

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2019

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2019

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Other Reports Issued Under a Separate Cover:

The Illinois Conservation Foundation's financial statements as of and for the year ended June 30, 2019, have been issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under Government Auditing Standards for the year ended June 30, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

ILLINOIS CONSERVATION FOUNDATION
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FOUNDATION OFFICIALS

Executive Director (effective 08/01/19)	Crystal Curfman
Executive Director (until 07/31/19)	Eric Schenck
Chief Operating Officer (01/01/19 – present)	Steve Ettinger

Members of the Illinois Conservation Foundation Board of Directors were as follows:

Chairman (effective 03/04/19)	Colleen Callahan
Chairman (until 03/03/19)	Wayne Rosenthal
Member – Secretary	Ryan Anderson
Member - Treasurer	Barbara Johnson
Member	Andrew Katlin
Member	William Cullerton Jr.
Member	Mike Ruffolo
Member	Diane Schneider
Member	Tom Bennett
Member	Trip Banks
Member	Mike Hillstrom
Member	Kenneth Polhamus
Member	Robert Russell
Member	<i>Vacant</i>

Committees as of June 30, 2019, were as follows:

Executive and Strategic Planning Committee

William Cullerton Jr. – Chairman
Barbara Johnson
Mike Hillstrom
Ryan Anderson
Diane Schneider
Tom Bennett

Finance Committee

Barbara Johnson – Chairman
Robert Russell
Andrew Katlin
Tom Bennett
Mike Ruffolo

Marketing Committee

Mike Hillstrom – Chairman
Diane Schneider
Kenneth Polhamus
Robert Russell
Trip Banks
Mike Ruffolo

Torstenson Youth Center Committee

Ryan Anderson – Chairman
Kenneth Polhamus
Andrew Katlin
William Cullerton Jr.
Trip Banks

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FOUNDATION OFFICIALS

The Foundation operates an office space maintained by the Illinois Department of Natural Resources as follows:

Operating Office

Illinois Conservation Foundation
1 Natural Resources Way
Springfield, IL 62702-1271



ILLINOIS CONSERVATION FOUNDATION

MANAGEMENT ASSERTION LETTER

January 13, 2020

E.C. Ortiz & Co., LLP
Certified Public Accountants
815 W. Van Buren Street, Suite 500
Chicago, Illinois 60607

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Conservation Foundation (Foundation). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Foundation's compliance with the following specified requirements during the one-year period ended June 30, 2019. Based on this evaluation, we assert that during the year ended June 30, 2019, the Foundation has materially complied with the specified requirements listed below.

- A. The Foundation has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Foundation has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Foundation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Foundation are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Foundation on behalf of the State or held in trust by the Foundation have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois Conservation Foundation

SIGNED ORIGINAL ON FILE


Crystal Curfman, Executive Director

SIGNED ORIGINAL ON FILE


Steve Ettlinger, Chief Operating Officer

ILLINOIS CONSERVATION FOUNDATION
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COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and the Illinois State Auditing Act.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	5	2
Repeated Findings	1	1
Prior Recommendations Implemented or Not Repeated	1	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last Reported</u>	<u>Description</u>	<u>Finding Type</u>
FINDING (<i>GOVERNMENT AUDITING STANDARDS</i>)				
2019-001	14	New	Weaknesses over Receipts and Expenditures	Material Weakness and Material Noncompliance
2019-002	16	New	Inadequate Controls over Capital Assets	Significant Deficiency and Noncompliance
FINDINGS (<i>STATE COMPLIANCE</i>)				
2019-003	18	2018	Inadequate Planning and Monitoring Program	Significant Deficiency and Noncompliance

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<u>Item No.</u>	<u>Page</u>	<u>Last Reported</u>	<u>Description</u>	<u>Finding Type</u>
2019-004	20	New	Noncompliance with Training Requirements	Significant Deficiency and Noncompliance
2019-005	22	New	Employee Timesheets Not Submitted	Significant Deficiency and Noncompliance

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State compliance.

