



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF NATURAL RESOURCES

**FINANCIAL AUDIT OF CAPITAL ASSET
ACCOUNT
For the Year Ended June 30, 2010**

Summary of Findings:

Total this audit:	17
Total last audit:	13
Repeated from last audit:	6

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010**

Release Date: May 19, 2011

SYNOPSIS

- The Department did not have adequate policies or procedures to ensure all assets categorized as Construction in Progress were properly recorded.
- The Department did not implement adequate procedures to comply with the Illinois and Michigan Canal Protection Act and the Rivers, Lakes and Streams Act.
- The Department failed to adopt and impose a plan to ensure that required daily and quarterly inspections of self-contained self-rescuer devices are performed.
- The Department did not follow-up on outstanding tickets with the Circuit Clerk.

{Expenditures and Activity Measures are summarized on the reverse page.}

DEPARTMENT OF NATURAL RESOURCES
FINANCIAL AUDIT OF CAPITAL ASSET ACCOUNT for the Year Ended June 30, 2010
COMPLIANCE EXAMINATION for the Two Years Ended June 30, 2010

EXPENDITURE STATISTICS	2010	2009	2008
Total Expenditures.....	\$ 220,237,981	\$ 238,688,115	\$ 245,307,622
OPERATIONS TOTAL.....	\$ 178,393,947	\$ 192,066,159	\$ 204,763,619
% of Total Expenditures.....	81.0%	80.5%	83.5%
Personal Services.....	72,607,331	68,273,827	86,577,556
Other Payroll Costs (FICA, Retirement).....	23,668,132	27,776,204	25,013,289
All Other Operating Expenditures.....	82,118,484	96,016,128	93,172,774
GRANTS AND AWARDS.....	\$ 41,172,305	\$ 45,795,276	\$ 39,771,186
% of Total Expenditures.....	18.7%	19.2%	16.2%
REFUNDS.....	\$ 671,729	\$ 826,680	\$ 772,817
% of Total Expenditures.....	0.3%	0.3%	0.3%
Total Receipts.....	\$ 108,723,000	\$ 112,810,000	\$ 99,803,000
Average Number of Employees.....	1,646	1,724	1,656

SELECTED ACTIVITY MEASURES (Not Examined)	2010	2009	2008
Site Attendance.....	36,100,000	40,528,080	41,580,000
Protected Natural Area Acreage.....	93,662	89,399	89,764
Number of Deer Harvested.....	189,634	188,914	199,671
Hunting Licenses Issued.....	194,576	184,275	194,458
Fishing Licenses Issued.....	627,189	639,451	601,687

AGENCY DIRECTOR	
During Examination Period:	Marc Miller, effective February 6, 2009, Kurt Granberg, Acting Director (January 21, 2009 through February 5, 2009), Sam Flood, Acting Director (Until January 20, 2009)
Currently:	Marc Miller

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

INADEQUATE CONTROLS OVER CAPITAL ASSETS

Failure to record CIP

The Department does not have adequate policies or procedures to ensure that assets categorized as Construction in Progress (CIP) were properly recorded.

Assets totaling \$1,012,131 should have been classified CIP

During our review, we noted the Department did not have a policy to ensure CIP assets were properly recorded. As a result, the auditors requested the Department to perform an overall review of the site improvements, and building and building improvements to determine whether assets should have been reported. As a result of the Department's review, eight assets were identified as CIP, totaling \$1,012,131, which should have been classified as CIP at June 30, 2010. However, due to the immateriality of the misclassification, a correcting adjustment was not made to the financial statements. (Finding 10-1, page 14)

Department personnel stated the Department did not have policies and procedures to ensure assets were properly classified.

We recommend the Department establish policies and procedures to ensure assets are properly classified.

Department agrees with auditors

The Department agreed with our recommendation and stated they have developed policies and procedures to ensure assets are properly classified.

INADEQUATE CONTROLS OVER ENCROACHMENTS

Policies and procedures had not been developed

The Department did not implement adequate procedures to comply with the Illinois and Michigan Canal Protection Act and the Rivers, Lakes and Streams Act.

During our testing of the Illinois and Michigan Canal Protection Act we noted the Department had not developed policies or procedures to ensure compliance.

Department did not take action

On April 20, 2009, the Department submitted a letter to a business regarding an encroachment identified by the Department. However, we noted the Department had taken no further action.

In addition, during our testing of the Rivers, Lakes and Streams Act we noted the Department had not developed policies or procedures to ensure compliance.

Encroachments remain

During our testing of two encroachments, we noted:

- The Department submitted a letter of encroachment on April 17, 2006 to a business. However, as of June 30, 2010 the encroachment still remained.
- On November 13, 2009, the Department submitted a letter indicating a deck structure was not permissible and should have been removed. Based on our inquiries with Departmental staff, we were unable to determine the status of the encroachment. (Finding 10-8, pages 29-30)

Department personnel stated the Department does not have written policies and procedures to document that the Department followed up on encroachments.

