documentation. The Office has implemented a more formal review process to document mitigating controls related to the Evidence Tracking System.

- 8. The auditors recommend the Office implement controls to provide assurance:**
- 1. Vehicles receive required maintenance in a timely manner;**
 - 2. Maintenance records are complete and accurate;**
 - 3. Motor vehicle accidents are timely reported to DCMS;**
 - 4. Vehicle mileage records are carefully reviewed for errors and discrepancies; and,**
 - 5. The vehicle use policy includes procedures regarding daily vehicle use logs.**

FINDING: *(Inadequate Controls over State Vehicles) – First reported 2018, last reported 2022.*

The Office of the State Fire Marshal (Office) did not maintain adequate controls over the administration of its State Vehicles. More specifically, the following issues were noted.

Vehicle Maintenance Testing

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During their testing of maintenance records for State vehicles, auditors noted the following:

- 20 of 26 (77%) vehicles tested did not have routine oil changes performed within the mileage or time intervals required by the Department of Central Management Services (DCMS). The oil change overages ranged from 57 to 29,449 miles beyond the allowed interval. For these 20 vehicles, the number of untimely oil changes noted for each vehicle ranged from one to nine instances during the examination period.
- 6 of 26 (23%) vehicles tested did not have any support for oil changes during the period. Each of these vehicles met the mileage requirement for at least one oil change during the period.

The DCMS' Vehicle Usage Policy requires standard lube, oil, and filter changes to be performed every 5,000 miles or 12 months, whichever comes first for vehicles nine years old and newer.

- 20 of 26 (77%) vehicles tested did not have routine tire rotations performed within the mileage or time intervals required by the DCMS. The tire rotation overages ranged from 874 and 24,449 miles beyond the allowed interval. For these 20 vehicles, the number of untimely tire rotations noted for each vehicle ranged from 1 to 3 instances during the examination period.
- 4 of 26 (15%) vehicles tested did not have support for the required tire rotations during the period. Each of these vehicles met the mileage requirement for at least one tire rotation during the period.

The DCMS' *Vehicle Usage Policy* requires tire rotations to be performed on all passenger vehicles at every other oil change.

- 16 of 26 (62%) vehicles tested did not receive an annual inspection as required by DCMS during Fiscal Year 2021, and 11 of 26 (42%) vehicles tested did not receive an annual inspection as required by DCMS during Fiscal Year 2022. The DCMS' *Vehicle Usage Policy* requires State vehicles to undergo an annual inspection each fiscal year by a DCMS garage or an authorized vendor.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.400) requires all State-owned or leased vehicles to undergo regular service and/or repair in order to maintain the vehicles in road-worthy, safe, operating condition.

Accidents Involving State Vehicles

During their testing of accidents involving State vehicles, auditors noted the following:

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- The population of accidents occurring during the examination period provided by Office personnel was not complete and accurate. The listing excluded one accident they were subsequently able to locate support for. This accident did occur during the examination period but was not reported to the DCMS.

Due to these conditions, the accountants were able to conclude the Office's population records for operation of automobile accidents were not sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C §205.36).

- The Office did not timely file its Motorist's Report of Illinois Motor Vehicle Accident Reports (Form SR-1s) for 3 of 7 (43%) accidents tested. These 3 accidents were reported 4 to 711 days late.

The Illinois Administrative Code (44 Ill. Admin Code 5040.520) requires accidents reported on Form SR-1 to be reported to the DCMS no later than 7 days after the accident has occurred.

Assignment of Vehicles

During their testing of individually assigned State vehicles and required reporting, the auditors noted the following:

- The Office's Fiscal Year 2021 Individually Assigned Vehicle (IAV) report submitted to the DCMS did not include all required information. Specifically, the FY21 IAV report did not include each employee's headquarters and residence.
- The Office failed to inform DCMS of the assignment of 3 of 26 (12%) individually assigned vehicles during the period. Additionally, the Office did not accurately report to DCMS the assignment for 8 of 26 (31%) individually assigned vehicles during the period. Specifically, the name of the individual assigned to the vehicle was incorrect.

The Code (44 Illinois Admin. Code 5040.340) states that the Office will be required to report to DCMS annually and when changes occur, including the name of each employee assigned a vehicle, the equipment number, and the license plate number of the assigned vehicle, employee's headquarters and residence, and any additional information requested by DCMS.

Testing of Vehicle Records

- During their testing of vehicle records, auditors noted the beginning mileage per the Office's vehicle listing for 1 of 26 (4%) vehicles tested does not appear to be accurate. In addition, the ending mileage per the Office's vehicle listing for 1 of 26 (4%) vehicles tested does not appear to be accurate.

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The State Records Act (5 ILCS 160/8) requires the Office to make a preserve record containing adequate and proper documentation of the essential transactions of the Office designated to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Office's activities.

Vehicle Use Policy

- During their testing of the Office's vehicle use policy, auditors noted the policy does not include procedures regarding daily vehicle use logs.

The State Vehicle Use Act (30 ILCS 617/10) requires the Office's vehicle use policy to include procedures regarding daily vehicle use logs and mileage recording.

Finally, this finding was first noted in the Office's State Compliance Examination for the two years ended June 30, 2018. Office management has been unsuccessful in implementing a corrective action plan to remedy these conditions.

During the prior examination, Office management indicated the errors noted were due to employee error and complications due to the COVID-19 pandemic. During the current examination, Office management indicated the errors described above continued to be caused by employee error.

Inadequate monitoring of the maintenance and record keeping of State vehicles could result in unnecessary costs to the State through additional repairs and shortened useful lives of State vehicles. Failure to timely file Form SR-1s exposes the driver and the Office to the risk of forfeiture of coverage under the State's auto liability plan. Failure to accurately report vehicle information to DCMS represents noncompliance with the Illinois Administrative Code and hinders oversight of the State's individually assigned vehicles. Further, a vehicle use policy is designed to facilitate and encourage accountability, monitor usage and costs, provide internal control, and serve as a management tool for oversight and decision-making. Failure to include all required provisions in the vehicle use policy increases the risk of unauthorized usage and represents noncompliance with the Act.

OFFICE RESPONSE:

The Office agrees with the finding. The Office is in the process of moving from a paper process to a new electronic recordkeeping system that was developed by the Illinois Department of Revenue and is maintained by the Department of Innovation and Technology. The new system will assist with recordkeeping and free the vehicle coordinator to perform more manual processes, like accident reporting. The Office is incorporating usage logs into the new Employee Manual with its next revision.

UPDATED RESPONSE:

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Partially Implemented. The Office is moving to using a new vehicle maintenance system. Staff training occurred on March 28, 2024. The Office intends to go live on the new system prior to the end of Fiscal Year 2024. Additionally, all field staff have been reminded of the expectation to have vehicle maintenance performed in a timely manner. The employee reference manual has been updated to include information on vehicle use and usage logs. Finally, due to the automation provided by the new system, the Vehicle Coordinator will have additional time to address the timeliness of accident reporting.

9. **The auditors recommend the Office design and maintain internal controls to provide assurance its data entry of key attributes into the ERP system is complete and accurate. Further, they recommend the Office strengthen its controls over timeliness of voucher approvals and ensure surplus property affidavits are filed prior to purchasing new furniture over \$500.**

FINDING: *(Inadequate Controls over Voucher Processing) - New*

The Office of the State Fire Marshal (Office) did not exercise adequate controls over voucher processing.

Due to their ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), the auditors were able to limit their voucher testing at the Office to determine whether certain key attributes were properly entered by the Office's staff into ERP. In order to determine the operating effectiveness of the Office's internal controls related to voucher processing and subsequent payment of interest, auditors selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

The auditors testing noted three of 140 (2%) attributes were not properly entered into the ERP System. Therefore, the Office's internal controls over voucher processing **were not operating effectively**.

