



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF AGRICULTURE

COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2015

Release Date: February 18, 2016

FINDINGS THIS AUDIT: 15	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2013		15-7, 15-8, 15-10	
Category 2:	8	7	15	2011		15-4, 15-6	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2009		15-14	
TOTAL	8	7	15	2007		15-3	
FINDINGS LAST AUDIT: 11							

SYNOPSIS

- (15-2) The Department improperly classified contractual obligations. Specifically, contractual obligations were improperly classified as small purchases and therefore did not follow the competitive sealed bidding process.
- (15-3) The Department did not exercise adequate controls over State property. Over \$50,000 in property items were reported as lost or stolen.
- (15-10) The Department did not comply with the Fiscal Control and Internal Auditing Act. Specifically, a full-time internal audit program was not maintained throughout the two-year examination period.

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 AGRICULTURE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015**

EXPENDITURE STATISTICS	2015	2014	2013
Total Expenditures.....	\$ 98,292,905	\$ 102,089,219	\$ 98,524,246
OPERATIONS TOTAL.....	\$ 82,942,073	\$ 82,908,225	\$ 80,239,179
% of Total Expenditures.....	84.4%	81.2%	81.5%
Personal Services.....	17,932,406	18,438,068	16,898,068
Other Payroll Costs (FICA, Retirement).....	6,163,431	5,928,590	5,683,638
All Other Operating Expenditures.....	58,846,236	58,541,567	57,657,473
AWARDS AND GRANTS.....	\$ 12,684,576	\$ 16,635,525	\$ 16,184,848
% of Total Expenditures.....	12.9%	16.3%	16.4%
REFUNDS.....	\$ 119,431	\$ 4,319	\$ 260
% of Total Expenditures.....	0.1%	0.0%	0.0%
PERMANENT IMPROVEMENTS.....	\$ 2,546,825	\$ 2,541,150	\$ 2,099,959
% of Total Expenditures.....	2.6%	2.5%	2.1%
Total Receipts.....	\$ 58,287,022	\$ 47,136,149	\$ 48,565,435
Average Number of Employees (Not Examined).....	337	340	332

SELECTED ACTIVITY MEASURES (Not Examined)	2015	2014	2013
Number of Inspections by Division			
Agricultural Products.....	5,974	6,061	5,840
Animal Health (Animals Tested).....	35	75	21
Animal Disease Laboratories (Tests Performed).....	76,111	77,112	92,749
Environmental Programs (Pesticides Misuse).....	130	111	103
Warehouses (Grain Examinations).....	756	823	800
Weights & Measures (Devices).....	113,582	131,811	112,358
Number of participants at outreach events.....	97,823	82,130	63,967
Percent of grain dealers rated compliant.....	97.0%	95.9%	94.8%
Racing horses (all types) foaled in Illinois.....	2,275	2,698	2,790
Acres of farmland in conservation tillage.....	8,600,000	9,030,000	8,815,000
Total Marketing Expenditures (in thousands).....	\$ 3,195	\$ 4,294	\$ 3,918

AGENCY DIRECTOR	
During Examination Period:	Raymond Poe, Acting (11/16/15 - Current), Warren Goetsch, Acting (9/25/15 - 11/15/15), Phillip Nelson (1/20/15 - 9/24/15), Robert Flider (11/28/12 - 1/19/15)
Currently:	Raymond Poe, Acting

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTRACTUAL OBLIGATIONS NOT PROPERLY CLASSIFIED

The Department improperly classified contractual obligations during the examination period.

During testing of 25 contractual agreements totaling \$1,215,286, we noted 3 of 25 (12%) were improperly classified on the Contract Obligation Document. Specifically:

**Contracts misclassified and not
subjected to bidding process**

- Two of 3 contracts totaling \$73,267 were classified as small purchases that exceeded the small purchase threshold. These 2 contracts were subject to the competitive sealed bidding requirements (one professional and artistic and one non-professional and artistic). However, since they were classified as small purchases, they did not go through the competitive sealed bidding process.

Lease agreement misclassified

- One of 3 contracts totaling \$35,340 was improperly classified as a professional and artistic contract when it was a lease agreement. (Finding 2, Page 11)

We recommended the Department implement a secondary review process in order to ensure its contractual obligations are classified properly when completing the Contractual Obligation Documents and all contracts which should be bid undergo the competitive sealed bidding process.