2019-001	14	New	Weaknesses over Receipts and Expenditures	Material Weakness and Material Noncompliance
2019-002	16	New	Inadequate Controls over Capital Assets	Significant Deficiency and Noncompliance

PRIOR FINDING NOT REPEATED

A	23	2018	Financial Statement Preparation - Merchandise Held For Sale
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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with the Foundation personnel at an exit conference on January 10, 2020

Attending were:

Illinois Conservation Foundation

Crystal Curfman, Executive Director
Steve Ettinger, Chief Operating Officer

Office of the Auditor General

Jennifer Rankin, Manager

E.C. Ortiz & Co., LLP

Marites Sy, Partner

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The responses to the recommendations were provided by Crystal Curfman, Executive Director, in a correspondence dated January 13, 2020.



**INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE AND ON
INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY
INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois Conservation Foundation (A Component Unit of the State of Illinois) (Foundation) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the year ended June 30, 2019. Management of the Foundation is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Foundation's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Foundation has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Foundation has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Foundation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Revenues and receipts collected by the Foundation are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the Foundation or held in trust by the Foundation have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Foundation complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Foundation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

Our examination does not provide a legal determination on the Foundation's compliance with the specified requirements.

Our examination disclosed material noncompliance with the specified requirements applicable to the Foundation during the year ended June 30, 2019.

Specified Requirement B

As described in the accompanying Schedule of Findings as item 2019-001, the Foundation had not obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

Specified Requirement C

As described in the accompanying Schedule of Findings as item 2019-001, the Foundation had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Specified Requirement D

As described in the accompanying Schedule of Findings as item 2019-001, the Foundation had not ensured the revenues and receipts collected by the Foundation were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law.

Specified Requirement E

As described in the accompanying Schedule of Findings as item 2019-001, money or negotiable securities or similar assets handled by the Foundation had not been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

In our opinion, except for the material deviations from the specified requirements described in the preceding paragraph, the Foundation complied with the specified requirements during the year ended June 30, 2019, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2019-001 through 2019-005. We considered the effect of these circumstances on our audit of the financial statements of the governmental activities and each major fund of the Foundation, as of and for the year ended June 30, 2019, and the related notes to the financial statements. This report on the Foundation's compliance with the specified requirements does not affect our audit report dated January 13, 2020.

The Foundation's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Foundation's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

In planning and performing our examination, we considered the Foundation's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Foundation's compliance with the specified requirements and to test and report on the Foundation's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2019-002 through 2019-005 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Foundation's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Foundation's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities and each major fund of the Foundation as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated January 13, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 13, 2020. The accompanying supplementary information for the year ended June 30, 2019, in Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the Foundation. Such information is the responsibility of Foundation management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2019, in Schedules 1 and 2 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2019, in Schedules 1 and 2 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Foundation's basic financial statements as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated January 15, 2019, which contained unmodified opinions on the respective financial statements of the governmental activities and each major fund. The accompanying supplementary information for the year ended June 30, 2018, in Schedules 1 and 2 is the responsibility of Foundation's management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2018 financial statements. The accompanying supplementary information for the year ended June 30, 2018, in Schedules 1 and 2 has been subjected to the auditing procedures applied in the audit of the June 30, 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2018, in Schedules 1 and 2 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 13, 2020



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Conservation Foundation
Springfield, Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Illinois Conservation Foundation (Foundation), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated January 13, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2019-001 and 2019-002.

Internal Control Over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the Foundation's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as item 2019-002 to be a significant deficiency.

Foundation's Response to the Finding

The Foundation's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Foundation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 13, 2020

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2019

SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS* FINDING

2019-001. **FINDING** (Weaknesses over Receipts and Expenditures)

The Illinois Conservation Foundation (Foundation) had weaknesses over its receipts and credit card expenditure processes.

During testing, the following conditions were noted:

- Seven of 15 (47%) receipts tested were not deposited timely. The receipts were deposited 4 to 17 days late.

The Foundation Procedures Manual requires receipts to be deposited within 48 hours from the date of receipt.

- The Foundation did not maintain proper segregation of custody and recordkeeping duties over its receipts processing. A consultant from an outside accounting firm contracted to perform bookkeeping services records receipts, prepares deposit summary, and electronically deposits funds into the bank. Cash receipts are physically deposited by the same individual to the bank.
- Six of 43 (14%) credit card expenditures tested did not have supporting receipts or invoices.
- Nine of 9 (100%) credit card statements tested did not have indications that a review for appropriateness of credit card charges was conducted.
- Eight of 8 (100%) monthly bank reconciliations prepared by the consultant were not reviewed by management.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Foundation to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
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SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS* FINDING

Prudent business practices require proper internal controls such proper segregation of duties, maintenance of records and supporting documentation, and adequate review be established to ensure the accuracy and reliability of accounting data.