We recommend the Department develop policies and procedures to ensure compliance with the Acts. Additionally, the Department should follow up on encroachments to ensure they comply with the Acts.

Department agrees with auditors

The Department agreed with our recommendations and stated they would develop written policies and procedures to document compliance with the Illinois and Michigan Canal Protection Act and the Rivers, Lakes and Streams Act.

FAILURE TO ENSURE COMPLIANCE WITH REQUIRED INSPECTIONS

The Department failed to adopt and impose a plan to ensure that required daily and quarterly inspections of self-contained self-rescuer devices (SCSR) are performed.

Department lacks inspection plan

During our testing we noted the Department had not established written policies and procedures that described how a plan is adopted and imposed to ensure the daily and quarterly inspections are performed as required by statute.

The Department requires mine operators to develop and submit emergency response plans (ERP) for review. The ERPs are to outline the daily and quarterly inspections conducted by the operators. The Department completes an evaluation of the ERP which is returned to the mine operator for corrective actions. In addition, the Department performs monthly inspections of each underground mine.

The Department documents its monthly inspections in a report for each inspection. These reports include only exceptions noted by the State mine inspector. Based on discussions with Department personnel, the required daily inspections of SCSRs are performed by the actual persons who are underground using such devices. We reviewed a sample of

five inspection reports as well as a sample of ERP.

Documentation did not indicate inspections

Based on our review of ERPs, we noted no language that documents the miner's plan for the daily and quarterly inspections of applicable SCSRs. Based on our review of the five monthly inspection reports, the Department did not adequately document these exceptions to the requirements.

In addition, the Department did not adequately document the decision to follow the requirements of all federal Mine Safety and Health Administration requirements. (Finding 10-13, pages 36-37)

Department personnel stated the U.S. Mine Safety and Health Agency (MSHA) require all mine operators to submit Emergency Response Plans (ERPs) for approval. ERPs must satisfactorily document compliance with requirements of Federal laws, after which our Statutes have been modeled.

We recommend the Department implement policies and procedures to ensure compliance with the plan to ensure daily and quarterly inspections of self-contained self-rescuer devices.

Department agrees with auditors

The Department agreed with our recommendation and stated they would implement policies and procedures to ensure mine operators comply with requirements for daily and quarterly inspections of self-contained self-rescuer devices.

FAILURE TO FOLLOW UP ON OUTSTANDING TICKET WITH THE CIRCUIT CLERK

Failure to follow-up on outstanding tickets

The Department did not follow up on outstanding tickets with the Circuit Clerk.

The Department did not request nor receive a monthly aging report from the Illinois State Police that includes all tickets written for all Department offenses and consequently, did not discuss outstanding ticket amounts owed to the Department with appropriate Circuit Clerks.

Failure to follow-up could result in lost revenue

Supreme Court Rule 552, effective since September 30, 2002, while requiring clerk(s) to issue a Disposition Report, does not preclude the Department's responsibility to determine if violators are prosecuted in a timely manner and to follow up on outstanding tickets with the appropriate clerk. Failure to follow up on outstanding tickets could result in lost revenue to the State.

Department personnel stated the Department has determined that the cost of following up on outstanding tickets outweighs the benefit because the potential recovery of fines is minimal. Also, the Illinois State Police is no longer making the paper disposition report available to other Agencies. (Finding 10-15, pages 40-41)

We recommend the Department obtain outstanding ticket reports from the Illinois State Police, review the reports, and follow up on outstanding tickets with the Circuit Clerks.

Department disagrees with auditors

The Department disagrees with the finding and recommendation. The Department stated the Supreme Court Rule 552 does not require the Department to follow up on outstanding tickets. Additionally, the Illinois State Police is no longer making the paper disposition report available to other Agencies. Once the Automated Disposition Reporting System is implemented, the Department will be able to follow up on outstanding tickets in a non-cost prohibitive manner.

Auditor's comment

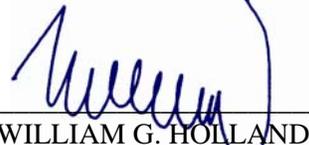
In an auditor's comment, we noted the Supreme Court Rule 552 states "Upon final disposition of each case, the clerk shall execute the "Disposition Report" and promptly forward it to the law enforcement agency that issued the ticket." It is the issuing law enforcement agency's responsibility to establish and maintain controls to effectively utilize the Disposition Reports.

OTHER FINDINGS

With regards to the other findings noted in our report, Department management indicated they are being given attention. We will review the progress towards the implementation of our recommendations during our next engagement.

AUDITOR'S OPINION

Our auditors stated at June 30, 2010 the Department of Natural Resource's Schedules of Capital Assets and Intangible Assets are fairly presented.



WILLIAM G. HOLLAND
Auditor General ²

WGH:MKL:pp

AUDITORS ASSIGNED

Washington, Pittman & McKeever, LLC were our special assistant auditors for this audit.