

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Agriculture
Two Years Ended June 30, 2015

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

**REVIEW: 4465
DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2015**

FINDINGS/RECOMMENDATIONS - 15

**IMPLEMENTED - 5
ACCEPTED AND PARTIALLY IMPLEMENTED - 10**

REPEATED RECOMMENDATIONS - 7

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 11

This review summarizes the auditors' report on the Department of Agriculture for the two years ended June 30, 2015, filed with the Legislative Audit Commission on February 18, 2016. The auditors conducted a compliance examination in accordance with State law and *Government Auditing Standards*.

The Department's mission is to advocate for Illinois' agricultural industry and provide necessary regulatory functions to benefit consumers, agricultural industry, and natural resources. The Department is organized into these four divisions and the Executive Office: Food Safety and Animal Protection; Natural Resources; Agriculture Industry Regulation; Administrative Services.

The Director of the Department of Agriculture during the first 18 months of the audit period was Robert "Bob" Flider who served as Director from February 2012 to January 2015. After two interim Directors (Phillip Nelson and Warren Goetsch), Raymond Poe was appointed Acting Director effective November 16, 2015, and has since been confirmed as Director. Mr. Poe served as a State Legislator, representing a district in and around Springfield. He was also a businessman and farmer.

The average number of full-time employees, by division, during the years indicated was:

Division	FY15	FY14	FY13
Administrative Services	47	48	48
Fair and Non-fair	15	18	17
Food Safety and Animal Protection	134	134	133
Natural Resources	65	64	62
Agriculture Industry Regulation	76	76	72
Total Employees	337	340	332

Appendix A summarizes the Department's services and activities.

Appropriations and Expenditures

Appendix B summarizes appropriations and expenditures by fund for FY13-FY15. The General Assembly appropriated a total of \$108.6 million to the Department in FY15. Of the total, \$22 million was appropriated from the General Revenue Fund, \$24.6 million from the Agricultural Premium Fund, \$11.7 million from the Partners for Conservation Fund, and the remaining \$50.2 million from 21 other funds in FY15. Total expenditures from appropriated funds were \$84,764,499 in FY15 compared to \$88,629,191 in FY14, a decrease of \$3.9 million, or 4.4%. Lapse period expenditures for FY15 were almost \$5.4 million, or 5.5%. The Department's non-appropriated expenditures totaled \$13.53 million with \$13.36 million transferred from the State Cooperative Extension Service Trust Fund to the University of Illinois to support the cooperative extension programs.

Appendix C shows expenditures by Division and Bureau. There was a spending freeze for the Conservation 2000 Program within the Partners for Conservation Fund-Bureau of Land and Water Resources during FY15 which caused a decrease of \$2.7 million in expenditures. Also, deposits for the COOP Extension Service decreased by \$1.5 million within the Division of Administrative Services.

Cash Receipts

Appendix D provides a summary of cash receipts for FY15-FY13. Total cash receipts changed from \$48.6 million in FY13 to \$47.1 million in FY14 to \$58.3 million in FY15. Accounting for most of the increase in FY15 is the inclusion of a new fund, the Compassionate Use of Medical Cannabis Fund, with cash receipts of \$7.6 million in FY15. Most other fluctuations in receipts were due to the timing of receipts.

Property and Equipment

Appendix E contains a summary of the property and equipment for which the Department of Agriculture was accountable during the period under review. The beginning balance was \$205.7 million at July 1, 2013 compared to an ending balance of almost \$210 million at June 30, 2015. The \$210 million in property and equipment at June 30, 2015 was comprised of \$39.2 million in land; \$144.1 million in buildings; and \$18.9 million in equipment. The majority of the increase was construction in progress. Finding No. 3 in the audit report concerns property control.

Accountants' Findings and Recommendations

Condensed below are the 15 findings and recommendations included in the audit report. Of these, seven are repeated from the previous audit. The following recommendations are classified on the basis of information provided by Gary Shadid, Chief Internal Auditor, Department of Agriculture, via electronic mail received October 25, 2016.

Accepted or Implemented

- 1. Remove all confidential assistants from a collective bargaining unit or transfer their confidential responsibilities to non-union employees.**

Finding: The Illinois Department of Agriculture (Department) did not ensure all confidential assistants were removed from a collective bargaining unit or their confidential responsibilities, as defined by the Illinois Public Labor Relations Act (5 ILCS 315/3) (Act), were transferred to non-union employees.