Foundation management stated the above issues were due to limited staffing resources.

Failure to maintain proper segregation of duties may result in theft or misappropriation of assets which may not be prevented or detected. Lack of review of monthly bank reconciliations and credit card statements may result in inaccurate financial records and inappropriate charges not timely detected and corrected. Failure to deposit receipts timely may result in lost interest revenue. Failure to ensure credit card charges are properly supported may result in unallowable charges by employees. (Finding Code No. 2019-001)

RECOMMENDATION

We recommend management increase its oversight of the receipts and credit card processing performed by its contractor to timely prevent or detect misstatements.

FOUNDATION RESPONSE

We agree.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
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SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS* FINDING

2019-002. **FINDING** (Inadequate Controls over Capital Assets)

The Illinois Conservation Foundation (Foundation) did not have adequate controls over its capital assets.

During testing, we noted the following:

- The Foundation did not ensure its listing of capital assets was complete and accurate. During our physical identification of capital assets from the capital assets listing to the item, we noted capital assets consisting of a disc harrow and a cultimulcher were not included in the list. As such, these items were not reported in the government-wide financial statements of the Foundation. According to the Foundation, these equipment items were included with the donation of the Torstenson Farm to the Foundation in 2010. The Foundation estimated the fair value at the time of donation of these assets to be \$25,000. The Foundation subsequently adjusted and reported these assets on the government-wide financial statements. As these items were fully depreciated, the net effect on the government-wide financial statements was \$0. Furthermore, the auditors were subsequently able to obtain a comfort level with the Foundation's capital listing.
- The capital asset listing was not properly updated and maintained. During testing, auditors noted capital assets consisting of a zero radius mower and a Polaris Ranger disposed of in Fiscal Year 2017 were removed from the capital assets listing during Fiscal Year 2019 and a John Deere mower costing \$18,008 purchased in Fiscal Year 2017 was added to the listing during Fiscal Year 2019.
- The Foundation did not maintain a listing of property and equipment below the capitalization threshold of \$5,000. During our physical identification of property and equipment, we noted equipment items consisting of a planter, a log skidder, a snow blower, and a log splitter. There was no listing accounting for these assets.
- The Foundation did not conduct regular physical inspection of capital assets and did not utilize tag numbers to account for its property and equipment.

The Statewide Accounting Management System (SAMS) Procedure 03.30.20 states that donated assets should be reported at estimated fair value at the time of acquisition. SAMS Procedure 03.30.30 states that capital assets that falls within the capitalization threshold should be reported in the government-wide financial statements.

ILLINOIS CONSERVATION FOUNDATION
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SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS* FINDING

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Foundation to establish and maintain systems of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; and funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Foundation management stated the inadequate controls over capital assets were due to limited staff resources.

Inadequate controls over capital assets may result in inaccurate financial reporting and loss of property not being timely detected. (Finding Code No. 2019-002)

RECOMMENDATION

We recommend management ensure assets are properly accounted through the maintenance of a complete and updated asset listing which should be clearly assigned to a responsible employee. In addition, we recommend the Foundation periodically conduct a physical count and inspection of all its assets to prevent and detect misappropriation or misstatements.

FOUNDATION RESPONSE

We agree.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
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SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS

2019-003. **FINDING** (Inadequate Planning and Monitoring Program)

The Illinois Conservation Foundation (Foundation) did not have adequate planning and monitoring procedures.

During testing, we noted the following:

- The Foundation had not established procedures and processes for program monitoring, key measurement criteria or performance measures to assess progress toward objectives, and assignment of responsibility for achieving objectives. Further, the Foundation did not have a budgeting process to assist in the evaluation of its progress towards its objectives and assign priorities and resources.
- The Foundation's policies and procedures were last updated in 1995 and have not been updated after this date to reflect changes of current procedures and practices.
- The Foundation's Board of Directors (Board) is currently composed of 12 instead of 13 members as required by the Illinois Conservation Foundation Act. The vacancy is to be filled through an appointment from the Office of the Governor.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Foundation to establish and maintain systems of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; and funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

The Illinois Conservation Foundation Act (Act) (20 ILCS 880/5) states that the Foundation's Board shall be appointed as follows: 2 by the President of the Illinois Senate; 2 by the Minority Leader of the Illinois Senate; 2 by the Speaker of the Illinois House of Representatives; 2 by the Minority Leader of the Illinois House of Representatives; and 4 by the Governor. The Act designates the Director of the Department of Natural Resources as the Chairman of the Board.

