



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF NATURAL RESOURCES

**Compliance Examination
 For the Two Years Ended June 30, 2022**

Release Date: July 6, 2023

FINDINGS THIS AUDIT: 37				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	2	8	10	2020	22-04, 22-15	22-20, 22-21, 22-29, 22-37	
				2018	22-02, 22-05, 22-07	22-17, 22-23, 22-24, 22-26	
Category 2:	8	19	27	2016	22-03	22-22, 22-31	
Category 3:	0	0	0	2014	22-01, 22-06	22-11, 22-16, 22-28, 22-32	
TOTAL	10	27	37	2012		22-08, 22-18, 22-30	
				2010		22-27	
				2006		22-19	
FINDINGS LAST AUDIT: 30							

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, 2022. A separate Financial Audit of the Department’s Capital Assets for the year ended June 30, 2022 was previously released on February 2, 2023. In total, this report contains 37 findings, none of them were reported in the Financial Audit.

SYNOPSIS

- **(22-01)** The Department did not exercise adequate internal controls over its reporting and maintenance of accounts receivable.
- **(22-02)** The Department did not have adequate controls over historical artifacts.
- **(22-03)** The Department did not have adequate controls over preparation of monthly reconciliations.
- **(22-14)** The Department failed to implement adequate controls over its service providers.
- **(22-15)** The Department had weaknesses over computer security.
- **(22-19)** The Department failed to monitor and enforce concessionaire lease agreements regarding rental and reserve payments.

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 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* (Form C-97) and *Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables* (Form C-98). During our testing, we noted the following weaknesses:

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.

Unable to provide support for accounts written-off and transferred out

- The Department was unable to provide support for accounts written-off, totaling \$22,000, and transferred out, totaling \$5,000, for Funds 040, 137, and 261 during Fiscal Year 2021.

Unable to provide support for amounts reported on the Form C-98

- For Fund 039, the Department was unable to provide support for amounts reported on the Form C-98 for the fourth quarter of Fiscal Years 2021 and 2022. The unsupported amounts noted were for the categories of “1-30 days”, “31-90 days”, “91-180 days”, “181-1 year” and “Over 1 year” and ranged from \$88 to \$3,322.

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

- The Department did not report accounts receivable balances “due over one year” as uncollectibles on the Form C-97 for Funds 040, 041, and 261 for the fourth quarter of Fiscal Years 2021 and 2022. The Department’s accounts receivable balances “due over one year” for Funds 040, 041 and 261 ranged from \$33,941 to \$2,493,050.

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, 2022, outstanding receivables aged

more than a year totaled \$2,085,128, \$2,493,050, \$123,374, and \$202,398 for Funds 137, 261, 884, and 962, respectively.

A receivable did not agree with the supporting documents

- One of 19 (5%) receivables selected for detailed testing, totaling \$53, did not agree with the supporting documents. Specifically, the accounts receivable balance was overstated by \$25 when compared to the supporting documents.

Did not provide support for the receivable.

- For one of 19 (5%) receivables selected for detailed testing, totaling \$43, the Department could not provide support for the receivable.

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 Office of Comptroller on its Fund 538 Form C-97. Total real property rental receipts reported by the Department for Fund 538 were \$112,755 and \$224,626 in Fiscal Year 2021 and Fiscal Year 2022, respectively. Potential receivable amounts could not be determined. (Finding 1, pages 14-18). **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 Office of 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 of receivable to be reported quarterly and at the end of the year.

Department agreed with auditors

Department officials agreed with our recommendation and stated they would implement the necessary internal controls to ensure accounts receivable are consistently and accurately reported to the Office of Comptroller. Department officials also stated they have increased collection efforts and would review 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 did not maintain a central inventory of its historical artifacts. Each historical site maintained their own

Did not maintain a central inventory of its historical artifacts

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 or found in a location different from the location indicated in the listing

During our physical inspection of 30 historical artifacts:

- Three (10%) artifacts were found in a location different from the location indicated in the artifacts listing.
- Seven (23%) artifacts could not be located.
- One (3%) artifact's ID number did not correspond to the ID number listed on the artifact.