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Office to, after receipt of goods or services, verify the goods or services received met the stated specifications and prepare a voucher for submission to the Comptroller's Office to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure. Further, the Illinois Administrative Code (74 Ill. Admin. Code 900.30) requires the Office to maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State's resources.

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Due to this condition, the auditors qualified their opinion because they determined the Office had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even given the limitations noted above, auditors conducted an analysis of the Office's expenditure data for Fiscal Year 2021 and Fiscal Year 2022 and noted the following noncompliance:

- The Office did not timely approve 170 of 3,613 (5%) vouchers processed during Fiscal Year 2021 and Fiscal Year 2022, totaling \$590,411. The vouchers were approved between 1 and 91 days late.

The Illinois Administrative Code (74 Ill. Admin. Code 900.70) requires the Office to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

- For 1 of 35 (3%) vouchers selected for testing, totaling \$5,352, the Office did not complete and file with the Department of Central Management Services (DCMS) a State Surplus Property - New Furniture Affidavit prior to the purchase of the equipment.

The State Property Control Act (Act) (30 ILCS 605/7a) requires agencies that desire to purchase new furniture, with a purchase price of \$500 or more, to first check with the Director of DCMS if any of the surplus furniture under the Director of DCMS' control can be used in place of new furniture. The Act further requires, if an agency finds that it is unable to use the surplus property, the agency shall file an affidavit with the Director of DCMS prior to any purchase, specifying the types of new furniture to be bought, the quantities of each type of new furniture, the cost per type, and the total cost per category. The affidavit shall also clearly state why the furniture must be purchased new as opposed to obtained from the DCMS' surplus.

Office management indicated the deficiencies noted above were due to employee error.

Failure to properly enter the key attributes into the State's ERP when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills and ensure required documentation is filed with the DCMS represents noncompliance with State laws and regulations.

OFFICE RESPONSE:

The Office partially agrees with the finding. The Office agrees that a discrepancy existed in the dates entered for the identified attributes which were not entered incorrectly. Once the auditors identified these issues, the Office took steps to correct this error. The Office agrees that a new furniture affidavit was not completed. The Office will ensure that these

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affidavits are completed in the future, as required. The Office does not believe that in all cases the auditors correctly identified the dates to be utilized in determining whether an invoice was approved in a timely manner. Each invoice received by the agency is date stamped with a receipt date, an approval that the good or service has been received, and an approval to pay. The invoice is then provided in an email to the accounts payable unit. The Office is confident in its procedures and does not believe any further action needs to be taken to ensure invoices are approved in a timely manner. Further, since the Office doesn't utilize the General Revenue Fund, it has not been required to pay prompt payment interest in the past, due to payments being expedited.

ACCOUNTANT'S COMMENT:

The Statewide ERP has defined the pertinent date fields within the ERP to ensure documentation is maintained of the timely approval of the voucher. Further, the defined date fields are utilized by the ERP in determining the calculation of the prompt payment interest. Lastly, the ERP is the State's book of record; therefore, all information within must be complete and accurate.

UPDATED RESPONSE:

Implemented. The Office has changed the process in which vouchers are processed. The Fiscal Manager will train the new Purchasing Officer regarding the New Furniture Affidavit issue.

- 10. The auditors recommend the Office establish adequate cybersecurity programs and practices to minimize the possibility of the Office's confidential and personal information becoming subject to cyber-attacks and unauthorized disclosure.**

FINDING: *(Inadequate Controls over Cybersecurity) - New*

The Office of the State Fire Marshal (Office) did not maintain adequate internal controls related to cybersecurity programs and practices.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During their examination of the Office's cybersecurity programs and practices, auditors noted the Office:

- Had not established and communicated policies, procedures, and processes to manage and monitor the regulatory, legal, environmental, and operational requirements;
- Had not established and documented cybersecurity roles and responsibilities;
- Had not performed a formal risk assessment to identify and ensure adequate protection of information most susceptible to attack;
- Had not classified data to establish the types of information most susceptible to attack to ensure adequate protection;

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- Had not adequately assessed the overall risks or vulnerabilities of information systems and data; and,
- Had not ensured the overall cybersecurity practices are effective and adequate for the Office.

The Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standard and Technology (NIST) requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

Office management indicated they believed this to be a Department of Innovation and Technology (DoIT) responsibility.

The lack of adequate cybersecurity programs and practices could result in unidentified risks and vulnerabilities, which could ultimately lead to the Office's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure.

OFFICE RESPONSE:

The Office respectfully disagrees with the finding. Specifically, the Office disagrees with the Auditor's assertion that cybersecurity is the responsibility of the agency. The Department of Innovation and Technology (DoIT) is the state's designated information technology agency (established by Executive Order 16-1 and codified at 20 ILCS 1370) and is responsible for all functions related to information technology, including cybersecurity, and in fact has an entire area within DoIT that focuses solely on cybersecurity. All items noted in the finding are addressed by DoIT on a statewide basis. Additionally, the law designates security as a function of DoIT. As stated in 20 ILCS 1370/1-15(c), the law states, in part, the following:

"The Department shall develop and implement standards, policies, and procedures to protect the security and interoperability of State data with respect to those agencies under the jurisdiction of the Governor."

With respect to providing employees information related to cybersecurity, all Office employees take training each year which addresses cybersecurity. While the Office will formally adopt DoIT's cybersecurity policy as part of the Office's policies and procedures, the Office relies on and will continue to rely on DoIT's expertise as the state cybersecurity agency.

ACCOUNTANT'S COMMENT:

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Cybersecurity is not just the responsibility of DoIT, but a shared responsibility between DoIT and the Office. The Office, not DoIT, is responsible for the security controls over their applications and data. Such facts are specifically addressed in the various DoIT policies and procedures documented on DoIT's website.

In addition, Section 4.01 of the Intergovernmental Agreement the Office entered into with DoIT states the "Client Agency is responsible for developing and prioritizing its IT or IT related needs in consultation with its designated agency Chief Information officer (CIO) or Group CIO." Furthermore, Section 5 of the Intergovernmental Agreement states DoIT will provide "certain infrastructure IT or IT related services" and "the Client Agency shall work with DoIT and provide support to achieve security and consistent operations" in protecting the security, processing, integrity, availability, and confidentiality of the Office's applications and data.

UPDATED RESPONSE:

Partially Implemented. The Office is reviewing the Cybersecurity template provided by DoIT and is working towards adopting a Cybersecurity Policy of its own. The policy is expected to be finalized prior to the end of Fiscal Year 2024.

11. The auditors recommend the Office evaluate and secure information technology equipment to ensure confidential information is protected to prevent theft or unauthorized access to the Office's data.

FINDING: *(Inadequate Controls over Electronic Devices) – First reported 2020, last reported 2022.*

The Office of the State Fire Marshal (Office) did not maintain adequate controls over electronic devices.

During their testing, auditors noted the Office:

- Could not provide a population of State-owned information technology equipment disposed of during the examination period. As a result, they were unable to perform testing to determine whether the hard drives of equipment were erased, wiped, sanitized, or destroyed in a manner preventing the retrieval of sensitive data prior to disposal.

The Data Security on State Computers Act (20 ILCS 450/20) requires the Office to implement a policy to mandate that all hard drives of surplus electronic data processing equipment be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated, or transferred by (i) overwriting the previously stored data on a drive or a disk at least three times or physically destroying the hard drive and (ii) certifying in writing that the overwriting process has been completed by providing the following information: (1) the serial number of the computer or other surplus electronic data processing

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equipment; (2) the name of the overwriting software or physical destruction process used; and (3) the name, date, and signature of the person performing the overwriting or destruction process.

- Recorded a lost laptop on its Fiscal Year 2021 Inventory Certification; however, the Office was unable to provide any information as to what data, including personal data, was stored on the laptop, whether encryption was deployed and if an analysis had been completed to determine if the notification requirements of the Personal Information Protection Act (815 ILCS 530) were required.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. The State Property Control Act (30 ILCS 605/4 and 6.02) requires the Office to be accountable for the supervision, control, and inventory of all items under its control. Additionally, the Office has the responsibility to ensure confidential information is protected from disclosure and provisions in the Personal Information Protection Act (815 ILCS 530) are followed.