Foundation management stated the lack of planning and monitoring program and failure to update its policies and procedures was due to limited staff resources. Foundation management also stated it had reached out to the appointing bodies, but it was unsuccessful in securing the appointments to all vacancies.

ILLINOIS CONSERVATION FOUNDATION
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SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS

An adequate planning program is necessary for the Foundation to ensure compliance with laws, rules, and regulations, proper expenditure of funds, collection of required revenues, and custody over assets. An inadequate planning program demonstrates a lack of oversight, reduces accountability, and increases the likelihood that funds are not expended as approved or as intended. Lastly, failure to appoint members to the Illinois Conservation Foundation Board may inhibit the Board from properly fulfilling its duties and responsibilities. (Finding Code No. 2019-003, 2018-002)

RECOMMENDATION

We recommend management establish and implement a planning and monitoring program of its activities and measurement criteria and processes to determine progress towards its objectives. In addition, management should update its policies and procedures to reflect current practices. We also recommend management continue its efforts to fill the vacancy in the Board.

FOUNDATION RESPONSE

We agree.

ILLINOIS CONSERVATION FOUNDATION
(A Component Unit of the State of Illinois)
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2019

SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS

2019-004. **FINDING** (Non-compliance with Training Requirements)

The Illinois Conservation Foundation (Foundation) did not comply with the required trainings for its Board members and employees.

During testing, we noted the following:

- Two of 12 (17%) Board members and 2 of 3 (67%) employees did not complete the annual ethics training during the examination period.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10) requires each officer, member, and employee to complete, at least annually, an ethics training program conducted by the Foundation.

- Three of 12 (25%) Board members and 1 of 3 (33%) employees did not complete the annual sexual harassment training during the examination period.

The Act (5 ILCS 430/5-10.5) requires each officer, member, and employee to complete, at least annually, a sexual harassment training program.

- Twelve of 12 (100%) Board members and 1 of 3 (33%) employees did not take the cybersecurity training during the examination period.

The Data Security on State Computers Act (20 ILCS 450/25 (b)) requires every employee, as defined in Section 1-5 of the Act to annually undergo training by the Department of Innovation and Technology concerning cybersecurity.

Foundation management stated the noncompliance with various training requirements was due to lack of proper communication and failure of some employees and Board members to comply inspite of repeated follow up.

Failure to complete the ethics training may result in employees and Board members not being made aware of specific ethical requirements. Sexual harassment training provides education to allow employer and employee to recognize sexual harassment and understand their rights and responsibilities. Failure to complete the cybersecurity training may result in lack of awareness of cyber threats and vulnerabilities by employees and Board members. (Finding Code No. 2019-004)

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SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS

RECOMMENDATION

We recommend the Foundation establish and implement monitoring procedures to ensure each employee completes the annual trainings as required by various laws and regulations.

FOUNDATION RESPONSE

We agree.

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SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS

2019-005. **FINDING** (Employee Timesheets Not Required)

The Illinois Conservation Foundation (Foundation) did not require employees to submit timesheets as required by the State Officials and Employees Ethics Act (Act).

During testing, we noted the Foundation employees maintained their own timesheets and tracked their own leave balances. The employee timesheets documenting the hours spent each day were not monitored or required to be periodically submitted.

The Act (5 ILCS 430/5-5 (c)) requires the Foundation to implement a policy that requires employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour. The policy should require timesheets to be submitted on paper, electronically, or both and to be maintained in either paper or electronic format by the Foundation for a period of at least two years.

Foundation management stated the Foundation has limited staff resources to track employee timesheets and leave balances.

By not requiring timesheets from all its employees, the Foundation is not in compliance with the Act. (Finding Code No. 2019-005)

RECOMMENDATION

We recommend the Foundation implement a policy to require and ensure periodic submission of timesheets to the nearest quarter hour in accordance with the Act.

