



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF NATURAL RESOURCES
SCHEDULE OF CAPITAL ASSETS

Financial Audit
 As of June 30, 2020

Release Date: February 10, 2021

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	No Repeat Findings			
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	1	0	1				
FINDINGS LAST AUDIT: 0							

INTRODUCTION

This digest covers the financial audit of the Department of Natural Resources' (Department) Schedule of Capital Assets for the year ended June 30, 2020. The Department's compliance examination covering the two years ended June 30, 2020 will be issued in a separate report at a later date.

SYNOPSIS

- (20-01) The Department did not maintain adequate control over its capital assets.

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
FINANCIAL AUDIT OF CAPITAL ASSET ACCOUNT
For the Year Ended June 30, 2020**

SCHEDULE OF CAPITAL ASSETS (expressed in thousands)	June 30, 2020	June 30, 2019
Capital Assets not being depreciated:		
Land and land improvements.....	\$ 435,882	\$ 433,626
Construction in progress.....	6,828	3,100
Internally generated intangible assets in development.....	372	372
Easements/rights of way/water-timber-mineral rights.....	144,984	140,551
Total Capital Assets not being depreciated	<u>588,066</u>	<u>577,649</u>
Capital Assets being depreciated:		
Site improvements.....	546,962	542,853
Building and building improvements.....	291,008	289,006
Equipment.....	83,101	78,139
Capital leases - equipment.....	58	58
Infrastructure.....	70,740	65,941
Non-internally generated software.....	36	36
Internally generated software.....	3,360	3,360
Easements/rights of way/water-timber-mineral rights.....	1,511	1,511
Other intangible assets.....	6,939	6,939
Total Capital Assets being depreciated	<u>1,003,715</u>	<u>987,843</u>
Less Accumulated Depreciation for:		
Site improvements.....	421,442	402,628
Building and building improvements.....	216,651	209,484
Equipment.....	63,039	60,235
Capital leases - equipment.....	46	34
Infrastructure.....	42,107	40,486
Non-internally generated software.....	36	36
Internally generated software.....	3,360	3,360
Easements/rights of way/water-timber-mineral rights.....	1,493	1,472
Other intangible assets.....	4,604	4,123
Total Accumulated Depreciation	<u>752,778</u>	<u>721,858</u>
Total Capital Assets being depreciated, net	<u>250,937</u>	<u>265,985</u>
Total Capital Assets, net	<u>\$ 839,003</u>	<u>\$ 843,634</u>

DEPARTMENT DIRECTOR
During Audit Period: Ms. Colleen Callahan
Currently: Ms. Colleen Callahan

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROL OVER CAPITAL ASSETS

Inadequate control over capital assets

The Department of Natural Resources (Department) did not maintain adequate control over its capital assets.

The Department implemented the Enterprise Resource Planning (ERP) system on January 1, 2019 while simultaneously operating its legacy capital assets system. Effective June 1, 2020, the Department discontinued the legacy system keeping the ERP as its primary system to track its capital assets. During testing, auditors noted the following:

Did not reconcile the ERP reports with the legacy system reports

- The Department did not reconcile the ERP reports with the legacy system reports during the transition. Auditors noted variances between ERP reports and the legacy system reports of \$3.5 million and \$6 million of costs and accumulated depreciation, respectively. Additionally, the Department could not explain the variances noted between FY20 beginning balances of capital assets prepared using the ERP and FY19 ending balances of capital assets prepared using the legacy system. Based on further analysis, auditors determined the beginning balances in the ERP report were accurate and the variances identified were due to accumulated errors in prior years' legacy system reports. Specifically, the variances were costs and related accumulated depreciation of capitalizable assets that were categorized as noncapitalizable assets in error coupled with erroneous depreciation calculations in the legacy system over the years. These prior years' errors were deemed not material for restatement, therefore, were recorded against additions or deletions, as applicable, in the FY20 Schedule of Capital Assets.

Variances of \$3.5 million and \$6 million of costs and accumulated depreciation noted between the ERP and legacy reports

- The Department did not exercise adequate control and oversight over the preparation of the Capital Asset Summary (SCO-538) resulting in an inaccurate SCO-538 submitted to the Office of the Comptroller. During testing, auditors noted variances of \$578,000 and \$30.7 million in cost and accumulated depreciation, respectively, between amounts reported on SCO-538 and those amounts from ERP at June 30, 2020. The Department indicated the variances identified on FY20 SCO-538 were not corrected because they were immaterial to the State's Comprehensive Annual Financial Report. (Finding 1, pages 14-15)

Errors of \$578,000 and \$30.7 million in cost and accumulated depreciation noted on SCO-538

Department accepted the recommendation

We recommended the Department improve its control over its capital assets by maintaining adequate oversight over personnel responsible for capital asset management and reviewing SCO-538 forms for accuracy before transmitting to the Comptroller.

The Department agreed to the recommendation to improve control over capital assets by maintaining adequate oversight and reviewing forms for accuracy. The Department also stated they did review reports but due to a new system and lack of training the errors were not identified and corrected timely.

AUDITOR’S OPINION

The auditors stated the Department’s Schedule of Capital Assets as of June 30, 2020, is fairly stated in all material respects.

This financial audit was conducted by Roth & Company, LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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