Office management indicated they believed the security of information on State laptops to be the Department of Innovation and Technology's (DoIT) responsibility.

Failure to ensure adequate internal controls over the wiping of information technology equipment could result in the theft of or unauthorized access to the Office's data. Failure to maintain adequate controls over information technology equipment has resulted in a missing laptop and the potential for unintended exposure of confidential information.

OFFICE RESPONSE:

The Office respectfully disagrees with the finding. The Office did, in fact, provide the auditors with all property control deletions during the audit period. The information utilized by the audit team for this finding was obtained from discussion with Department of Innovation and Technology (DoIT) personnel, related to electronic devices under their control.

Related to the lost laptop and how the data on the laptop is secured: DoIT's policy is to secure laptops by imaging them with encryption technology. The encryption technology employed is a data protection feature that integrates with the operating system and addresses the threats of data theft or exposure from lost, stolen, or inappropriately decommissioned computers. Confidential information is secure on Office laptops if lost or stolen. This was verified by the auditors during audit testing completed for compliance examination.

The Intergovernmental Agreement (IGA) that DoIT and the Office entered into states "In providing services and resources to its client agencies, DoIT operates a robust framework of IT security policies. These policies establish prescribed standards and operational

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requirements, for both DoIT and its client agencies, aimed at protecting the security, processing, integrity, availability, and confidentiality of State of Illinois systems and data.” It then goes on to state that “DoIT shall adhere to these policies in providing services to Client Agency and in maintaining data on behalf of Client Agency.” It is the Office’s opinion that this clause clearly identifies that DoIT will provide a service to ensure that Agency data is secured.

ACCOUNTANT’S COMMENT:

We acknowledge the Office did provide a population of items deleted from its property system during the examination period; however, we identified risks and shortcomings in the information provided, compared to the objective of our testing, and therefore could not conclude the population provided was sufficiently complete and detailed for the purposes of our testing. Our request was for a list of all equipment transfers out and deletions made during the examination period, and the population provided by the Office in response to our request was limited to items equal to or above the \$1,000 tagging threshold specified in the Statewide Accounting Management System (SAMS) (Procedure 29.10.30). Risks and shortcomings identified with placing reliance on that population as complete included the exclusion of electronic items valued under the \$1,000 tagging threshold, such as USB drives, printers, and scanners, which may include hard drives or other memory-containing mechanisms which require proper disposal measures. In addition, Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C 205.36) require us to evaluate whether information produced by the auditee is sufficiently reliable for our purposes, including, as necessary, obtaining evidence about the accuracy and completeness of the information and evaluation whether the information is sufficiently precise and detailed for our purposes.

With regard to the Office’s comments regarding encryption technology, the Office was unable to provide documentation substantiating the lost laptop was equipped with encryption technology to ensure the data residing on the laptop was appropriately secured. While our staff did observe encryption technology deployed on a sample of other Office laptops during our fieldwork, we simply cannot assume all laptops, including this one which was lost during the examination period – and for which the Office could not locate evidence of following the proper procedure to report such a loss to DoIT – was equipped with encryption technology. To make such an assumption, particularly in the case of a lost laptop, would be reckless and would undermine the importance of data security.

Lastly, we are taken aback by the Office’s lack of responsibility for ensuring the protection of its confidential data.

UPDATED RESPONSE:

Implemented. A reminder email was sent to employees to inform them what to do when they lose or misplace state equipment. This finding had information about a laptop that was noted as lost/missing during inventory. The Office believes the laptop was secure and any confidential information would have been protected.

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- 12. The auditors recommend the Office timely prepare reconciliations as required by the SAMS Manual and increase oversight and review efforts to ensure the reconciliations are performed.**

FINDING: *(Inadequate Controls over Monthly Reconciliations) – First reported 2018, last reported 2022.*

The Office of the State Fire Marshal (Office) did not maintain adequate controls over monthly reconciliations.

During their testing of the Office's monthly reconciliations, auditors noted the following:

- Twelve of 24 (50%) monthly reconciliations of the Office's receipt and expenditure records to the Comptroller's Cash Report (SB05) were not completed.
- Four of 24 (17%) monthly reconciliations of the Office's receipt and expenditure records to the Comptroller's Cash Report (SB05) were performed 4 to 64 days late.
- Eight of 29 (28%) monthly reconciliations of the Office's appropriation records to the Comptroller's Appropriation Transfer Report (SB03) were not dated; therefore, auditors could not determine if the reconciliations were completed timely.

The Statewide Accounting Management System (SAMS) Manual (Procedure 07.30.20) requires the Office to perform monthly reconciliations of its internal records to the Comptroller's SB01, SB03, SB04, and SB05 within 60 days of each month's end.

- 15 of 29 (52%) monthly reconciliations of the Office's contract records to the Comptroller's Agency Contract Report (SC14) or Obligation Activity Report (SC15) were not completed.

The SAMS Manual (Procedure 15.30.30), effective July 1, 2020, requires the Office to perform monthly reconciliations of its internal records to the Comptroller's SC14 or the SC15 within 60 days of each month's end.

Finally, this finding was first noted in the Office's State Compliance Examination for the two years ended June 30, 2018. Office management has been unsuccessful in implementing a corrective action plan to remedy this condition.

During the prior examination, Office management indicated they relied on Shared Services for part of that examination period to perform various reconciliations and noted the FY19 and FY20 SB05 reconciliations were not completed due to a lack of staffing and resources at Shared Services. Later during the prior examination period, Office personnel indicated they began performing the reconciliations in-house, and Office management noted the conditions persisted due to management error. During the current examination,

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Office management indicated the Fiscal Year 2021 reconciliations were not completed due to management error, and the Fiscal Year 2022 reconciliations were not documented and completed timely due to employee oversight.

Failure to ensure reconciliations are timely and accurately prepared and reviewed could result in errors or other irregularities going undetected for a significant period of time and represents noncompliance with the SAMS manual.

OFFICE RESPONSE:

The Office accepts the finding. All required reconciliations were not performed during the audit period. However, due to the timing of when the previous Compliance Examination ended, the Office was not aware of this audit issue until already into the scope of the current Compliance Examination. Once notified of the finding, that Office began completing the reconciliations, and all reconciliations are currently being completed.

ACCOUNTANT'S COMMENT:

The timing of when the previous State Compliance Examination ended has no bearing on when the Office became obligated to complete required reconciliations. This finding was originally written for the Fiscal Year 2017 and Fiscal Year 2018 examination period. In addition, in the management assertion letters appearing in this report, covering Fiscal Year 2021 and Fiscal Year 2022, as well as the reports for the examination periods covering Fiscal Year 2017, Fiscal Year 2018, Fiscal Year 2019, and Fiscal Year 2020, Office management has signed and acknowledged its responsibility for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the Office's operations.

UPDATED RESPONSE:

Implemented. These reconciliations are being performed and the expectation is to have them completed by the 15th of the following month – well ahead of the 60-day timeframe in SAMS.

- 13. The auditors recommended the Office work to adopt administrative rules consistent with the Fire Sprinkler Contractor Licensing Act to facilitate proper enforcement and administration of the Act or seek legislative remedy.**

FINDING: *(Noncompliance with the Fire Sprinkler Contractor Licensing Act) - New*

The Office of the State Fire Marshal's (Office) administrative rules did not fully address all requirements of the Fire Sprinkler Contractor Licensing Act (Act) (225 ILCS 317). During testing, auditors noted the following:

- The Office has not adopted by administrative rule procedures for determining whether a laboratory is nationally recognized.