FOUNDATION RESPONSE

We agree.

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SCHEDULE OF FINDINGS – NOT REPEATED FINDING

A. **FINDING** (Financial Statement Preparation – Merchandise Held for Sale)

During the prior audit, the Foundation did not have adequate controls over the financial statement process regarding merchandise available for sale. More specifically, the Foundation did not perform an inventory count and did not account for its inventory in the prior year.

During the current audit, the Foundation conducted an annual count of its inventory and recognized inventory on its financial statements. (Finding Code No. 2018-001)

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**COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCE
(CASH BASIS) – LOCALLY HELD FUNDS**

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents, beginning	\$ 452,251	\$ 404,557
Receipts:		
Donations	862,888	747,554
Merchandise sales	23,860	23,347
Net investment earnings	<u>252,421</u>	<u>65,465</u>
Disbursements:		
General administrative	(291,761)	(285,183)
Programs	<u>(572,139)</u>	<u>(503,489)</u>
Cash and cash equivalents, ending	<u><u>\$ 727,520</u></u>	<u><u>\$ 452,251</u></u>

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SCHEDULE OF CHANGES IN PROPERTY

	<u>Building and Improvements</u>	<u>Equipment</u>	<u>Site Improvements</u>	<u>Land</u>	<u>Total</u>
Balance at June 30, 2018	\$ 1,793,448	\$ 109,747	\$ 174,279	\$ 2,968,000	\$ 5,045,474
Additions	-	18,008	-	-	18,008
Deletions	-	(14,000)	-	-	(14,000)
Balance at June 30, 2019	<u>\$ 1,793,448</u>	<u>\$ 113,755</u>	<u>\$ 174,279</u>	<u>\$ 2,968,000</u>	<u>\$ 5,049,482</u>

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AGENCY FUNCTIONS AND PLANNING PROGRAM

Agency Function

The Illinois Conservation Foundation (Foundation) was authorized to be created by the Illinois Department of Conservation (a predecessor agency of the Illinois Department of Natural Resources) by Public Act 88-591 on August 20, 1994. The role of the Foundation is to provide additional funding for the Illinois Department of Natural Resources' conservation programs that are either not receiving adequate State funding or cannot be implemented because State funding is not available (20 ILCS 880/10).

The Foundation's Board of Directors are appointed as follows:

- 1 appointment designated by Statute
- 2 by the President of the Illinois Senate
- 2 by the Minority Leader of the Illinois Senate
- 2 by the Speaker of the Illinois House of Representatives
- 2 by the Minority Leader of the Illinois House of Representatives
- 4 by the Governor

The Director of the Illinois Department of Natural Resources serves as the Chairman of the Board of Directors.

The Foundation has adopted a Mission Statement. Guidelines have been established as stated in the Illinois Conservation Foundation Act and the Foundation's Operating Procedures Manual.

MISSION STATEMENT

For a brief moment in time, the earth is ours – not to waste or own – but to share with creatures, great and small.

The role of the Illinois Conservation Foundation and its partners is to preserve and enhance our natural resources by supporting and fostering ecological, educational, and recreational programs for the benefit of all people now and for generations to come.

The Illinois Conservation Foundation inspires today's youth – tomorrow's leaders – by providing quality outdoor education and programs that instill interest in conservation, ecology, and sustainability.

ILLINOIS CONSERVATION FOUNDATION
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AGENCY FUNCTIONS AND PLANNING PROGRAM

GUIDELINES

The Foundation is a not-for-profit corporation incorporated on March 7, 1995, under the laws of the State of Illinois. Its purposes are charitable and educational.

The Foundation is organized exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954. As delineated by the Illinois Conservation Foundation Act (20 ILCS 880), the specific purposes of the Foundation are:

- a) to promote, support, assist, sustain, and encourage the charitable, educational, scientific, and recreational programs, projects, and policies of the Illinois Department of Natural Resources;
- b) to solicit and accept aid or contributions consistent with the stated intent of the donor and the goals of the Foundation;
- c) to accept grants for the acquisition, construction, improvement, and development of potential Foundation projects; and
- d) to solicit and generate private funding and donations that assist in enhancing and preserving Illinois' natural habitats, historic sites, river and stream corridors, state parks, forests, and fish and wildlife areas.