During its performance audit of Management Positions in the Executive Branch released in April 2013, the Office of the Auditor General (OAG) identified two Department employees who performed confidential duties, but belonged to a collective bargaining unit. Auditors noted the position classification of one of the employees had changed and they were no longer in the collective bargaining unit before they separated from the Department during the examination period. The classification and duties of the other employee remained unchanged throughout the examination period.

Regarding the ongoing noncompliance, Department management stated the issue noted was due to staffing turnover and a lack of communication.

Updated Response: Implemented. This position was clarified with the Department of Central Management Services on 1/1/16.

- 2. Implement a secondary review process in order to ensure contractual obligations are classified properly when completing the Contractual Obligation Documents and all contracts which should be bid undergo the competitive sealed bidding process.**

Finding: The Department improperly classified contractual obligations during the examination period.

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

- Two of three contracts totaling \$73,267 were classified as small purchases that exceeded the small purchase threshold. These two 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.
- One of three contracts totaling \$35,340 was improperly classified as a professional and artistic contract when it was a lease agreement.

Department management stated that the exceptions were due to oversight.

REVIEW: 4465

Accepted or Implemented – continued

Response: Accepted. The Department will reinforce its review of contractual obligations. It will also review all potential procurements to comply with the competitive bid process and Illinois Procurement Code.

Updated Response: Accepted and Partially implemented. The current Agency Procurement Officer (APO) has completed obligations and understands the importance of following the Code and Rules, and properly coding obligations. An accountant in fiscal will be trained on entering obligations. The APO will sign off on CODs to ensure that they are correct providing a secondary review process.

3. Strengthen controls over State property by ensuring property is tagged, inventoried, recorded, and reported in accordance with the rules outlined in State statute, the Illinois Administrative Code, and SAMS. (Repeated-2007)

Finding: The Department did not exercise adequate controls over State property.

During testing, auditors noted the following:

- While testing the existence of the Department's property, auditors noted exceptions related to five of 25 property items tested, totaling \$12,738. Specifically:
 - Two items were located, but no tag number was present.
 - A tractor totaling \$5,498 was identified using the serial number listed in the Department's records because the incorrect tag had been placed on the tractor.
 - A drill bit kit totaling \$299 could not be located.
 - A ticket booth totaling \$6,290 was demolished in 2012, but remained on the Department's records.
- Sixty-five property items totaling \$43,332 and 25 items totaling \$6,839 were reported as lost or stolen, respectively, on the FY14 and FY15 Request for Deletion from Inventory Forms submitted to the Department of Central Management Services (DCMS). In FY14 lost or stolen property items represented 1.8% of the \$2,409,133 of total property deletions. In FY15 lost or stolen items represented 2.2% of the \$312,183 of total property deletions.
- One of two property leases tested totaling \$15,341 was not recorded on the Fair Value Report. The Department properly completed the Accounting for Leases – Lessee Form (SCO-560) and submitted it to the Illinois Office of the Comptroller (IOC). The IOC omitted the lease on the FY15 Fair Value Report when it issued the FY15 Fair Value Report to the Department. The Department failed to acknowledge and request a corrected FY15 Fair Value Report from the IOC.
- Three of 25 equipment deletions tested totaling \$1,207 were scrapped without receiving approval from DCMS. The equipment deletions included a computer monitor, computer console, and a portable radio.

Testing of the Agency Report of State Property (C-15) resulted in the following exceptions:

- A capital lease totaling \$15,341 ended June 30, 2013; however, it was not removed

REVIEW: 4465

from the C-15 until December 31, 2013. The Department corrected this error by June 30, 2014.

- The Department had capital leases totaling \$11,596 as of September 30, 2013. These leases did not get included on the C-15 until June 30, 2014.
- The Department entered into a capital lease totaling \$7,444 on November 27, 2013; however, the lease did not get included on the C-15 until June 30, 2014.
- The Department included a \$2,156,113 transfer from the Capital Development Board in the additions column. The Department did not correct this error before June 30, 2015; however, auditors corrected the error in the appropriate compliance schedule.
- The Department made a mathematical error in the totals per Department records column. Assets were underreported by \$185,964. The Department did not correct this error before June 30, 2015; however, auditors corrected the error in the appropriate compliance schedule.
- The Department excluded several items from the FY15 C-15. Auditors noted building additions totaling \$143,916 and equipment additions totaling \$95,483 were not included on the C-15. The Department did not correct the error before June 30, 2015; however, auditors corrected the error in the appropriate compliance schedule.