Artifact was not tagged with an artifact ID number

During our tracing of 30 historical artifacts to the Department records:

- One (3%) artifact was not tagged with an artifact ID number, therefore, the item could not be traced to the artifact listing.

Artifacts could not be traced to the artifacts listing

- Five (17%) artifacts could not be traced to the artifacts listing. (Finding 2, pages 19-20). **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 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 with auditors

Department officials agreed with our recommendation and stated they have established a collections committee for reviewing the acquisition/removal of artifacts. Department officials also stated they would continue to work towards obtaining an independent review of the inventory of historical

artifacts, but lack of manpower was hampering their efforts to comply with independent reviews.

INADEQUATE CONTROLS OVER PREPARATION OF MONTHLY RECONCILIATIONS

The Department did not have adequate controls over preparation of monthly reconciliation of its significant accounts and transactions with the Office of Comptroller's (Comptroller) records.

During our testing, we noted the Department did not perform monthly reconciliations. Specifically, the Department did not reconcile its internal records with the following Comptroller's reports during Fiscal Years 2021 and 2022:

- Revenue Status Report (SB04);
- Cash Report (SB05);
- Appropriations Status Report (SB01) including lapse periods;
- Appropriation Transfer Report (SB03); and
- Agency Contract Report (SC14) or Obligation Activity Report (SC15). (Finding 3, pages 21-22). **This finding has been reported since 2016.**

Did not perform SB04, SB05, SB01, SB03, and SC14/SC15 monthly reconciliations

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

Department agreed with auditors

Department officials agreed with our recommendation and stated they would strive to ensure all required reconciliations of activities are performed, documented and reviewed on a timely basis.

INADEQUATE CONTROLS OVER SERVICE PROVIDERS

The Department failed to implement adequate controls over its service providers.

We requested the Department provide the population of service providers utilized in order to determine if they had reviewed the internal controls over their service providers. However, the Department did not provide a population.

Although the Department did not provide a listing of service providers, during our testing we noted a service provider which provided software as a service. We requested the Department provide the service provider's contract and System and

Organization Controls (SOC) report. However, the Department did not provide the requested documentation. As a result, we were unable to conduct testing to determine if the Department had implemented controls over their service providers. (Finding 14, pages 47-48)

We recommended the Department work with DoIT to obtain a detailed understanding of each entity's responsibilities regarding the Department's service providers. In addition, we recommended the Department implement control to determine their population of service providers. Further, we recommended the Department:

- obtain SOC reports and document their review.
- monitor and document the operation of CUECs related to the Department's operations.
- either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.
- document the review of the SOC reports and all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impact to the Department, and any compensating controls.

Department agreed with auditors

Department officials agreed with our recommendation and stated they would work with DoIT to obtain a detailed understanding of each party's responsibilities regarding service providers.

WEAKNESSES OVER COMPUTER SECURITY

The Department had weaknesses over computer security.

During testing, we noted the Department:

Did not have a formal access provisioning policy

- did not have a formal access provisioning policy.

Did not timely remove separated employees' user access rights

- did not timely remove separated employees' user access rights. We noted four of 277 (1%) separated employees 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 provide list of users for two applications

- could not provide a list of users for two of five (40%) applications selected for testing.

Did not ensure laptops were encrypted

- did not ensure laptops were encrypted to protect data at rest. During testing of 40 laptops, we noted one laptop

(3%) did not have encryption installed and 18 (45%) laptops could not be located for physical inspection, therefore, we could not determine if these laptops were encrypted.

Inadequate control over lost or missing computers

- had not maintained adequate control over lost or missing computer equipment items. Twelve electronic data processing equipment items were reported as lost and missing during the Department's inventory and two laptops were removed from the Department records because they were missing. However, the Department did not determine if any confidential information was stored on these electronic data processing systems. (Finding 15, pages 49-50)

We recommended the Department establish and implement a formal access policy, ensure timely deactivation of separated users' access, maintain a list of users for each applications, ensure computer equipment devices that store and process confidential and sensitive information are encrypted, 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 with auditors

Department officials agreed with our recommendation and stated they would establish and implement a formal access policy, ensure timely deactivation of separated users' access and maintain a list of users of each application.

