



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, 2018**

**Release Date: January 31, 2019**

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>No Repeat Findings</b>
<b>Category 2:</b>	<b>1</b>	<b>0</b>	<b>1</b>	
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>1</b>	
<b>FINDINGS LAST AUDIT: 0</b>				

**INTRODUCTION**

This digest covers the financial audit of the Illinois Department of Natural Resources' Schedule of Capital Assets for the year ended June 30, 2018. The Department's compliance examination covering the two years ended June 30, 2018 will be issued in a separate report at a later date.

**SYNOPSIS**

- **(18-01)** The Department did not have adequate control and oversight over the valuation of donated intangible assets and the responsibility to value these assets was not clearly assigned to a responsible individual or division.

**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**  
Year Ended June 30, 2018

<b>SCHEDULE OF CAPITAL ASSETS</b> (expressed in thousands)	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Capital Assets not being depreciated:</b> .....		
Land and land improvements.....	\$ 412,131	\$ 395,966
Construction in progress.....	2,303	3,045
Internally generated intangible assets in development.....	372	372
Easements/rights of way/water-timber-mineral rights.....	136,184	129,151
<b>Total Capital Assets not being depreciated</b>	<u>550,990</u>	<u>528,534</u>
<b>Capital Assets being depreciated:</b> .....		
Site improvements.....	539,851	441,774
Building and building improvements.....	291,788	257,388
Equipment.....	73,035	68,258
Capital leases - equipment.....	80	85
Infrastructure.....	63,847	63,381
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
<b>Total Capital Assets being depreciated</b>	<u>980,447</u>	<u>842,732</u>
<b>Less Accumulated Depreciation for:</b> .....		
Site improvements.....	388,340	298,194
Building and building improvements.....	205,130	166,492
Equipment.....	59,780	57,001
Capital leases - equipment.....	38	23
Infrastructure.....	38,902	37,338
Non-internally generated software.....	36	36
Internally generated software.....	3,360	3,360
Easements/rights of way/water-timber-mineral rights.....	1,440	1,407
Other intangible assets.....	3,642	3,160
<b>Total Accumulated Depreciation</b>	<u>700,668</u>	<u>567,011</u>
<b>Total Capital Assets being depreciated, net</b>	<u>279,779</u>	<u>275,721</u>
<b>Total Capital Assets, net</b>	<u>\$ 830,769</u>	<u>\$ 804,255</u>

<b>DEPARTMENT DIRECTOR</b>	
During Examination Period:	Mr. Wayne Rosenthal
Currently:	Mr. Wayne Rosenthal

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INADEQUATE CONTROL AND OVERSIGHT OVER  
VALUATION OF INTANGIBLES**

**Inadequate control and oversight**

**Responsibility not clearly assigned**

The Department of Natural Resources (Department) did not have adequate control and oversight over the valuation of donated intangible assets and the responsibility to value these assets was not clearly assigned to a responsible individual or division.

**Donated easements and dedicated lands received totaling \$7,033,339**

During testing of capital asset additions during Fiscal Year 2018, we noted the Department received donated conservation easements and dedicated lands for preservation in perpetuity totaling \$7,033,339 from local government units, private individuals, and not-for-profit organizations. The Department then calculated the value of these donated easements and dedicated lands by using land sales information of various counties and an index factor to estimate the current land values, and applied a certain percentage for the encumbrance. In our review of the calculation, we noted the Department did not ensure the Office/Division performing the calculation used updated data. The land sales information used and the index factor were from 2013 and were not updated using recent sales data. (Finding 1, pages 16-17)

**Sales data used to value the easements and lands was from 2013**

We recommended Department management clearly identify and assign the responsibility for valuing these assets to the responsible Office/Division. We also recommended the Department periodically revisit these calculations to ensure updated sales data and index factors are used in performing the valuations.

**Department accepted the recommendation**

The Department agreed with the recommendation and stated they have identified the Office of Realty and Environmental Planning as being responsible for valuing these types of assets and they will periodically revisit the calculations to ensure updated sales data and index factors are used in performing the valuations.

**AUDITOR'S OPINION**

The auditors stated the Department's Schedule of Capital Assets as of June 30, 2018, is fairly stated in all material respects.

This financial audit was conducted by E. C. Ortiz and Co., 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

FJM:cmd