Regarding the exceptions noted during the current examination, the Department management stated that controls have been tightened, as evidenced by the reduction in lost and stolen items and the lack of materiality, in the opinion of the Department, of most of the current exceptions. Despite improved controls, exceptions remain due to a learning process of developing the strongest controls possible.

Updated Response: Partially implemented. The IDOA Bureau of Budget and Fiscal Services has experienced significant turnover in the CFO position and staff. The current CFO started August 1, 2016, and is diligently working to fill vacancies and streamline processes to implement adequate and effective internal controls.

4. Develop and implement procedures which create stronger controls over vehicles and address both maintenance and reporting. (Repeated-2011)

Finding: The Department demonstrated weaknesses in the maintenance of State vehicles and the reporting of vehicle accidents to the Department of Central Management Services (DCMS).

During testing of 25 vehicles for proper vehicle maintenance, auditors noted the following:

- 47 instances in 20 of 25 vehicles tested where the vehicle did not have oil changes performed in accordance with the Department of Central Management Services (DCMS) guidelines. The number of miles that oil changes were overdue ranged from 32 to 17,611 miles, while the time oil changes were overdue ranged from six days to seven months.
- 22 of 25 vehicles tested did not have proper signature on the maintenance charge ticket(s) or invoice(s) provided for the vehicle.

REVIEW: 4465

Accepted or Implemented – continued

In addition, during testing of the Department's reporting of accidents involving a State vehicle to DCMS, auditors noted two of six accidents tested were not reported to DCMS within seven calendar days as required. The accidents were reported to DCMS nine and 17 days late.

Department management stated that in regard to the first vehicle maintenance exception, the Department has a vehicle management system (VMS); however, bureau automotive liaisons (those charged with entering data to the VMS) appeared to not have entered the data timely and/or failed to save the data when it was entered.

In regard to the second vehicle maintenance exception, Department management stated that prior to DCMS leasing vehicles, work tickets were handed to vehicle operators who would then sign those tickets before turning them in. After DCMS began leasing vehicles, work tickets were no longer provided to the operators. Instead, DCMS first "closes" the ticket then provides it to the appropriate bureau via inter-governmental email or mail.

In regard to the accident report exceptions, Department management stated that the cause of the 17-day delay was that the accident report was sent to the bureau automotive liaison; however, that person was on vacation when it was submitted and it was not addressed until the liaison returned to work. In the case of the nine-day delay, the supporting documentation indicates that the operator was told of the time limit but did not turn the accident report in until after the seven-day deadline.

Updated Response: Implemented. On March 22, 2016 we held a training session with vehicle liaisons in the computer services conference room. Instructions were given on how to correctly use the vehicle management system. The system will notify the bureau when the vehicle is due for oil and/or tire rotation. Monthly reminders are sent to liaisons via email. On January 15, 2016 the SR-1 (accident form) was scanned, emailed along with accident reporting procedures to bureau liaisons. Extra copies are kept in Vehicle Coordinators (VC) office. On March 30, 2016, VC met with CMS, Division of Vehicle staff on to review the Department's vehicle section in our handbook. Section was reviewed and approved by CMS. Work order tickets are signed by drivers when vehicle is dropped off at the garage. CMS keeps a copy of charge tickets on file.

- 5. Administer the grant agreements awarded from the Illinois Standardbred Breeders Fund in accordance with the grant agreements signed between the Department and the grantees and require proper documentation to support payment before remitting grant funds.**

Finding: The Department did not adequately administer the Illinois Standardbred Breeders Fund grants.

During testing of 10 grant agreements awarded from the Illinois Standardbred Breeders Fund totaling \$809,190, auditors noted the following:

REVIEW: 4465

- Eight out of 10 grant agreements totaling \$588,079 contained language requiring the grantees to file quarterly reports with the Department describing progress of the services provided under the grant agreement and the grant funds. However, the Department only required the grantees to file these reports annually since races did not occur year around.
- Two out of 10 grant agreements totaling \$67,180 required the Department to receive an originally marked racing program prior to making payments to the grantee. The Bureau of County Fairs and Horse Racing approved payment to these grantees prior to receiving an originally marked racing program for all races administered by the grantee.