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The Act (225 ILCS 317/30) requires the equipment used to service fire sprinkler systems to be listed by a nationally recognized testing laboratory or comply with nationally accepted standards. The Act further requires the Office to adopt by rule procedures for determining whether a laboratory is nationally recognized, taking into account the laboratory's facilities, procedures, use of nationally recognized standards, and any other criteria reasonably calculated to reach an informed determination.

- The Office has not adopted by administrative rule a late filing fee to be assessed when a person fails to file a renewal application by the date of expiration. As a result, the Office did not charge late filing fees for activity of this type during the examination period. The auditors sample testing indicated 4 of 44 (9%) renewal applications tested were not filed with the Office prior to the expiration date of each license. Had a late filing fee been established by administrative rule as required, the Office would have been entitled to additional revenue related to these instances.

The Act (225 ILCS 317/35(c)) requires the Office to determine by administrative rule a late filing fee to be assessed for any person who fails to file a renewal application by the date of expiration of a license.

The auditors did note the Office's administrative rules (41 Ill. Admin. Code 109.100) do require a reinstatement fee of \$100 to be assessed whenever a business fails to renew its license within 60 days after the end of the license period. However, this reinstatement fee is not provided for in the Act (225 ILCS 317).

Office management indicated the Office does not have the appropriate expertise to determine if a laboratory should be nationally recognized. In addition, Office management indicated limited personnel and other factors, including the COVID-19 pandemic, delayed rulemaking efforts.

Failure to adopt all required administrative rules and ensure administrative rules align with the related statute represents statutory noncompliance and resulted in decreased revenue for the State.

OFFICE RESPONSE:

The Office agrees with the finding. The Office is in the process of adopting updated administrative rules that provide for a late filing fee as required by the statute. The Office is reviewing options to address other requirements of statute, including legislative remedy.

UPDATED RESPONSE:

Under Study/Partially Implemented. Office Administrative Rules were updated to include the late filing fee. The Office is working to determine the best way to remediate the first bullet of the finding, related to the Office adopting an Administrative Rule to determine whether a laboratory is nationally recognized.

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14. The auditors recommend the Office implement the necessary controls to ensure the accuracy and timeliness of statutorily required reporting regarding pyrotechnic operator licenses. Further, the Office should implement additional procedures as necessary to ensure adequate supporting documentation is maintained reflecting the accuracy and timeliness of such reporting.

FINDING: *(Failure to Comply with the Pyrotechnic Distributor and Operator Licensing Act)*
- New

The Office of the State Fire Marshal (Office) was not in compliance with the requirements of the Pyrotechnic Distributor and Operator Licensing Act (Act) (225 ILCS 227/36).

Specifically, the Office does not have adequate controls in place to ensure the accuracy and timeliness of statutorily required reporting regarding pyrotechnic operator licenses. The auditors were unable to determine the accuracy of the reports as the supporting documentation provided did not trace to the totals stated on the reports. Further, they were unable to confirm the reports were issued prior to the due date established by the Act.

The Act states that no later than May 1 of each year, the Office must prepare, publicly announce, and publish a report of summary statistical information relating to new and renewal license applications received and processed during the preceding calendar year. The State Records Act (5 ILCS 160/9) requires the Office to establish and maintain an active, continuing program for the economical and efficient management of the records of the Office to provide for effective controls over the creation, maintenance, and use of records.

Office management indicated the conditions noted above were due to employee error and a misunderstanding of the requirements.

Failure to ensure the reports agreed to underlying support and retain documentation to substantiate publication dates limits the Office's ability to substantiate compliance with statutory requirements.

OFFICE RESPONSE:

The Office agrees with the finding. Moving forward, the report and supporting documentation will be saved together and five years of data will be maintained on the Office's website.

UPDATED RESPONSE:

Implemented. When future reports are completed, the supporting documentation will be included in the Office copy stored on our network drives. Training has been conducted

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with the employee who will be responsible for the report. The first report since the audit was issued is due May 1, 2024.

15. **The auditors recommend the Office strengthen its internal controls over State property by regularly reviewing the Office's property listing, including recent equipment transactions, to ensure it is complete and accurate and timely recording equipment transactions.**

FINDING: *(Inadequate Controls over State Property) – First reported 2018, last reported 2022.*

The Office of the State Fire Marshal (Office) did not exercise adequate controls over the recording and reporting of State property.

Forwards Testing

During testing, auditors noted the following:

- Two of 60 (3%) items selected for testing, totaling \$2,961, could not be located.
- Six of 60 (10%) items selected for testing, totaling \$2,454, could not be traced to the related transfer of ownership documentation; therefore, the auditor could not determine each item's location, condition, or status, or who had assumed ownership responsibility.

The State Property Control Act (30 ILCS 605/4) requires the Office to be accountable for the supervision, control, and inventory of its property. Further, the State Property Control Act (30 ILCS 605/6.02) requires the Office to maintain a permanent record of all items under its jurisdiction and control.

- Three of 60 (5%) items selected for testing, totaling \$28,982, were located in a different geographical location than reported on the Office's property listing.

The Statewide Accounting Management System (SAMS) (Procedure 29.10.10) requires the Office to maintain current property records, including the location. Additionally, the Illinois Administrative Code (44 Ill. Admin. Code 5010.230) requires the Office to correctly enter each item's location code number on its property listing.

Equipment Additions and Deletions Testing

During testing, auditors noted the following:

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- Increasing inventory adjustments for 5 vehicles purchased during the examination period did not agree to supporting documentation. As a result, the Office's property records were overstated by \$500 as of June 30, 2022.

SAMS (Procedure 03.30.20) states the basic cost of equipment usually is determined by all of the costs necessary to acquire the asset and place it into service. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- Seven of 24 (29%) items selected for deletions testing, totaling \$101,925, were removed from the Office's property listing 101 to 436 days late.

The Illinois Administrative Code (44 Ill. Admin. Code 5010.400) requires the Office to adjust property records within 90 days of acquisition, change, or deletion of equipment items.

Finally, this finding was first noted in the Office's State Compliance Examination for the two years ended June 30, 2018. Office management has been unsuccessful in implementing a corrective action plan to remedy this condition.

During both the previous and current examinations, Office management indicated the issues noted were due to employee error.

Failure to maintain accurate and complete property records to include each item's location, specific description, and purchase amount increases the potential for loss or theft of State property, reduces the reliability of Statewide fixed asset information, and represents noncompliance with State regulations.

OFFICE RESPONSE:

The Office agrees with the finding. The Office will strive to ensure State Property owned and utilized by the staff is accounted for as accurately as possible.

UPDATED RESPONSE:

Implemented. An email was sent to Office staff to remind them that if any state equipment is moved from one location to another, that the Property Control Officer should be notified. Additionally, related to the vehicles not having decals included in their cost, the Office has noted and will include these on future purchases. Finally, the Property Control Officer was reminded that property disposed via CMS needs to be removed from the Asset Reporting Module in ERP in a timely manner.

- 16. The auditors recommend the Office establish and maintain appropriate internal controls over its receipts by establishing a proper segregation of**

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duties over its receipts. Further, they recommend the Office ensure the receipt date is documented for all receipts received by the Office.

FINDING: *(Inadequate Controls over Receipts) – First reported 2018, last reported 2022.*

The Office of the State Fire Marshal (Office) did not maintain adequate internal controls over its receipt processing.

During testing, auditors noted the following:

- The Office failed to maintain an adequate segregation of duties over its receipt processing procedures. More specifically, they noted one individual performed three parts of the transaction cycle, including:
 - **Authorization** by reviewing and approving transactions, including both depositing funds into the State Treasury's clearing accounts and preparing Receipt Deposit Transmittal (C-64) forms.
 - **Custody** by handling physical checks and maintaining electronic and physical records.
 - **Recordkeeping** by preparing entries and maintaining the Office's internal accounting records.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds are safeguarded against waste, loss, unauthorized use, and misappropriation. The Act further requires revenues or funds applicable to operations be properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- Five of 60 (8%) receipts tested, totaling \$25,581, and 5 of 7 (71%) refund receipts tested, totaling \$45,484, were not date-stamped by the Office. As a result, auditors were unable to determine when the checks were received and whether the checks were deposited in a timely manner.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Office to keep proper books with a detailed itemized accounting of all moneys showing the date of receipt and to deposit receipts collected into the State Treasury within a specific number of business days, depending on the value of cash receipts on hand. The Act further allows the State Treasurer and State Comptroller to grant time extensions for the deposit of public funds, which has been granted to the Office. However, without documentation of the receipt date, the auditor is unable to determine whether the Office is in compliance with the deposit requirements.

