



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF NATURAL RESOURCES

Compliance Examination
 For the Two Years Ended June 30, 2018

Release Date: July 9, 2019

FINDINGS THIS AUDIT: 23	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	2	3	2016	18-3	18-9, 18-11, 18-13	
Category 2:	7	13	20	2014	18-2	18-5, 18-6, 18-12, 18-14, 18-16	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2012		18-8, 18-10, 18-15	
TOTAL	8	15	23	2010		18-21	
				2006		18-7	
FINDINGS LAST AUDIT: 17							

INTRODUCTION

This digest covers our Compliance Examination of the Department of Natural Resources for the two years ended June 30, 2018. A separate Financial Audit of the Department’s Capital Asset for the year ended June 30, 2018 was previously released on January 31, 2019. In total, this report contains 23 findings, 1 of which was also reported in the Financial Audit.

SYNOPSIS

- **(18-2)** The Department did not exercise adequate controls over its reporting of accounts receivable.
- **(18-3)** The Department did not exercise adequate control over its expenditure records.
- **(18-5)** The Department did not have adequate controls over voucher processing.
- **(18-7)** The Department failed to monitor and enforce concessionaire lease agreements regarding rental and reserve payments.
- **(18-11)** The Department did not maintain adequate controls over its cash receipts.

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

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

**DEPARTMENT OF NATURAL RESOURCES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

EXPENDITURE STATISTICS	2018	2017	2016
Total Expenditures.....	\$ 254,121,306	\$ 232,460,588	\$ 175,976,726
OPERATIONS TOTAL.....	\$ 202,350,606	\$ 180,667,640	\$ 174,796,007
% of Total Expenditures.....	79.6%	77.7%	99.3%
Personal Services.....	88,162,967	85,075,427	62,847,169
Other Payroll Costs (FICA, Retirement).....	44,925,926	43,415,529	25,724,949
All Other Operating Expenditures.....	69,261,713	52,176,684	86,223,889
AWARDS AND GRANTS.....	\$ 38,014,461	\$ 45,134,577	\$ 25,082
% of Total Expenditures.....	15.0%	19.4%	1.8%
HIGHWAY/WATERWAY CONSTRUCTION...	\$ 9,499,495	\$ 3,705,764	\$ -
% of Total Expenditures.....	3.7%	1.6%	0.0%
REFUNDS.....	\$ 399,995	\$ 378,530	\$ 245,162
% of Total Expenditures.....	0.2%	0.2%	0.1%
PERMANENT IMPROVEMENTS.....	\$ 3,856,749	\$ 2,574,077	\$ 910,475
% of Total Expenditures.....	1.5%	1.1%	0.5%
Total Receipts.....	\$ 134,801,000	\$ 106,624,000	\$ 112,183,000
Average Number of Employees.....	1,312	1,241	1,302

SELECTED ACTIVITY MEASURES (Not Examined)	2018	2017	2016
Site Attendance.....	38,512,400	37,659,735	37,040,330
Acreage Owned and Managed.....	484,688	479,115	478,832
Protected Natural Area Acreage.....	112,751	110,765	108,880
Hunting Licenses Issued.....	181,091	178,884	208,420
Fishing Licenses Issued.....	499,437	554,653	566,055

AGENCY DIRECTOR	
During Examination Period:	Wayne Rosenthal
Currently:	Colleen Callahan

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE

The Department did not exercise adequate controls over its reporting of accounts receivable. We performed detailed testing of accounts receivable on the following funds: the State Boating Act Fund (039), the State Parks Fund (040), the Wildlife and Fish Fund (041), the Plugging and Restoration Fund (137), the Underground Resources Conservation Enforcement Fund (261), and the Illinois Historic Sites Fund (538). During testing, some of the weaknesses we noted included the following:

Cumbersome and outdated accounts receivable reporting process

- The Department's accounts receivable reporting process is cumbersome, relies on numerous subsystems, and requires manual entry. The Department's quarterly accounts receivable reports (Forms C-97 and C-98) were manually compiled from multiple accounts receivable systems in order to issue a single report. For example, we identified reports for Funds 137 and 261 were compiled using an outdated computer system called Paradox, and Fund 039 was comprised of Automated Clearing House (ACH) accounting reports, phone/internet deposit slips, fund transfer reports from the Comptroller, and Returned check aging reports.