Department management stated the issues noted were due to staffing limitations.

Response: Accepted. The bureau will update all Standardbred breeders fund grant agreements to indicate an annual report is required, as opposed to a quarterly report. Also, the Department will date stamp all incoming race programs, if not sent electronically, which will prevent premature payment approval.

Updated Response: Implemented. The Bureau implemented the recommendations.

6. Accurately and consistently prepare quarterly Locally Held Funds (Form C-17s) based on balances reported on the Department's accounting records. Also, establish controls to ensure an adequate segregation of duties for locally held funds. (Repeated-2011)

Finding: The Department did not properly complete the quarterly Report of Receipts and Disbursements for Locally Held Funds (Form C-17) submitted to the Illinois Office of the Comptroller (Comptroller) for six Department funds. In addition, the Department did not have proper segregation of duties in the administration of five funds.

Auditors reviewed the eight quarterly Form C-17s submitted to the Comptroller for FY14 and FY15 for all 12 of the Department's locally held funds and noted the following:

- One of eight FY14 Form C-17s tested for Agricultural Products Promotional Fund incorrectly overstated cash on hand by \$3,602.
- 15 of 16 Form C-17s tested for Henry White Fund and Zell Farm Fund reported the incorrect amount of investment income by approximately \$45. In addition, the "cash on hand and in banks" was incorrect as a result of understated receipts of approximately \$45.
- Eight of eight Form C-17s tested for Illinois Colt Stakes/Championship Purse Fund incorrectly reported disbursements by approximately \$17,000, carrying forward each quarter in FY14. In FY15, disbursements were incorrectly reported by approximately \$600 carrying forward each quarter.

In addition, auditors determined one individual opens the mail, enters financial information, makes deposits and performs bank reconciliations for the following five Department funds: White Experimental Farm Fund; Zell Farm Fund; Agricultural Products Promotional Fund, Illinois Agricultural Youth Institute Fund; and Ask Illinois First Fund.

REVIEW: 4465

Accepted or Implemented – continued

At June 30, 2015 and 2014, the Department's locally held funds had balances of \$2,274,428 and \$2,261,940 respectively.

Related to the exceptions noted during the current examination, Department management stated it has worked with bureau staff in understanding the accounting and reporting for locally held funds, but additional staff turnover has affected the accuracy of reporting. Additionally, eliminating and combining funds to streamline reporting has begun but was not completed during the examination period.

Response: Accepted. The Department will work with Budget and Fiscal Office staff to ensure proper accounting and reporting procedures. Staff shortages adversely affect the bureau's efforts to separate duties.

Updated Response: Accepted and Partially Implemented. The IDOA Bureau of Budget and Fiscal Services has experienced significant turnover in the CFO position and staff. The current CFO started August 1, 2016, and is diligently working to fill vacancies and streamline processes to implement adequate and effective internal controls.

7. Ensure adequate documentation of the date refund checks are received and maintain documentation to support deposits. Also, implement the necessary procedures to ensure deposits of refunds and receipts are made in a timely manner. (Repeated-2013)

Finding: The Department failed to adequately document the date refund checks were received. As a result, auditors could not determine whether the Department deposited the refund checks in a timely manner. Other refund checks for which the date was documented were not deposited in compliance with statute.

Seven of 40 refunds tested totaling \$8,735 did not have adequate documentation to demonstrate the refund checks were deposited timely. In addition, two of 40 refund checks totaling \$1,688 were deposited six and seven days later than the timely deposit requirement outlined in the law.

Related to the exceptions noted in the current examination, Department management stated that refunds are received in various bureaus throughout the Department, and failure to date stamp them is due to oversight. Timely deposit is sometimes difficult if a refund check is received with no information as to what bureau it is for or what invoices. It can take several days to track down the needed information.

Response: Accepted. Formal policies and procedures will be revised to address refunds. Sufficient staffing is necessary to ensure timely completion and implementation of this task.

Updated Response: Accepted and Partially implemented. The IDOA Bureau of Budget and Fiscal Services has experienced significant turnover in the CFO position and staff. The

REVIEW: 4465

current CFO started August 1, 2016, and is diligently working to fill vacancies and streamline processes to implement adequate and effective internal controls.

