



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS CONSERVATION FOUNDATION

**FINANCIAL AUDIT AND
COMPLIANCE EXAMINATION
For the Year Ended: June 30, 2013
Release Date: April 22, 2014**

Summary of Findings:

Total this audit:	5
Total last audit:	3
Repeated from last audit:	3

SYNOPSIS

- The Foundation's financial reporting process is lacking sufficient internal controls.
- All of the Foundation's accounting functions are performed by one employee creating a segregation of duties issue.
- The Foundation's internal controls related to accounting transactions should be enhanced.

{Financial data is summarized on the reverse page.}

ILLINOIS CONSERVATION FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For The Year Ended June 30, 2013

STATEMENT OF ACTIVITIES (Governmental Activities)	FY 2013	FY 2012
Program Revenue:		
Charges for Goods.....	\$ 13,650	\$ 33,026
Operating Grants and Contributions - General Administrative.....	424,470	452,447
Operating Grants and Contributions - Natural Resources & Recreation.....	867,217	1,241,598
Capital Grants and Contributions - Natural Resources & Recreation.....	22,700	8,700
Total Program Revenue.....	<u>1,328,037</u>	<u>1,735,771</u>
Expenses:		
General Administrative.....	437,139	558,277
Natural Resources and Recreation.....	839,299	1,244,582
Total Expenditures.....	<u>1,276,438</u>	<u>1,802,859</u>
Net (Expense) Revenue.....	51,599	(67,088)
General Revenue:		
Unrestricted Realized Gain/(Loss).....	42,613	(10,766)
Unrestricted Investment - Unrealized Gain/(Loss).....	60,219	(139,447)
Unrestricted Investment Earnings.....	78,221	82,733
Change in Net Position.....	<u>232,652</u>	<u>(134,568)</u>
Net Position, Beginning of Year.....	<u>7,375,516</u>	<u>7,510,084</u>
Net Position, End of Year.....	<u>\$ 7,608,168</u>	<u>\$ 7,375,516</u>
STATEMENT OF NET POSITION (Governmental Activities)	FY 2013	FY 2012
Assets:		
Cash and Cash Equivalents.....	\$ 418,017	\$ 399,120
Accounts Receivable.....	21,107	24,155
Accrued Investment Income.....	8,124	9,605
Prepaid Expenses.....	12,381	11,725
Investments.....	2,646,424	2,573,693
Capital Assets, Net.....	4,568,237	4,423,104
Total Assets.....	<u>7,674,290</u>	<u>7,441,402</u>
Liabilities:		
Accounts Payable.....	46,180	37,752
Accrued Expenses.....	19,942	28,134
Total Liabilities.....	<u>66,122</u>	<u>65,886</u>
Net Position:		
Natural Resources and Recreation - Restricted.....	1,377,198	1,221,810
Endowment/Nonexpendable - Restricted.....	125,800	118,944
Unrestricted.....	1,536,933	1,611,658
Net Investment in Capital Assets.....	4,568,237	4,423,104
Total Net Position.....	<u>\$ 7,608,168</u>	<u>\$ 7,375,516</u>
FOUNDATION CHIEF EXECUTIVES		
During Audit Period: Mark Spangler, Executive Director & Marc Miller, Acting Executive Director	Marc Miller, Chairman	
Currently: Marc Miller, Acting Executive Director	Marc Miller, Chairman	

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NEED TO IMPROVE FINANCIAL REPORTING PROCESS

The Illinois Conservation Foundation (Foundation) does not have sufficient internal controls over the financial reporting process.

Reporting errors

Several errors were identified during the audit of the Foundation's financial statements. The Foundation's financial statements were adjusted for the following reporting errors:

Adjusting entries not made

- The Foundation failed to make numerous adjusting entries to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

\$89,672 adjustment to correct the realized and unrealized gain balances

- The Foundation had realized and unrealized gains posted to opposite accounts in error. A net audit adjustment of \$89,672 was recorded to correct the balances in the realized and unrealized gain accounts. (Finding 1, pages 11-12) **This finding was first reported in 2011.**

We recommended the Foundation implement additional internal control procedures to ensure financial statements are prepared in accordance with GAAP.

Management agrees with auditors

Foundation management accepted our recommendation. (*For the previous Foundation response, see Digest Footnote #1.*)

INADEQUATE SEGREGATION OF DUTIES

All accounting functions are performed by one employee

The Foundation lacks adequate segregation of duties over its accounting functions.

The Foundation has three employees, an Executive Director, a Chief Financial Officer, and a property manager. Because of the small size of the Foundation staff, all of the accounting functions are performed by one employee which creates a segregation of duties issue. (Finding 2, page 13) **This finding was first reported in 2009.**

We recommended the Board of Directors remain involved in the financial affairs of the Foundation to provide oversight and independent review functions.

Management agrees with auditors

Foundation management accepted our recommendation. (*For the previous Foundation response, see Digest Footnote #2.*)

NEED TO ENHANCE CONTROLS OVER ACCOUNTING TRANSACTIONS

Inadequate internal controls over accounting transactions

The Foundation did not maintain adequate internal controls over accounting transactions. The following weaknesses were noted during testing:

No evidence of independent review and approval of adjusting entries

- The Foundation's adjusting journal entries did not have evidence of review and approval by an individual independent of the preparer.

No evidence of independent review and approval of bank reconciliations

- The Foundation's bank reconciliations did not have evidence of review and approval by an individual independent of the preparer.

Invoices not marked "paid"

- The Foundation does not mark invoices "paid" to prevent double payment. (Finding 3, pages 14-15)

We recommended the Foundation document reviews of journal entries and bank reconciliations on the face of the document with the reviewer's initials and date of review. Also, the Foundation should indicate that invoices have been marked "paid" to ensure that duplicate payments are not made.

Management agreed with auditors

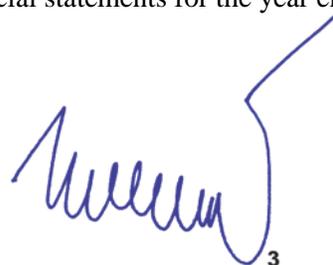
Foundation management accepted our recommendation.

OTHER FINDINGS

The remaining findings pertain to inadequate controls over personal services and noncompliance with the Accountability for the Investment of Public Funds Act. Auditors will review the Foundation's progress towards the implementation of all the recommendations in the next engagement.

AUDITORS' OPINION

The auditors expressed an unmodified opinion on the Foundation's financial statements for the year ended June 30, 2013.



WILLIAM G. HOLLAND
Auditor General

WGH:APA

SPECIAL ASSISTANT AUDITORS

Kemper CPA Group, LLP was our special assistant auditor for this engagement.

DIGEST FOOTNOTES

#1 – NEED TO IMPROVE FINANCIAL REPORTING PROCESS – Previous Foundation Response

2012: The Foundation agrees.

#2 – INADEQUATE SEGREGATION OF DUTIES – Previous Foundation Response

2012: The Foundation agrees.