No detailed subsidiary ledger maintained

- The Department did not maintain a detailed accounts receivable subsidiary ledger to support the current quarter accounts receivable additions reported on its C-97s. Rather, the Department took the amount collected during the quarter, subtracted the beginning quarterly receivable balance, and added the ending quarterly gross receivable balance to calculate the accounts receivable additions for the quarter.

No support for estimated uncollectible amounts

- The Department was unable to provide support for estimated uncollectible amounts reported for Funds 137 and 261 in each quarter of the examination period. The Department's reported estimated uncollectible balance for Fund 137 ranged between \$558 thousand and \$951 thousand and ranged from \$558 thousand and \$2 million for Fund 261.

Did not determine if receivables should have been recorded

- The Department was the lessor in several real property rental agreements but did not track the timing of the rental payment due dates against related receipts to determine if receivables should be recorded and

reported to the Comptroller for its Fund 538 C-97. (Finding 2, pages 19-24) **This finding has been repeated since 2014.**

We recommended the Department implement the necessary internal controls to consistently and accurately report accounts receivable and ensure accounts receivable are timely pursued for collection and, if not collectible, submitted for uncollectible certification and subsequently written off. We also recommended the Department review rental transactions within Fund 538 to determine the amount of receivable to be reported quarterly and at the end of the year.

Department agreed with auditors

Department officials agreed with our recommendation. *(For the previous Department response, see Digest Footnote #1.)*

INADEQUATE CONTROLS OVER EXPENDITURE RECORDS

The Department did not exercise adequate control over its expenditure records. We noted the following weaknesses:

Monthly expenditure reconciliations not performed

- The Department did not perform monthly expenditure reconciliations from April 2018 until the lapse period of Fiscal Year 2018. Auditors compared the Department's cumulative expenditure records for the fiscal year ended June 30, 2018, against the Comptroller's records and noted unreconciled variances ranging from (\$1,663,143) to \$104,847.

Reconciliations not signed and dated by reviewer

- The expenditure reconciliations for all funds for the year ended June 30, 2017 were not signed and dated by a reviewer.

Reconciliation performed late

- The June 30, 2017 expenditure reconciliation for the General Revenue Fund was completed 23 days late. (Finding 3, pages 25-26)

We recommended the Department ensure all required reconciliations of its activity are performed, documented, and reviewed on a timely basis.

Department agreed with auditors

The Department agreed with our recommendation.

INADEQUATE CONTROLS OVER VOUCHER PROCESSING

The Department did not have adequate controls over voucher processing. We noted the following weaknesses during our testing of 421 vouchers:

- Vouchers approved late**
 - 81 (19%) vouchers tested, totaling \$4,207,798, were approved for payment from one to 422 days late.
- Vouchers paid late**
 - 11 (3%) vouchers tested, totaling \$46,588, were paid from one to 233 days late.
- Receipt date not documented**
 - 50 (12%) vouchers tested, totaling \$3,686,467, did not have a receipt date of the vendor's bill documented. As a result, we were unable to determine timeliness of approval for these vouchers.
- No purchase order or request form**
 - Six (1%) vouchers tested, totaling \$24,164, did not include completed purchase order/request forms. The referenced vouchers were for equipment purchases. (Finding 5, pages 29-30) **This finding has been repeated since 2014.**

We recommended the Department take action to improve its voucher processing system to ensure vouchers are timely approved and paid. We also recommended the Department improve its procedures to document the receipt of a proper bill. Lastly, we recommended the Department ensure properly completed request forms are submitted prior to equipment purchases in compliance with Department policy.

Department agreed with auditors The Department agreed with our recommendation. *(For the previous Department response, see Digest Footnote #2.)*

FAILURE TO ENFORCE CONCESSIONAIRE LEASE AGREEMENTS

The Department failed to monitor and enforce concessionaire lease agreements regarding rental and reserve payments.

During the examination period, the Department had lease agreements with approximately 65 concessionaires located at State parks throughout the State. The Department's concession coordinators are responsible for negotiating and enforcing lease terms, overseeing the site, approving rates charged, and collecting rental payments. The Department received rental fees from concessionaires totaling \$450,970 and \$641,361 during Fiscal Years 2017 and 2018, respectively. Some of the weaknesses we noted are described below.