8. **Modify accounts receivable processing procedures to ensure balances reported to the Comptroller within the accounts receivable reports are properly supported on the form and within files. Amend collection efforts to ensure the activities are performed within a timely manner and returned checks are added back to accounts receivable for quarterly reporting. Also, ensure all internal accounting procedures are in compliance with SAMS and State statute. (Repeated-2013)**

Finding: The Department did not have adequate controls over its administration of accounts receivable including the preparation of accounts receivable reports, related financial records, or its collection efforts.

During testing of the Department's June 30 Quarterly Summary of Accounts Receivable – Accounts Receivable Activity (Form C-97), auditors noted:

- The Department was unable to provide adequate supporting documentation for the "Collections this Quarter" category of the quarter ended June 30, 2014 Form C-97 in the Agricultural Premium Fund. The supporting documentation provided in the "Gross Receivables" category did not agree to the amounts included for the quarter ended June 30, 2014 on the Form C-97 submitted by the Department.
- The Department was unable to provide adequate supporting documentation for the "Accounts Receivable Added this Quarter" and "Collections this Quarter" categories of the quarters ended June 30, 2014 and June 30, 2015 Form C-97 in the Illinois State Fair Fund. The supporting documentation provided did not agree to the amounts included in these two categories for the quarter ended June 30, 2014 on the Form C-97 submitted by the Department. Finally, the June 30, 2014 Form C-97 was not revised by the Department after a billing error occurred and the total reimbursement was received.
- The Department was unable to provide adequate supporting documentation for the "Accounts Receivable Added this Quarter" and "Collections this Quarter" categories of the quarters ended June 30, 2014 and June 30, 2015 Form C-97 in the Agriculture Federal Projects Fund. The supporting documentation provided in the "Accounts Receivable Added this Quarter" category did not agree to the amounts included for the quarter ended June 30, 2014 on the Form C-97 submitted by the Department.

During testing of the Department's June 30 Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables (Form C-98), auditors noted:

- The receivables reported for the quarter ended June 30, 2014 were not properly aged in the Weights and Measures Fund. The Department reported \$337,000 as current, when \$327,000 should have been reported as current. The over one year aging category was reported as \$219,000, and it should have been \$229,000.

During detail testing of the Department's accounts receivable balances, the auditors noted:

- Testing for two of 40 items totaling \$2,850 could not be completed because the Department could not provide sufficient documentation related to the accounts.

REVIEW: 4465

Accepted or Implemented – continued

During testing of 25 returned checks, auditors noted the following:

- The Department did not turn over the account to the Attorney General's Office, the Comptroller's Offset System, or a collection agency after the returned check was not collected within 90 days of the returned check date for two of 25 (8%) items tested totaling \$525. In addition, the Department did not report, establish, or add back the amount of the returned check as an accounts receivable for these items.

Further, upon review of the Department's procedures for handling accounts receivable, auditors noted the Department's policy relating to the Comptroller's Offset System was inconsistent with the procedures outlined in the Statewide Accounting Management System (SAMS) (Procedure 26.40.20) and the Illinois State Collection Act of 1986 (30 ILCS 210/5).

Related to the exceptions noted during the current examination, the Department stated the exceptions were caused by a lack of understanding by the large number of employees managing receivables on an equal number of computer systems.

Response: Accepted. The Budget and Fiscal Office is not adequately staffed. Therefore, cross-training staff is necessary to support when staffing shortages occur.

Updated Response: Accepted and Partially implemented. The IDOA Bureau of Budget and Fiscal Services has experienced significant turnover in the CFO position and staff. The current CFO started August 1, 2016, and is diligently working to fill vacancies and streamline processes to implement adequate and effective internal controls.

9. Ensure the accuracy of the Agency Fee Imposition Report prior to submission to the Comptroller.

Finding: The Department understated fees collected in the 2014 Agency Fee Imposition Report submitted to the Illinois Office of the Comptroller (Comptroller).

Auditors noted the fees reported for three of 14 funds on the FY14 Agency Fee Imposition Report did not agree to Department records. The errors noted resulted in the Department understating the fees collected by \$165,700.

Department management stated that the errors in the FY14 report were due to employee turnover. The employee who had previously prepared the report left a few months before the report was due, and the new employee who was to take it over had not been with the Department long enough to prepare the report. The person who prepared the report in the interim had not done it before.