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- Eight of 60 (13%) receipts tested, totaling \$20,100, were not timely deposited. These receipts were deposited between 1 and 16 days late.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Office to deposit into the State Treasury individual receipts or refunds exceeding \$10,000 in the same day received, an accumulation of receipts of \$10,000 or more within 24 hours, receipts valued between \$500 and \$10,000 within 48 hours, and cumulative receipts valued up to \$500 on the next first or fifteenth day of the month after receipt. The Act further allows the State Treasurer and State Comptroller to grant time extensions for the deposit of public funds. Such deposit extensions granted to the Office have been incorporated into the accountant's calculation of the number of days late.

In the prior and current examination, Office management indicated the issues noted with receipt processing were due to limited staffing and oversight. Lastly, Office management indicated the untimely deposit of receipts was due to the Office's operational divisions failing to forward receipts to the fiscal division in a timely manner.

Failure to establish and maintain internal control over receipt processing increases the risk of revenue loss or theft, delays the recognition of available cash within the State Treasury, and represents noncompliance with State laws, rules, and regulations.

OFFICE RESPONSE:

The Office partially agrees with the finding. While the Office understands the auditors' concerns regarding segregation of duties, the Office has determined that it will accept the risk and does not plan on hiring additional staff to clear this finding. It should be noted that while one individual performs three parts of the transaction cycle, all deposits are reviewed by the manager of the Fiscal Division prior to final processing and all checks are taken to the bank and deposited by mailroom staff. The Office agrees that not all refunds receipts were date stamped. The Office will ensure that dates are stamped on all receipts.

The Office agrees that not all deposits were made timely. The Office has approved deposit extensions to address potential delays in deposits, but occasionally circumstances do not allow deposits to be made within those approved extension timeframes. Some payments are received in the Chicago Office and must be sent to the Springfield Office for processing. This can cause delays in deposits. Other circumstances may also result in delayed deposits, such as staff being out of the office.

UPDATED RESPONSE:

Partially Implemented/Partially Not Accepted. For the segregation of duties recommendation, the Office accepts the risk associated with the issue, as hiring another employee full-time to address the audit finding wouldn't be cost-beneficial. The Office also believes it has compensating controls/review processes in place already. The Office has begun using an electronic check scanner for deposits, which should help address the timeliness of deposits as well as better document receipt dates.

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17. The auditors recommend the Office implement controls to timely execute statutory changes and adopt administrative rules. Further, they recommend the Office implement procedures to ensure all required documentation is obtained before issuing or renewing fire equipment licenses. Lastly, the auditors recommend the Office strengthen controls to ensure licensees are assessed applicable fees.

FINDING: *(Failure to Comply with the Fire Equipment Distributor and Employee Regulation Act of 2011) - New*

The Office of the State Fire Marshal (Office) did not comply with the requirements of the Fire Equipment Distributor and Employee Regulation Act of 2011 (Act) (225 ILCS 217).

During testing, auditors noted the Office did not obtain a copy of a valid government-issued photo identification from the prospective licensee before proceeding with renewing 6 of 60 (10%) fire equipment employee licenses tested.

The Act (225 ILCS 217/40) requires a candidate for a fire equipment employee license to provide a copy of a valid government-issued photo identification.

The auditors sample testing of fire equipment distributor licenses also identified an instance where the licensee was not assessed a reinstatement fee. For 1 of 60 (2%) fire equipment distributor license renewals tested, auditors noted the licensee was not assessed a \$50 reinstatement fee after allowing their license to lapse.

The Act (225 ILCS 217/60) states if not renewed, a license shall become inactive 60 days after the expiration date of the license. The Act (225 ILCS 217/60) further states an inactive license may not be reinstated until a written application is filed, the applicant has demonstrated proof of qualifications for licensure, the renewal fee is paid, and a reinstatement fee is paid. Further, the Office's Administrative Rules (41 Ill. Admin. Code 280.50) set the reinstatement fee at \$50 for inactive licenses.

Office management indicated the renewals were processed pursuant to the requirements set forth in the corresponding administrative rules (41 Ill. Admin. Code 280), and the administrative rules had not been fully updated to incorporate statutory changes made effective on April 29, 2022 by Public Act 102-715 due to timing. Office management indicated the reinstatement fee was not assessed for the lapsed license due to oversight.

Failure to ensure all documentation required by the Act is obtained before processing a renewal represents statutory noncompliance. Failure to assess reinstatement fees when circumstances warrant resulted in reduced revenue for the State.

OFFICE RESPONSE:

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The Office agrees with the finding. The rules were updated to reflect statutory changes on October 26, 2023. The system now requires applicants to upload a driver's license or state id to submit their application. Additionally, the system is now set up for Office staff to input a date of birth, driver's license number, and driver's license expiration date before the application can be approved, rejected, or changes are saved to an application. Additionally, reinstatement fees have to be manually added, and the Office will work to ensure these are added, as required.

UPDATED RESPONSE:

Implemented. The Office has updated its Administrative Rules. A change has been made to require a photo ID within the Licensing system. Related to the reinstatement fee, training has been provided to the staff that processes licenses, and when necessary, the \$50 reinstatement fee will be added to invoices.

18. The auditors recommend the Office comply with the interagency agreement or modify the wording of future interagency agreements to reflect actual Office practice.

FINDING: *(Noncompliance with Interagency Agreement with the Illinois Department of Revenue) - New*

The Office of the State Fire Marshal (Office) did not comply with its interagency agreement with the Illinois Department of Revenue (IDOR).

The Office entered into an interagency agreement (agreement) with IDOR effective November 28, 2011, to facilitate information sharing and serve mutually beneficial purposes for both agencies as follows:

- The Office entered into this agreement to meet administrative requirements of the Illinois Fire Sprinkler Contractor Licensing Act (225 ILCS 317), the Illinois Petroleum Equipment Contractor Licensing Act (225 ILCS 729), the Illinois Boiler and Pressure Vessel Repairer Regulation Act (225 ILCS 203), and the Illinois Fire Equipment Distributor and Employee Regulation Act of 2011 (336 ILCS 217). The agreement requires the Office to provide IDOR with a list of all licensees currently licensed by the Office pursuant to the statutory citations listed above.
- IDOR entered into this agreement to comply with the requirement of the Illinois Income Tax Act and the Retailers' Occupation Tax Act, which authorize IDOR to share information regarding compliance with State tax laws with State licensing agencies, such as the Office. In response to receipt of the licensee listings described above, the agreement requires IDOR to respond to the Office with a listing of licensees which are not in compliance with state tax requirements, as well as supporting documentation and other information to substantiate the fact the licensee is not in compliance with state tax requirements.

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- Following receipt of this listing and related information from IDOR, the agreement requires the Office to take all necessary steps, including the issuance of notices required to comply with due process, to pursue disciplinary action against noncompliant licensees until such time as IDOR notifies the Office each matter has been appropriately resolved.

This agreement was executed as each agency possesses financial, enforcement, and other information which may help the other agency to more effectively carry out its administrative and regulatory responsibilities.

