



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF NATURAL RESOURCES

State Compliance Examination
 For the Two Years Ended June 30, 2024

Release Date:

FINDINGS THIS AUDIT: 39				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	1	10	11	2022	24-07, 24-08, 24-14, 24-24	24-09, 24-12, 24-23, 24-27, 24-28, 24-35	
Category 2:	4	23	27	2020	24-05	24-26, 24-30, 24-31, 24-38	
Category 3:	<u>1</u>	<u>0</u>	<u>1</u>	2018	24-02, 24-04	24-11, 24-16, 24-32	
TOTAL	6	33	39	2016	24-03	24-37	
				2014	24-01, 24-06	24-10, 24-15, 24-29, 24-36	
				2012		24-21, 24-22, 24-25	
FINDINGS LAST AUDIT: 37				2010		24-33	
				2006		24-19	

INTRODUCTION

Because of the significance and pervasiveness of the findings described within the report, we expressed an **adverse opinion** on the Department of Natural Resources’ (Department) compliance with the specified requirements which comprise a State compliance examination. The Codification of Statements on Standards for Attestation Engagements (AT-C § 205.74) states a practitioner “should express an adverse opinion when the practitioner, having obtained sufficient appropriate evidence, concludes the misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.”

Further, this digest covers our Compliance Examination of the Department for the two years ended June 30, 2024. A separate Financial Audit of the Department’s Schedule of Capital Assets for the year ended June 30, 2024 was previously released on February 20, 2025. In total, this report contains 39 findings, none of which were reported in the Financial Audit.

SYNOPSIS

- **(24-01)** The Department did not exercise adequate internal controls over its reporting and maintenance of accounts receivable.
- **(24-02)** The Department did not have adequate controls over historical artifacts.
- **(24-03)** The Department did not have adequate controls over preparation of monthly reconciliations of its significant accounts and transactions with the Comptroller records.
- **(24-05)** The Department had weaknesses over computer security.

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.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE

The Department of Natural Resources (Department) did not exercise adequate internal controls over its reporting and maintenance of accounts receivable.

We performed detailed testing of accounts receivable including the *Quarterly Summary of Accounts Receivable – Accounts Receivable Activity Report* (Form C-97) and *Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables* (Form C-98). During testing, we noted the following weaknesses:

Accounting System and Process Deficiencies

Did not maintain a detailed accounts receivable subsidiary ledger

- The Department did not maintain a detailed accounts receivable subsidiary ledger to support the quarterly accounts receivable additions reported on the Form 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.

Did not review and verify the accuracy of accounts receivable

- During the compilation of Forms C-97 and C-98, the Department did not review and verify the accuracy of accounts receivable reported by the Department’s in-charge of each fund.

Inadequate Processing of Old Accounts Receivable

Did not report accounts receivable balances “due over one year” as uncollectible

- The Department did not report accounts receivable “due over one year” as uncollectible on the Form C-97 for Funds 039, 040, 041, 905 and 962 for the fourth quarter of Fiscal Years 2023 and 2024. The Department’s accounts receivable balances “due over one year” for Funds 039, 040, 041, 905 and 962 ranged from \$1,817 to \$199,648.

Did not make sufficient attempts to collect its aged accounts receivable

- The Department did not make sufficient attempts to either collect its aged accounts receivable or write off uncollectible accounts receivable greater than one year old. As of June 30, 2024, outstanding receivables aged more than a year totaled \$2,305,314, \$2,773,937, \$123,374, and \$199,648 for Funds 137, 261, 884, and 962, respectively.

Further, we noted these accounts receivable were aged more than one year, in some cases, were as old as Fiscal Year 1992.

Accounts over 90 days past due were not placed in the IDROP

- During testing of 40 accounts receivable, we noted 14 (35%), totaling \$225,108, were over 90 days past due but not referred to the Comptroller’s Illinois Debt Recovery Offset Portal (IDROP) system.