Response: Accepted. Accounting staff is being trained to minimize the likelihood of inaccurate reporting.

REVIEW: 4465

Updated Response: Accepted and Partially implemented. The IDOA Bureau of Budget and Fiscal Services has experienced significant turnover in the CFO position and staff. The current CFO started August 1, 2016, and is diligently working to fill vacancies and streamline processes to implement adequate and effective internal controls.

10. Ensure audits of all major systems of internal accounting and administrative control are conducted at least once every two years as required by the Act. 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. Also, ensure the required two-year audit plan and annual report are completed and submitted by the Office of Internal Audits and reviewed and approved by the Director as required by the Act. (Repeated-2013)

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

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 time 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 FY14 and FY15.
- The 2014 Annual Internal Audit Report was not completed.
- The FY15 and FY16 Two-year Audit Plan was not completed.

Additionally, the Two-year Audit Plan for FY14 and FY15 was not submitted to the Director for approval prior to the beginning of FY14. The Department was unable to provide support showing that the Two-year Audit Plan for FY14 and FY15 was approved by the Director. The Department did not complete any of the audits in the Two-year Audit Plan for FY14 and FY15.

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 FY14. The Chief position was filled in the last month of the second quarter of FY15. Therefore, the Department stated, the Office of Internal Audit remains understaffed and will struggle to comply with FCIAA requirements until it is adequately staffed.

Updated Response: Accepted and Partially implemented. The OIA has submitted and gained approval of two-year audit plans for Fiscal Years 2017 and 2016 and has submitted Annual Reports for fiscal years 2016 and 2015. Senior management is aware of the limited human resources in the OIA and is exploring further staff resources in order to comply with FCIAA requirements.

Accepted or Implemented – continued

- 11. Conduct the required annual internal audit of the GAAP process and submit the internal audit to the Financial Reporting Standards Board no later than May 31 for the preceding fiscal year.**

Finding: The Department did not comply with the Financial Reporting Standards Board Act.

The Act requires the Internal Auditor of every State agency that prepares a generally accepted accounting principles (GAAP) package to submit an annual audit of its GAAP process to the Financial Reporting Standards Board. Internal Audit Guidelines for the GAAP and Financial Statement Process issued by the Financial Reporting Standards Board provides guidance to State Agencies' Internal Auditors for conducting internal audits under the Act. The guidelines state the internal audit should be submitted no later than May 31st for the preceding fiscal year. The Department did not conduct an annual internal audit of its FY14 GAAP process. The internal audit was due no later than May 31, 2015.

Department management stated the Chief Internal Auditor and internal audit staff positions were vacant for the last two months of FY14 and most of the first two quarters of FY15. Further, the GAAP packages of the Department are prepared by an external contractor. As such, the procedures to be performed require additional planning and time.

Updated Response: Accepted and Partially implemented. IDOA contracts the GAAP reporting process to an outside contractor. Further, the CFO and several staff left IDOA. Therefore, the decision was made to not perform an audit for FY2014 as such an audit would not be timely and control environment has changed. Due to time limitations, the FY 2015 GAAP is in process and is expected to be filed to the Illinois Office of the Comptroller by December 31, 2016. The 2016 GAAP audit will be prepared by May 1, 2017. The OIA continues to work with senior staff to hire an additional auditor.

- 12. Scrutinize collateral records to ensure the Department is maintaining collateral only for grain producers and warehousemen with present violations of the Grain Code, and that such records include accurate information. Also, develop a policy for returning collateral to grain producers and warehousemen who have satisfactorily taken corrective measures to prevent failures.**

Finding: The Department did not maintain an accurate record of collateral held from grain producers and warehousemen.

The Department's records showed its collateral balances held from grain producers and warehousemen was \$3,649,148 at June 30, 2015 and \$6,246,958 at June 30, 2014. The collateral was held in the form of cash, certificates of deposit, and irrevocable letters of credit. Inaccuracies noted of these balances included:

- The Department could not provide copies of 13 letters of credit totaling \$1,642,813 of the total \$6,246,958 (26%) collateral balance at June 30, 2014.

REVIEW: 4465

- The Department could not provide copies of 10 letters of credit totaling \$2,958,836 of the total \$3,649,148 (81%) collateral balance at June 30, 2015.
- The Department had not removed collateral for banks no longer in business or grain dealers no longer licensed.