Department agrees with auditors

Department officials agreed with the recommendation and stated they will reinforce the review of contractual obligations. Reviews of all potential procurements will also be conducted to ensure compliance with the competitive bid process and Illinois Procurement Code.

INADEQUATE CONTROLS OVER STATE PROPERTY

The Department did not exercise adequate controls over State property.

**Over \$50,000 in property items
reported lost or stolen**

During our testing of State property within the Department, we noted the following:

- Sixty-five property items totaling \$43,332 and 25 items totaling \$6,839 were reported as lost or stolen, respectively, on the fiscal year 2014 and fiscal year 2015 Request for Deletion from Inventory Forms submitted to the Department of Central Management Services. In fiscal year 2014 lost or stolen property items represented 1.8% of the \$2,409,133 of total property deletions.

Items scrapped without proper approvals

In fiscal year 2015 lost or stolen items represented 2.2% of the \$312,183 of total property deletions.

- One of 2 (50%) property leases tested totaling \$15,341 was not recorded on the Fair Value Report. The Department failed to acknowledge and request a corrected fiscal year 2015 Fair Value Report when the Illinois Office of the Comptroller omitted the lease on the fiscal year 2015 Fair Value Report.
- Three of 25 (12%) equipment deletions tested totaling \$1,207 were scrapped without receiving approval from the Department of Central Management Services. The equipment deletions included a computer monitor, computer console, and a portable radio. (Finding 3, Pages 12-14) **This finding has been repeated since 2007.**

Department agrees with auditors

We recommended the Department strengthen its controls over State property by ensuring its property is tagged, inventoried, recorded, and reported in accordance with the rules outlined in State statute, the Illinois Administrative Code, and SAMS.

Department officials agreed with the recommendation and stated the Bureau of Budget and Fiscal Services will strive to develop and implement policies and procedures to ensure data is compiled and reported accurately with appropriate oversight. (*For the previous Department response, see Digest Footnote #1.*)

NONCOMPLIANCE WITH STATE LAW

The Department did not comply with the Fiscal Control and Internal Auditing Act.

No internal audits completed

The Department did not maintain a full-time internal audit program throughout the examination period. The Department's internal auditing program consists of one auditor, its Chief Internal Auditor. The Department's former Chief Internal Auditor retired in April 2014. The Chief Internal Auditor position was vacant until December 2014. The Department did not outsource its internal auditing program during the times in which the position was vacant to ensure the continuity of its internal auditing program and compliance with the Act. As a result:

- The Department did not complete audits of all major systems of internal accounting and administrative control during fiscal years 2014 and 2015.
- The 2014 Annual Internal Audit Report was not completed.
- The fiscal years 2015 and 2016 Two-year Audit Plan was not completed.

In response to the finding noted in the previous examination, the Department stated it would ensure audits of all major systems of internal accounting and administrative controls were conducted at least once every two years as required by the Act. The Department also stated it would devote sufficient resources to develop an effective full-time internal audit program such that all planned audits were performed within the designated time period in accordance with the Act. Related to the noncompliance noted during the current examination, the Department stated the Department's Office of Internal Audit was without a Chief Internal Auditor and staff for most of fiscal year 2014. The Chief position was filled in the last month of the second quarter of fiscal year 2015. Therefore, the Department stated, the Office of Internal Audit remains understaffed and will struggle to comply with FCIAA requirements until it is adequately staffed. (Finding 10, Pages 26-27)

Department agrees with auditors

We recommended the Department ensure audits of all major systems of internal accounting and administrative control are conducted at least once every 2 years as required by the Act. We further recommended the Department devote sufficient resources to develop an effective internal audit program such that all planned audits are performed within the designated time period in accordance with the Act.

Department officials agreed with the recommendation and will continue to strive to overcome staffing limitations within their Office of Internal Audit.

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 engagement.

ACCOUNTANT'S OPINION

We conducted a compliance examination of the Department, for the two years ended June 30, 2015, as required by the Illinois State Auditing Act. The accountants stated the Department complied, in all material respects, with the requirements described in the report.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this examination were Sikich LLP.

DIGEST FOOTNOTES

#1 - INADEQUATE CONTROLS OVER STATE PROPERTY

2013: The Agency agrees with the finding and will strengthen its controls over State property to minimize loss or theft of items and to ensure their proper recording.