During our testing of 154 lease payments from seven concession and lease agreements, we noted the following:

- Concessionaires made rental payments late**
 - 25 of 154 (16%) rental payments tested were not remitted to the Department timely, ranging from one to 15 days late.

Rental payments not date stamped

- 11 of 154 (7%) rental payments tested were not date stamped. As a result, we were unable to determine if these rental payments were timely remitted by the sites for deposit.

During our testing of 96 reserve account monthly remittances for the four largest concessionaires, measured in terms of rental payments and/or deposits, we noted the following:

Deposit slips submitted late

- 18 of 96 (19%) concessionaires' reserve deposit slips tested were not timely submitted to the Department, ranging from one to 13 days late.

Deposit slips not date stamped

- 23 of 96 (24%) concessionaires' reserve deposit slips were not date stamped. As a result, we were unable to determine if the related reserve deposits were remitted timely.

Deposit slips could not be located

- Two of 96 (2%) concessionaires' reserve deposit slips selected for testing could not be located. As a result, we were unable to determine if the related reserve deposits were remitted timely. (Finding 7, pages 32-34) **This finding has been repeated since 2006.**

We recommended the Department monitor concessionaires to enforce its contractual agreements and send concessionaires formal written communication when they fail to comply with their contractual obligations to the Department.

Department agreed with auditors

The Department agreed with our recommendation. (*For the previous Department response, see Digest Footnote #3.*)

INADEQUATE CONTROLS OVER RECEIPTS

The Department did not maintain adequate controls over its cash receipts. Some of the issues we noted included:

Refund receipts deposited late

- Six of 40 (15%) refund receipts tested, totaling \$86,220, were deposited from one to ten days late.

Refund receipts not date stamped

- Four of 40 (10%) refund receipts tested, totaling \$1,194, were not date stamped when received.

In addition, the Department did not perform monthly detail revenue reconciliations related to:

Monthly revenue reconciliations not performed

- Deer and turkey receipts for seven of 23 (30%) months tested;
- Hunting and fishing receipts for nine of 21 (43%) months tested;
- Camping fee receipts for 16 of 16 (100%) months tested; and,
- Boat and snowmobile receipts for six of 18 (33%) months tested. (Finding 11, pages 41-43)

We recommended the Department ensure receipt and deposit dates are documented for all receipts and all deposits are made in a timely manner with the State Treasurer. We also recommended the Department ensure hunting and fishing vendor accounts are accurate from year to year and remind employees of the need to maintain accurate and complete records and perform monthly reconciliations.

Department agreed with auditors

The Department agreed with our recommendation.

OTHER FINDINGS

The remaining findings pertain to (1) inadequate controls over valuation of intangibles, historical artifacts, receipts, overtime, contractual agreements, the investment of public funds, fuel reconciliations, and bank reconciliations; (2) lack of contingency planning or testing to ensure recovery of computer systems; (3) weaknesses with payment card industry data security standards; (4) weaknesses regarding the security and control of confidential information; (5) internal audit deficiencies; (6) noncompliance with mandated duties; and (7) property control and petty cash weaknesses. We will review the Department's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2018, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2018-002, 2018-003, and 2018-004. Except for the noncompliance described in these findings, the accountants stated the Department complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by E.C. Ortiz & Co., LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:cmd

DIGEST FOOTNOTES

#1 – Inadequate Controls over Accounts Receivable – Previous Department Response

2016 – The Department agrees with the finding. Given budgetary constraints, the Department is unlikely to obtain/implement a Department-wide accounts receivable system prior to the availability of a GAAP compliant State-wide accounting system. The Department has increased collection efforts and is working to ensure that support for all receivables, uncollectibles, and adjustments is obtained from each division.

#2 – Untimely Voucher Approvals – Previous Department Response

2016 – The Department agrees with the finding and will continue to bring attention to the need to forward invoices for processing immediately upon receipt.

#3 – Failure to Enforce Concessionaire Lease Agreements – Previous Department Response

2016 – The Department agrees with the finding and is now sending notices/letters to the lessee reminding them of the deadline when the reports are due and contacts the lessee to request items that are past due.