Planning Program

As described in Finding 2019-003, the Foundation did not have an adequate planning and monitoring program. This is a result of the limited staff and constant staff turnover at the Foundation for many years. This problem is being addressed with top level employees on a minimum three-year contract.

Almost half of the Foundation funds are designated to fund programs in partnership with the Department of Natural Resources. Currently, there is no agreement defining the responsibilities of each party in administering these programs. As such, the Foundation did not have a baseline by which to set goals and evaluate outcomes of these partner programs. The Foundation evaluates the programmatic success of the Torstenson Youth Conservation Education Center through the contractual education staff providing quarterly updates to management and the Board, along with a yearly report comparing the number of visitors and programs each year.

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AGENCY FUNCTIONS AND PLANNING PROGRAM

Current management has plans to address the above issues, while simultaneously focusing on improving the Foundation's brand, raising more funds, and modernizing the systems. Staff has undergone strategic planning training and begun the process of developing short and long term goals, reaching up to five years in the future. As part of the Memorandum of Understanding with the Department of Natural Resources, the Foundation will start requesting budgets for each partner program, along with outcomes and participant information. The Foundation plans to use these numbers as a baseline moving forward to properly evaluate each program.

In January 2019, the Chief Operating Officer was hired to work with the Department of Natural Resources to ensure agreements with partner programs are entered. In addition, the Foundation will be hiring an Office Manager to assist in the day to day operation of the Foundation. These two staff hires are critical to developing and evaluating plans and outcomes.

In an effort to raise more funds, the Foundation's annual gala will be moved to Chicago to attract more attendees. The Foundation also plans to upgrade its website and email marketing tools, and begin multiple smaller and sustainable fundraising events. The Foundation is also currently working on a draft agreement to provide WIFI in State parks, for which the foundation will receive 10% of gross income, and a grant to help plant trees in State parks.

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ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

Program	2019	2018	Increase (Decrease)	%
(1) Torstenson Youth Center Operations	\$ 254,216	\$ 225,689 *	\$ 28,527	13%
(2) Professional services	\$ 50,547	\$ 26,674	\$ 23,873	89%
(3) On-behalf payments	\$ 96,747	\$ 58,184	\$ 38,563	66%
(4) Wingshooting program	\$ 49,464	\$ 19,298	\$ 30,166	156%

* This balance was different from prior year financial and compliance report due to a reclassification of expenditures to appropriate functional classification.

(1) The increase was mainly due to the repairs and maintenance of property and equipment damaged as a result of the flooding at the Torstenson Farm during the fiscal year.

(2) The increase was due to an increase in fees for bookkeeping and accounting services contracted after the separation of the Chief Financial Officer in Fiscal Year 2018. The bookkeeping and accounting services was for the entire fiscal year in 2019 while the service was only for three months in Fiscal Year 2018.

(3) The increase was due to an increase in the amount of the expenses paid by the Department of Natural Resources (DNR) on behalf of the Foundation, which are recorded as receipts and expenditures. On-behalf payments pertained to the salary of the Office Manager who was an employee of the DNR assigned to the Foundation. This position was occupied for approximately 80% and 50% during Fiscal Years 2019 and 2018, respectively.

(4) The increase was mainly due to a purchase of an equipment to further the program goals and directives. In addition, the Foundation purchased supplies in bulk during the year to replenish supplies needed for the various Wingshooting events.

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ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

Program	2019	2018	Increase (Decrease)	%
(1) Donations	\$ 873,473	\$ 752,288	\$ 121,185	16%
(2) Unrealized gain (loss)	\$ (159,786)	\$ 113,814	\$ (273,600)	-240%
(3) Realized gain	\$ 145,781	\$ 9,374	\$ 136,407	1455%
(4) On-behalf payments	\$ 96,747	\$ 58,184	\$ 38,563	66%

- (1) The increase was mainly due to an increase in donations and grants received during the year for the Black Hawk Statue restoration project.
- (2) The unrealized loss was due to the temporary downward shift in the fair value of the investments at the end of the fiscal year while there was an upward shift in fair value in Fiscal Year 2018. Unrealized gain (loss) varies depending on the market conditions.
- (3) The increase was due to the sale of various investments during the fourth quarter of the fiscal year to rebalance the investment portfolio of the Foundation in compliance with its new investment policy.
- (4) The increase was due to an increase in the amount of the expenses paid by the Department of Natural Resources (DNR) on behalf of the Foundation, which are recorded as receipts and expenditures. On-behalf payments pertained to the salary of the Office Manager who was an employee of the DNR assigned to the Foundation. This position was occupied for approximately 80% and 50% during Fiscal Years 2019 and 2018, respectively

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ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES

The Statement of Activities is presented on page 13 of the financial audit report. Following are explanations for significant variations exceeding \$18,000 and 10%.