However, during their testing, auditors noted the Office did not, during the examination period, provide an electronic list of all licensees currently licensed by the Office, in a format and on a schedule mutually agreed upon by the Office and IDOR, containing data elements mutually agreed upon to identify providers, as specified in the agreement. As a result, the Office did not subsequently receive lists from IDOR of Office licensees who were not in compliance with State tax requirements and therefore did not have the information necessary to pursue disciplinary action against delinquent licensees as required by the agreement. Such disciplinary action can include the suspension or refusal to issue fire sprinkler contractor licenses, petroleum equipment contractor licenses, boiler and pressure vessel repairer licenses, and fire equipment distributor and employee licenses, after reasonable notice is provided to those licensees found to not be in compliance with state tax requirements, as set forth in the agreement as well as the respective licensure statutes.

Office management indicated the Office's approach to ensuring tax compliance had changed over the years since entering into this agreement, but the agreement had not been terminated and/or replaced to reflect current practices due to competing priorities between the responsible personnel.

Failure to perform the duties required in the agreement limits the Office's ability to take appropriate disciplinary action against licensees, represents noncompliance with the agreement as written, and may result in impeded tax collection efforts.

OFFICE RESPONSE:

The Office agrees with the finding. The Office and IDOR entered into an IGA regarding compliance with State of Illinois tax requirements for Office licensees on November 28, 2011. Based on the underlying statutes, the Office largely has an elective ability to verify compliance with State of Illinois tax requirements. During the audit period, instead of following the mechanisms identified in the November 28, 2011 IGA, Office personnel were using an alternative, more informal means to verifying tax compliance with the IDOR. As a result of this compliance audit, on April 13, 2023, the Office gave notice to terminate the November 28, 2011 IGA. The Office, in turn, entered into a new IGA with IDOR effective May 24, 2023 that better reflects the practices currently being used by the Office to access the IDOR portal in order to verify a licensee's compliance with State of Illinois tax requirements. With this new IGA in place, the Office believes it has fully resolved the finding.

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UPDATED RESPONSE:

Implemented. This IGA was cancelled, and a new IGA was entered into that better reflects the process used by the Office to verify tax compliance.

- 19. The auditors recommend the Office’s internal audit program review all major systems of internal and administrative control as required by the FCIAA to ensure adherence to an effective internal control system.**

FINDING: *(Noncompliance with the FCIAA) - New*

The Office of the State Fire Marshal’s (Office) internal auditing program did not fully comply with the Fiscal Control and Internal Auditing Act (FCIAA).

During their review of the Office’s internal auditing activities, auditors noted the Office’s program of internal auditing did not review all major systems within a two-year period as required by the FCIAA. More specifically, they noted the internal audit function’s audits did not include testing of the following major systems of internal and administrative control: 1) budgeting, accounting, and reporting, 2) purchasing, contracting, and leasing, 3) property, equipment, and inventories, and 4) grant administration.

The FCIAA (30 ILCS 10/2003(a)(2)) requires the internal auditing program to include audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every two years. The Statewide Accounting Management System (SAMS) Manual (Procedure 02.50.20) identifies the eleven FCIAA major event/transaction cycles as agency organization and management, administrative support services, budgeting, accounting, and reporting, purchasing, contracting, and leasing, expenditure control, personnel and payroll, property, equipment, and inventories, revenues and receivables, petty cash and local funds, grant administration, and electronic data processing.

Office personnel indicated the deficiencies noted above were due to competing priorities for, and limited resources available to, the individual responsible for these functions.

The major areas of internal control must be audited regularly to ensure adherence to an effective internal control system. Failure to perform regular audits of major systems of internal and administrative controls may result in weaknesses in internal control not being timely detected.

OFFICE RESPONSE:

The Office agrees with the Finding. The Chief Internal Auditor was brought on in July 2022 and has requested an additional staff person, which is in process. This should help bring the Internal Audit Department into compliance and test all major cycles identified in the SAMS manual. Further, Chief Internal Auditors around the state are working with the

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Comptroller and General Assembly to align Internal Audit Shops with Auditing Standards, and a risk-based approach, hoping to replace the SAMS manual transaction cycles.

UPDATED RESPONSE:

Partially Implemented. The Office is in the process of hiring an additional staff member for Internal Audit. Additionally, the Chief Internal Auditor is implementing a new FCIAA process to ensure each area has control testing performed during the Annual Internal Control Certification to OAG.

- 20. The auditors recommend the Office perform timely licensing inspections to reduce the risk of facilities operating under expired licenses and residents occupying potentially unsafe spaces and to be in compliance with State law.**

FINDING: *(Failure to Perform Timely Licensing Inspections at Child Care Facilities and Community-Integrated Living Arrangements) – First reported 2020, last reported 2022.*

The Office of the State Fire Marshal (Office) did not perform all inspections as requested by licensing agencies in a reasonable timeframe. The Office is required to provide the necessary fire inspections for agencies under various licensing acts. The Office receives requests for inspections directly from the licensing agency through the Fire Prevention System.

The Child Care Act of 1969 (225 ILCS 10/5.7(b)) requires the Office to perform the necessary fire safety and prevention inspections of child care facilities to comply with licensing requirements under the act. During their testing of 60 inspections conducted pursuant to this act, auditors noted the following:

- Five of 40 (13%) licensure renewal inspection requests were not conducted prior to the previous license's expiration date. While the Office did not receive such requests until between 14 to 42 days prior to the license's expiration date, the Office did not act swiftly to perform the required inspections. In 2 of these 5 (40%) instances, the inspections were performed 77 and 133 days after the inspection request was received. The auditors determined 60 days to be a reasonable timeframe during which such renewal inspections should be carried out.

Further, while the Office did not receive 3 of 40 (8%) licensure renewal inspection requests until after the facility's license had already expired, the Office did not act swiftly to perform the required inspections upon receipt of a proper request. In 2 of these 3 (67%) instances, the inspections were performed 77 and 125 days after the inspection request was received. The auditors determined 60 days to be a reasonable timeframe during which such renewal inspections should be carried out.

- For 3 of 4 (75%) inspections for a new addition to the facility, auditors noted the Office performed the inspection, as requested by the licensing agency, 84 to 172

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days after such requests were made. They determined 60 days to be a reasonable timeframe during which such inspections should be performed.

The Community-Integrated Living Arrangements Licensure and Certification Act (210 ILCS 135/13) requires the Office to perform the necessary fire safety and prevention inspections of community-integrated living arrangements to comply with licensing requirements under the act. The auditors tested a total of 60 inspections conducted pursuant to this act and noted the following:

- For 2 of 3 (67%) new license inspections selected for testing, auditors noted the Office performed the inspections, as requested by the licensing agency, 87 and 92 days after such requests were made. For inspections for new licenses, they determined 60 days to be a reasonable timeframe during which initial inspections should be carried out following receipt of the request for such.
- While the Office did not receive 18 of 34 (53%) licensure renewal inspection requests until after the facility's license had already expired, the Office did not act swiftly to perform the required inspections upon receipt of a proper request. In 2 of these 18 (11%) instances, the inspections were performed 64 and 74 days after the inspection request was received. The auditors determined 60 days to be a reasonable timeframe during which such renewal inspections should be carried out.
- In situations where a previous inspection identified issues, follow up inspections are required to ensure the issues identified have been properly remedied. For 5 of 23 (22%) follow up inspections tested, auditors noted the inspections were performed 65 to 162 days after the follow up inspection was requested by the licensing agency. The auditors determined 60 days to be a reasonable timeframe during which a follow up inspection should be carried out following the receipt of a request for such.

During the prior examination, Office personnel cited limited staff resources, particularly in larger regions of the state, and the COVID-19 pandemic as challenges in ensuring inspections were performed timely. During the current examination, Office management continued to cite limited staff resources as a challenge.

Failure to perform timely licensing inspections as requested by the appropriate party increases the risk of facilities operating under expired licenses and represents material noncompliance with State law and increases the risk that residents and patrons of these facilities could be occupying potentially dangerous and unsafe spaces.