Accounts Receivable Not Reported

Did not track the timing of the rental payments

- 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 on its Fund 538 Form C-97. The total real property rental receipts reported by the Department for Fund 538 were \$128,129 and \$63,672 in Fiscal Years 2023 and 2024, respectively. Potential receivable amounts could not be determined. (Finding 1, pages 14-17). **This finding has been reported since 2014.**

We recommended the Department implement the necessary internal controls to ensure accounts receivable are adequately supported and are consistently and accurately reported to the Comptroller. Also, we recommended the Department ensure accounts receivable are timely pursued for collection and, if not collectible, submitted for uncollectible certification and subsequently written off. Lastly, we recommended the Department review rental transactions to determine the amount receivable to be reported quarterly and at the end of the year.

Department agreed

Department officials accepted the recommendation. Department officials stated the Department has updated its Finance Handbook, which includes the accounts receivable process, and has begun implementing the necessary internal controls to consistently and accurately report accounts receivables. Department officials further stated the Department has also provided staff with training on the Statewide Accounting Management System (SAMS) manual to ensure all accounts receivable reporting requirements are met. Additionally, Department officials stated the Department has hired additional staff to increase collection efforts and continues working to ensure that support for all receivables, uncollectable accounts and adjustments is obtained from each division. Finally, Department officials stated the Department will continue reviewing rental transactions within Fund 538 to determine the amount of receivable to be reported quarterly and at the end of the year.

INADEQUATE CONTROLS OVER HISTORICAL ARTIFACTS

The Department did not have adequate controls over historical artifacts.

The Department is responsible for the protection and interpretation of Illinois' history and historic resources. The Department collects and preserves historically important materials and maintains an artifact collection.

Did not maintain a central inventory of its historical artifacts

The Department did not maintain a central inventory of its historical artifacts. Each historical site maintained their own inventory listing and there was not an independent review of items added to or removed from the listing maintained by each site. Also, physical inventory counts were performed by the custodians of the artifacts, not by independent persons.

Incomplete population records

Due to the deficiencies noted above, we were unable to conclude the Department's population records of historical artifacts were sufficiently precise and complete under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Department's compliance relative to historical artifacts.

Even given the population limitations noted above, which hindered our ability to conclude whether the records were complete and accurate, we requested the Department provide the population of historical artifacts for three historical sites and noted the following:

Artifacts could not be located

During our physical inspection of 33 historical artifacts, we noted the following:

Artifacts were not tagged

- Two (6%) artifacts could not be located.
- Three (9%) artifacts were not tagged with an artifact ID number and could only be identified through description and confirmation from the Department.

Artifacts could not be traced to the artifacts listing

During our tracing of 33 historical artifacts to the Department records, we noted the following:

- One (3%) artifact could not be traced to the artifacts listing. (Finding 2, pages 18-19) **This finding has been reported since 2018.**

We recommended the Department maintain a central inventory listing of historical artifacts and implement internal controls requiring additions and deletions to the artifacts catalog to be independently reviewed and approved. We also recommended the Department ensure the inventory of all historical artifacts is performed and/or reviewed by independent personnel. Further, we recommended the Department strengthen its internal controls to ensure records are accurately maintained and artifacts are properly accounted for.

Department agreed

The Department accepted the recommendation. Department officials stated the Department is in the process of procuring a

centralized collections database to track all historical artifacts, with procurement expected to be completed by September 30, 2025. Department officials further stated the Department is working to ensure inventories conducted at the individual sites are independently reviewed and approved until the database is implemented. Finally, Department officials stated they are in the process of hiring a Historic Sites Registrar, who will be responsible for managing all historic site artifacts, and until this position is filled an existing registrar at the Illinois State Museum will assist historic sites in ensuring best practices.

INADEQUATE CONTROLS OVER PREPARATION OF MONTHLY RECONCILIATIONS

The Department did not have adequate controls over preparation of monthly reconciliations of its significant accounts and transactions with the Comptroller records.