Account	2019	2018	Increase (Decrease)	%
(1) Operating grants and contributions	\$ 970,220	\$ 811,069	\$ 159,151	20%
(2) General administrative	\$ 389,314	\$ 332,283	\$ 57,031	17%
(3) Natural resources and recreation	\$ 636,186	\$ 537,551	\$ 98,635	18%

(1) The increase was mainly due to the increase in donations and grants received for the Black Hawk Statue restoration project and the increase in on-behalf payments during the fiscal year.

(2) The increase was mainly due to the increase in on-behalf payments that is recorded as both revenues and expenses and an increase in professional fees for bookkeeping and accounting services.

(3) The increase was mainly due to an increase in repairs and maintenance at the Torstenson location to repair property and equipment damaged due to flooding. In addition, there was also an increase in expenditures of the Wingshooting program as a result of purchases of equipment and bulk supplies for the various Wingshooting events.

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**ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSETS, LIABILITIES,
AND NET POSITION**

The Statement of Net Position is presented on page 12 of the financial audit report. Following are explanations for significant variations exceeding \$18,000 and 10%.

Account	2019	2018	Increase (Decrease)	%
(1) Cash and cash equivalents	\$ 727,520	\$ 452,251	\$ 275,269	61%
(2) Investments	\$ 1,708,618	\$ 1,918,690	\$ (210,072)	-11%
(3) Net position - restricted for natural resources and recreation	\$ 503,467	\$ 33,998	\$ 469,469	1381%
(3) Net position - unrestricted	\$ 1,763,334	\$ 2,164,671	\$ (401,337)	-19%

- (1) The increase was due to an increase in donations and contributions received related to the Black Hawk Statue restoration project scheduled for completion in Fiscal Year 2020.
- (2) The decrease was due to the temporary decline in the fair value of investments at the end of the fiscal year.
- (3) The Foundation performed a comprehensive review of its various programs during the Fiscal Year 2019 to determine the proper classification of net position of each program. As a result of this review, the net position of programs where revenues are restricted by donors or outside parties were appropriately reclassified to restricted for natural resources and recreation. This resulted in an increase in restricted for natural resources and a decrease in unrestricted net position.

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ANALYSIS OF ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
(1) Accounts Receivable	\$ 22,399	\$ 4,710	\$ 17,689

- (1) Accounts Receivable consists of amounts due from companies for whole-page or half-page advertisements on the Hunting and Fishing Digest, grants and donations for the various repairs at the Torstenson property, and accrued interest. The receivables are current or less than 60 days old.

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AVERAGE NUMBER OF EMPLOYEES AND BOARD MEMBERS

The following table, prepared from Foundation records, presents the average number of Foundation employees and the average number of Foundation Board members, for the fiscal year ended June 30,

<u>Fiscal Year</u>	<u>Employees</u>	<u>Board Members</u>
2016	3	12
2017	3	11
2018	3	11
2019	3	11

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MEMORANDUM OF UNDERSTANDING

The Illinois Conservation Foundation (Foundation) enters into memorandums of understanding (MOU) on an ongoing basis. A MOU is utilized if the Foundation is involved in a project with other states, State agencies, or local governments. A memorandum assigns responsibilities in the early planning stages of a project, and as the project develops, the Foundation would execute one or more agreements with specific costs based on the MOU. Details of significant agreements during the examination are provided below:

ILLINOIS DEPARTMENT OF NATURAL RESOURCES

The Foundation entered into an MOU with the Illinois Department of Natural Resources to present the Foundation and the Illinois Department of Natural Resources as two separate and distinct entities. The MOU is effective for five years from the date of execution of January 9, 2015. The MOU outlines assistance provided to the Foundation in the form of space assistance, office supplies and office equipment support, staffing commitments, quarterly reporting assistance, and vehicle use.