OFFICE RESPONSE:

The Office disagrees with this finding. Inspection requests for Child Care Facilities and Community-Integrated Living Arrangements are received by the Office via other State Agencies. The Office has a method in which inspectors prioritize inspections based on when licenses expire or on whether a facility is even ready to have an inspection. The

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Office may receive an inspection request months before a license expires and before a facility is ready to have an inspection, while receiving requests closer to license expiration or from facilities that are ready for an inspection. Stating that the office should perform an inspection within 60 days of receipt does not allow the office to prioritize its inspections based on the reasonable method the Office utilizes to schedule inspections in which it considers the expiration date of the license and whether a facility is ready to have an inspection. The auditors noting 60 days as a timeframe to perform the inspections isn't defined in statute or administrative rules and there are no other standards that require the Office to perform inspections within a 60-day window of time. The Office is currently working on solutions that may address when these requests can be made and how inspectors can document circumstances where facilities are not prepared for their inspections.

ACCOUNTANT'S COMMENT:

The conditions described above are not new, and similar conditions were reported during the previous engagement. See Finding 2020-002 for details, and Office personnel agreed with the conditions as presented in that finding.

In an effort to be responsive to concerns regarding prioritization of license expiration over the timing of receipt of requests, as raised by Office personnel during our testing for Fiscal Year 2021 and Fiscal Year 2022, our testing considerations not only contemplated the 60-day reasonableness measure cited during the previous examination for performance of inspections as well as the timing for when such requests were received in comparison to upcoming license expiration dates. Our testing also took into consideration those situations where inspection requests were received more than 60 days prior to the expiration of the current license, and the condition presented above did not cite any of those instances as problematic.

The condition as presented above reflects an accurate, fair assessment of the Office's efforts to conduct the required inspections of the facilities in our sample, and the cause statement presented above attempts to appropriately reflect the resource constraints and limitations faced. However, in no situation can the Office argue that waiting longer than 60 days to inspect or re-inspect facilities, license expiration dates aside, is in the best interest of the individuals who operate these facilities or the individuals and families who are served by these facilities.

UPDATED RESPONSE:

Partially Implemented. The Office is working on this via additional staff training and a new policy/directive to address the 60-day timeframe. If a facility would not be ready within those 60 days, the request will be closed by the Office and the facility will need to submit another request when fully prepared for inspection.

- 21. The auditors recommend the Office adequately enforce and monitor terms and conditions of grant agreements to ensure proper use and payment of grant funds. In addition, they recommend Office develop and implement**

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policies, procedures, and agency-specific rules to ensure compliance with State laws.

FINDING: *(Inadequate Controls over Grant Agreements) – First reported 2018, last reported 2022.*

The Office of the State Fire Marshal (Office) did not exercise adequate controls over grant agreements and related administrative rules, policies, and procedures.

The Office operates multiple grant programs, including direct, small equipment, and fire grants. Specifically, the following issues were noted during the auditors testing of direct grant agreements effective during the examination period:

- For the FY21 Minimum Basic Firefighter Training Grant, totaling \$1,000,000, auditors noted the close-out performance report provided by the grantee did not include the (1) number of students, by department represented; (2) number of students, by location; and (3) percentage of students receiving certifications.

The Minimum Basic Firefighter Training Grant: Exhibit E – Performance Measures requires the grantee to report the (1) number of students, by department represented; (2) number of students, by location; (3) total classroom hours completed by students (in person and online); (4) total practical training hours completed by students; and (5) percentage of students receiving certification.

- For the FY21 Explorer Cadet Grant, totaling \$65,000, auditors noted the close-out performance report provided by the grantee did not include the (1) number of attendees, by age, and the (2) lists of courses provided and enrollment by course.

The Explorer Cadet Grant: Exhibit E – Performance Measures requires the grantee to report the (1) number of attendees, by age; (2) lists of courses provided and enrollment by course; and, (3) number of training hours provided.

In addition, the Illinois Administrative Code (Code) (44 Ill. Admin. Code 7000.80(f)(2)) requires the Office to place grant awardees immediately in temporary Stop Payment Status on the Illinois Stop Payment List following any occurrences of noncompliance such as failure to clear fiscal or administrative monitoring issues.

The auditors also noted the Office lacked adequate internal controls over grant-oriented policies, procedures, and administrative rules as follows:

- The Office has not developed certain policies and procedures for grants which were required by the Code.
The Code (44 Ill. Admin. Code 7000.120(a) and (c)) states payments to states are governed by the Cash Management Improvement Act and the Treasury State Agreement (TSA) default procedures codified at 31 CFR 205. The Code requires the Office to have implemented, written policies and procedures which comply with

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the TSA and 2 CFR 200.305 and stipulates the policies and procedures must be approved by the Office's staff responsible for cash drawdowns, federal reporting, and the TSA interest calculation. In addition, the Code specifies the policies and procedures must ensure awardee grant payments conform to the TSA and this Section, awardee grant payments conform to requirements in 2 CFR 200.305, and awardees have policies and procedures that enable them to conform to the TSA and 2 CFR 200.305. The Code requires the Office to implement written policies and procedures for each grant payment method utilized by the Office such as advance payments, reimbursements, and working capital advances, and the policies and procedures must be approved by the Office's staff responsible for federal and State cash drawdowns and reporting. The Code (44 Ill Admin. Code 7000.260(b)(1)(A) and (B)) states if an awardee is not compliant with grant terms stated in Section 7000.80(f)(I), the Grant Compliance Enforcement System shall go into effect. The Code requires the Office to have protocols that dictate procedures for managing financial and programmatic reporting due dates. The Code requires the Office to apply due diligence with awardees to support the administration of reporting requirements stated in the executed Grant Agreement and/or subsequent amendments. The Code requires the Office to have protocols that establish a methodology for the Office to withhold payments at the entity level as prescribed in Section 7000.80(f)(1)(C).

- The Office did not ensure all required elements were included when developing policies, procedures, and agency-specific administrative rules as required by the Grant Accountability and Transparency Act (30 ILCS 708/90) (GATA) and the Illinois Administrative Rules. Specifically, auditors noted the following elements were missing from the administrative rules developed by the Office when testing grants administered during the examination period:

| Grant Name | Rules Missing |
|--|---|
| Small Equipment Grant (41 Ill. Admin. Code 291) | 1. 44 Ill. Admin. Code 7000.80(f)(1)(B) |
| | 2. 44 Ill. Admin. Code 7000.80(f)(1)(C) |
| | 3. 44 Ill. Admin. Code 7000.80(f)(1)(D) |
| | 4. 44 Ill. Admin. Code 7000.200(b) |
| Fire Protection District Grant (41 Ill. Admin. Code 295) | 1. 44 Ill. Admin. Code 7000.80(f)(1)(A) |
| | 2. 44 Ill. Admin. Code 7000.80(f)(1)(B) |
| | 3. 44 Ill. Admin. Code 7000.80(f)(1)(C) |
| | 4. 44 Ill. Admin. Code 7000.80(f)(1)(D) |
| | 5. 44 Ill. Admin. Code 7000.200(b) |

The GATA (30 ILCS 708/90) required the Office to implement the policies and procedures applicable to State and federal pass-through awards by adopting rules for non-federal entities by December 31, 2017. Furthermore, the Code (44 Ill. Admin. Code 7000.80(f)(1)) requires the Office to have rules which specify procedures for managing awardee submittal of required financial and performance reports, including a due diligence process for the Office to generate reminders to the awardee in advance of reporting due dates. The Code requires the Office to have rules that allow the grant making agency to extend the reporting deadline due to extenuating circumstances. Such reporting extensions must be justified in

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writing by the grant making agency, and a report due date may only be extended one time. The State grant making agency shall withhold payments to the entity if a report is more than 15 business days past the original or extended due date. The Code requires the Office to have rules that include awardee notification of the Office's contact for Stop Payment Status inquiries. If the report is not submitted within 30 business days after the original or extended due date, the State grant making agency shall place the awardee in temporary Stop Payment Status on the Illinois Stop Payment List. (See Section 7000.260.)