FAILURE TO ENFORCE CONCESSIONAIRE LEASE AGREEMENTS

The Department failed to monitor and enforce concessionaire lease agreements regarding rental and reserve payments.

During the examination period, the Department had concession and lease agreements with approximately 81 concessionaires located at State parks throughout the State. The Department's concession coordinators are responsible for negotiating and enforcing lease terms, overseeing the site, approving rates charged, and collecting rental payments. These concession and lease agreements are being monitored by the Department using an agreement tracking database. The Department received rental fees from concessionaires totaling \$696,271 and \$649,906 during Fiscal Years 2021 and 2022, respectively.

Rental payments were not timely remitted

- During our testing of 59 rental payments from eight concession and lease agreements, we noted three (5%) rental payments were not timely remitted to the Department, ranging from 15 to 30 days late.

Deposit slips were not timely submitted

- During our testing of 48 reserve account monthly remittances for the four largest concessionaires/lessees measured in terms of rental payments and/or deposits, we noted one (2%) concessionaires' reserve deposit slips were submitted 18 days late to the Department.

During our testing of compliance with the reporting requirements of the concession agreements for the four largest concessionaires/lessees measured in terms of rental payments and/or deposits, we noted the following:

Required reports were not timely submitted

- Seven of 34 (21%) required reports consisting of balance sheet, income (profit and loss) statement, schedule of gross revenue, annual cash flow analysis, and reconciliations of the schedule of gross revenues with lessee's revenue reports were not timely submitted to the Department, ranging from three to 110 days late.

Required reports were not submitted

- Seven of 34 (21%) required reports consisting of annual forecast of operating revenues and expenses, budget of capital expenditures, summary of concession's marketing plan and annual analysis could not be located. As a result, we were unable to determine if the related reports were timely submitted to the Department.

Reports were not date stamped upon receipt

- One of 42 (2%) required reports consisting of a profit and loss statement was not date stamped upon receipt by the Department. As a result, we were unable to determine if the report was timely submitted to the Department. (Finding 19, pages 58-60). **This findings has been reported since 2006.**

We recommended the Department monitor concessionaires to enforce its contractual agreements and send concessionaires formal written communication when they fail to comply with their contractual obligations to the Department.

Department agreed with auditors

Department officials agreed with our recommendation and stated they would send concessionaires formal written communication when they fail to comply with their contractual obligations.

OTHER FINDINGS

The remaining findings pertain to (1) inadequate controls over World Shooting and Recreational Complex operations, contractual agreements and obligations, voucher processing, census data, system development and change management, payroll and long-term leave of absences, receipts, overtime, performance evaluations, telecommunications, agency inventory reports, investment of public funds, fuel

reconciliations, vehicles, and bank reconciliations; (2) lack of contingency planning or testing to ensure recovery of computer systems; (3) weaknesses with payment card industry data security standards; (4) weaknesses in cybersecurity programs and practices; (5) internal audit deficiencies; (6) noncompliance with mandated duties, non-game wildlife protection act, Illinois State Historic Resources Preservation Act, and Historical Sites Listing Act; (7) failure to fully utilize the State’s Enterprise Resource Planning system, update the policy and procedures manual, issue off-highway vehicle usage stamps, comply with the Department of Natural resources Act, and review and update a comprehensive energy plan; (8) inadequate administration and monitoring of State awards and grants; and (9) property control and petty cash weaknesses. We will review the Department’s progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT’S OPINION

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2022, as required by the Illinois State Auditing Act. Because of the effect of the noncompliance described in Finding 2022-001 through Finding 2022-037, the accountants stated the Department did not materially comply with the specified requirements described in the report.

This compliance examination was conducted by Roth & 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

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