During our testing, we noted the following:

- The Department did not reconcile its internal records with the following Comptroller’s reports during Fiscal Years 2023 and 2024:
 - Appropriation Transfer Report (SB03); and,
 - Cash Report (SB05).
- The Department did not reconcile its internal records with the following Comptroller’s reports during Fiscal Year 2023. In addition, the Fiscal Year 2024 monthly reconciliations did not have documentation of who and when the reconciliations were performed; therefore, we were unable to determine if the monthly reconciliations were performed timely and authorized employees prepared the reconciliations and performed supervisory review:
 - Revenue Status Report (SB04); and,
 - Appropriations Status Report (SB01) including lapse periods.
- Eight of eight (100%) monthly reconciliation of its contractual obligations to the Agency Contract Report (SC14) or the Obligation Activity (SC15) lacked documentation to support the dates the reconciliations were completed; therefore, we were unable to determine if the monthly reconciliations were performed timely and authorized employees prepared the reconciliations and performed the supervisory review. (Finding 3, pages 20-21). **This finding has been reported since 2016.**

Did not perform SB05 and SB03 monthly reconciliations

Did not perform or properly document SB04 and SB01 monthly reconciliations

Did not have documentation for the SC14 and SC15 monthly reconciliations

We recommended the Department ensure monthly reconciliation of its activity is timely performed, documented, and reviewed.

Department agreed

The Department accepted the recommendation. Department officials stated, as of April 30, 2025, the Department is current on all reconciliations, except for the SB05 reconciliations, which are expected to be current by December 31, 2025. Department officials further stated the Department has updated policies and procedures to ensure all required reconciliations of its activities are performed, documented and reviewed on a timely basis.

WEAKNESSES OVER COMPUTER SECURITY

The Department of Natural Resources (Department) had weaknesses over computer security.

During testing, we noted the Department:

Did not have a formal access provisioning policy, or change control policy

- did not have a formal access provisioning policy.
- did not have a change control policy.

Lacked supporting documents for access requests

- could not provide supporting documentation of access requests and approvals for 38 of 38 (100%) new users.

Did not timely remove separated employees' user access rights

- did not timely remove separated employees' user access rights. We noted three of 190 (2%) separated employees who continued to have access to an application subsequent to their separation from the Department. Further, we noted the Department did not evaluate whether the separated employees accessed the application.

Did not perform user access review

- did not perform user access review for the Enterprise Resource Planning (ERP) system.

Did not have documentation for data sanitization of disposed devices

- did not maintain documentation verifying the data sanitization for 37 of 37 (100%) electronic devices prior to their disposal.

Did not have a disposal policy for data storage devices

- did not have a formal policy on disposal of data storage devices.

Inadequate control over lost or missing computers

- had not maintained adequate control over lost or missing computer equipment items. We noted 116 electronic data processing equipment items were reported as lost and missing during the Department's inventory counts. However, the Department did not determine if any confidential information was stored on these electronic data processing items. (Finding 5, pages 25-27). **This finding has been reported since 2020.**

We recommended the Department establish and implement formal access and change control policies, maintain documentation of user access requests and approvals, ensure timely deactivation of separated users' access, ensure regular review of ERP users' access, establish and implement a policy on disposal of data storage devices, ensure data storage devices are properly sanitized before disposal, and conduct an assessment to determine if lost or stolen laptops contained confidential or personal information and ensure compliance with the Personal Information Protection Act.

Department agreed

The Department accepted the recommendation. Department officials stated the Department has drafted a cybersecurity program that establishes a formal access control policy. Department officials further stated the Department's Human Resources Division is working with the Department of Innovation and Technology (DoIT) to improve off-boarding procedures to ensure separated users are deactivated timely. Additionally, Department officials stated the Department is currently working with DoIT to identify all users for every application used by the Department.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Department. We will review the Department's progress towards the implementation of our recommendations in our next State compliance examination.

AUDITOR'S OPINION

The financial audit was previously released. The auditors stated the Department's Schedule of Capital Assets as of June 30, 2024, was fairly stated in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted the State compliance examination of the Department for the two years ended June 30, 2024, as required by the Illinois State Auditing Act. Because of the effect of the noncompliance described in Finding 2024-001 through Finding 2024-039, the accountants stated the Department did not materially comply with the specified requirements described in the report.

This State compliance examination was conducted by Roth & Co., LLP.

SIGNED ORIGINAL ON FILE

COURTNEY DZIERWA
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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