The Code (44 Ill. Admin. Code 7000.200(b)) required the Office, as a State agency making State awards to non-federal entities, to adopt rules reflecting Uniform Administrative Requirements (UR) subparts B through F by July 1, 2017 unless different provisions were required by law or an exception was granted by the Grant Accountability and Transparency Unit (GATU) in accordance with Section 7000.60.

During the prior examination, Office management indicated the issues noted were due to competing priorities, including circumstances out of the Office's control such as COVID19. During the current examination, Office management indicated the issues noted were due to management error. Additionally, Office management indicated the individuals involved in the rulemaking process were unable to draft new administrative rules during the period due to competing priorities.

Failure to adequately enforce and monitor terms and conditions of grant agreements could result in improper use and payment of grant funds. Additionally, failure to develop policies, procedures, and agency-specific rules as required hinders oversight of grant requirements, increases the risk of unauthorized grant activity, and represents noncompliance with State statute and the Code.

OFFICE RESPONSE:

The Office agrees with the finding. The required reports were not provided. The Office will ensure that all reports required by grantees are submitted to the Office. The Office agrees that its administrative rules, policies and procedures do not meet the requirements outlined in the Grant Accountability and Transparency Act. The Office will work to update its administrative rules to comply with the requirements of GATA. It should be noted that the grants identified are paid on a reimbursement basis. The Office reviews invoices provided by grantees prior to issuing a payment. The Office is confident that its decision to pay grantees on a reimbursement basis mitigates any potential risks.

UPDATED RESPONSE:

Under Study/Partially Implemented. The Office has updated its Grant Agreements as necessary to reflect what reports are due and the expected timeframes. The Office will work on updating our Administrative Rules to ensure its compliance with the Grant Accountability and Transparency Act.

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22. **The auditors recommend the Office work with the Governor and the General Assembly to ensure sufficient resources exist to fully enforce the requirements of this Act, including the resources necessary to properly review and approve certifications applied for by owners of conveyance systems. They also recommend the Office ensure conveyances are inspected annually to ensure compliance with State law and for the safety of the general public when utilizing conveyance systems operated within the State.**

FINDING: *(Inadequate Enforcement Program) – First reported 2020, last reported 2022.*

The Office of the State Fire Marshal (Office) failed to implement an adequate enforcement program to ensure annual conveyance inspections were performed as required.

The Elevator Safety and Regulation Act (Act) (225 ILCS 312/105) states it is the Office's responsibility to develop an enforcement program to ensure compliance with rules and requirements referenced in the Act. The Office codified its rules governing the enforcement of the program in the Illinois Administrative Code (Code) (41 Ill. Admin. Code 1000). The Code (41 Ill. Admin. Code 1000.150) requires the owner of the conveyance system to apply annually for a certificate of operation. Along with the application, the owner is required to provide to the Office a copy of the most recent annual inspection indicating the system has passed inspection by a licensed elevator inspector.

For 17 of 60 (28%) conveyances selected for testing, the auditors could not determine if an annual inspection was performed as required and/or the Office could not locate a copy of the annual inspection report to substantiate the required inspection had been performed. The auditors also noted 14,229 of 16,264 (87%) registered conveyances were listed as active in the Office's records, but of the 14,229 registered conveyances listed as active, 623 (4%) were most recently inspected prior to July 1, 2020, the beginning of the examination period.

These numbers do reflect substantial improvement over similar statistics compiled during the previous State compliance examination but also reflect an ongoing need for the Office to enhance its statutorily-required enforcement program to ensure appropriate action is taken when the owners of conveyance systems allow their certificates of operation to lapse and do not ensure the required annual inspections are being performed.

The Act (225 ILCS 312/120) states it is the responsibility of the owner of all new and existing conveyances located in any building or structure to have the conveyance inspected annually by a person, firm, or company to which a license to inspect conveyances has been issued. The person, firm, or company conducting the inspection shall use the inspection form prescribed by the Board pursuant to subsection (k) of Section 35 of this Act. Subsequent to inspection, the licensed person, firm, or company must supply the property owner or lessee with a written inspection report describing any and all code violations. Property owners shall have 30 days from the date of the published inspection report to be in full compliance by correcting the violations. The Administrator

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shall determine, upon receiving a final inspection report from the property owner or lessee, whether such violations have been corrected and may extend the compliance dates for good cause, provided that such violations are minor and pose no threat to public safety.

During both the prior and current examinations, Office management indicated the Office lacks sufficient resources to fully enforce all requirements of the Act.

Failure to implement an adequate enforcement program to ensure conveyances are inspected annually as required by the Act represents an increased risk of compromising the safety of the general public when they utilize conveyance systems operated within the State and represents noncompliance with State law.

OFFICE RESPONSE:

The Office agrees with the finding. The Office has developed what we believe to be an adequate Enforcement Plan. The Office lacks sufficient resources to ensure compliance with the Elevator Safety and Regulation Act (Act). The Elevator Division is comprised of 7 geographically assigned field staff who enforce the Act. The Office oversees approximately 15,000 conveyances and another approximately 22,000 conveyances are enforced via municipality agreements. Third-party elevator companies conduct the inspections. The Office passed a rule, which will not let an elevator company work on an elevator unless it is inspected or has received a 60-day extension. This rule change has increased compliance considerably. The Office is re-evaluating the program to look for efficiencies and will work with the Governor and the General Assembly to increase resources to decrease the number of elevators out of compliance with the Act.

UPDATED RESPONSE:

Under Study/Partially Implemented. The Office has made a change, as of January 1, 2024, to begin scanning Inspection Reports in house. The reports that could not be located were not yet scanned into the Office's system. As far as the elevators and conveyances that appear to be overdue for inspection, there are factors that come into play that do not show up on a report that will be better communicated with the auditors in the future.

- 23. The auditors recommend the Office work with the Associated Fire Fighters of Illinois to complete the educational program and associated document and add the information to the Office's website.**

FINDING: *(Failure to Comply with the Illinois Fire Protection Training Act) – First reported 2020, last reported 2022.*

The Office of the State Fire Marshal (Office) did not comply with certain requirements of the Illinois Fire Protection Training Act (Act). Specifically, the auditors noted an educational program or literature for fire fighters on the history of the fire service labor

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movement had not been created as of June 30, 2022. Therefore, the Office did not make the educational program or literature available on its website as required by the Act.

The Act (50 ILCS 740/12.6) requires the Office to maintain on its website a link to an educational program or literature for fire fighters on the history of the fire service labor movement.

During the current and prior examinations, Office management stated the educational program was still being developed by the Associated Fire Fighters of Illinois and an external partner on the project, and completion of this project was delayed by the COVID-19 pandemic and staff turnover.

Failure to establish an educational program on the fire service labor movement prevents fire officials from being adequately educated on the history of the industry and represents noncompliance with the Act.

OFFICE RESPONSE:

The Office agrees with the finding. The Associated Fire Fighters of Illinois is still working with an external partner (professor at the University of Illinois) to develop the educational program. They are getting close to completing video trainings, which can be shared. The Office will add a link to the information as soon as it is available.

UPDATED RESPONSE:

Implemented. The Office has added a link to the training on its website.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, “It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts....” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurements shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided

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to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During the audit cycle, the OSFM had one emergency purchase in the 2nd quarter of FY21. Estimated Cost - \$187,500 for a vendor to provide resources to perform technical upgrades and functional changes to the Division of Petroleum and Chemical Safety's Underground Storage Tank System as a result of U.S. EPA mandates and outdated technology. This vendor was the most familiar and capable company to perform these services while the Agency issues and completes a competitive solicitation. A lapse in services could have put the Office in breach of the terms of the grant it received to modernize the Underground Storage Tank System.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2022, the Office of the State Fire Marshal had 98 employees assigned to locations others than official headquarters.