The issues noted do not affect the Department's financial reporting.

In addition, auditors noted the Department had not established a policy for releasing collateral held in the Grain Indemnity Trust Fund (Trust Fund) in cases where the required financial measurement had been reached, but the Department had not yet received a written request from the licensee to release the collateral.

The Department deposits cash it receives as collateral into the Trust Fund. The balance in the Trust Fund was \$185,164 at June 30, 2015 and \$171,488 at June 30, 2014.

Department management stated the inadequate control over letters of credit was due to oversight. Since the letters of credit are not an asset and not included in the financial reporting, the importance of procedures was not realized.

Response: Accepted. A spreadsheet listing all Letters of Credit held has been developed and the bureau has upgraded software to track collateral.

Updated Response: Accepted and Partially implemented. The IDOA Bureau of Budget and Fiscal Services has experienced significant turnover in the CFO position and staff. The current CFO started August 1, 2016, and is diligently working to fill vacancies and streamline processes to implement adequate and effective internal controls. This issue will be coordinated in conjunction with the General Counsel.

13. Implement procedures to ensure cultivation center agent identification card applicants are notified when applications are received. Also, ensure the Department meets statutory deadlines.

Finding: The Department did not comply with various elements of the Compassionate Use of Medical Cannabis Pilot Program Act (410 ILCS 130).

The Act requires within 180 days of the effective date of the Act, that the Department of Public Health, Department of Financial and Professional Regulation, and Department of Agriculture together establish a computerized database or verification system. The computerized database or verification system was to be created to allow law enforcement personnel and medical cannabis dispensary organization agents to determine whether the identification number corresponds with a current, valid registry identification card. The Act went into effect January 1, 2014. As of June 30, 2015, the computerized database had not been established.

REVIEW: 4465

Accepted or Implemented – concluded

Department management stated the conditions noted are attributable to the original vacancy and subsequent turnover in the position of Bureau Chief. The Pilot Program, being new in every aspect to the State, lacked leadership; therefore, there were some issues that could not be addressed in a timely manner.

Response: Accepted. The enabling statute required the Department allow for electronic submission of applications for cultivation center agents and provide confirmation of receipt. Procedures have been implemented to send notification to applicants.

The statute also required, 180 days within the effective date of the Act, the Department and Illinois Department of Financial and Professional Regulation and Illinois Department of Public Health would establish a computerized database to allow law enforcement and dispensaries to authenticate identification cards with patients and/or cultivation center agents. The database has been established and dispensaries are able to verify the information. However, law enforcement access has not yet been enabled. The database vendor and the Illinois State Police are working with the respective Departments to establish access.

Updated Response: Implemented. The Department agrees with the finding. The enabling statute required the Department allow for electronic submission of applications for cultivation center agents and provide confirmation of receipt. Procedures have been implemented to send notification to applicants.

14. Continue to work with the counties throughout the State in order to perform all the duties required by the Noxious Weed Law. Also, utilize the authority granted by Section 22 of the Illinois Noxious Weed Law and assess fines to entities found in noncompliance with the Law. (Repeated-2009)

Finding: The Department did not perform certain requirements under its rules and regulations of the Illinois Noxious Weed Law.

During examination of the Department's Illinois Noxious Weed rules and regulations to enforce the Law, auditors noted several sections were not being performed:

Related to the ongoing noncompliance, Department management stated Illinois Counties are not complying with the Act. The Department will continue to work with the counties throughout the State to ensure they perform all duties required by the Law.

Updated Response: Implemented. During the 99th General Assembly, the Department successfully pursued amendments to the Noxious Weed Law to establish an enforcement process. Under the new process, when the Director determines that a control authority fails to carry out its duties and responsibilities under the Act or fails to follow the Department's rules, the Director is to send the Control Authority a Notice of Noncompliance.

15. **Develop and implement a comprehensive system development methodology and change control procedures which document current processes and ensure new system developments and modifications to existing systems are developed and implemented in a manner that ensures they are adequately planned, developed, tested, documented, approved, and implemented. Further, restrict programmer access to all production programs and data. If the Department determines that programmer access is necessary in some situations, it should establish and enforce compensating controls to ensure appropriate management oversight and approval of changes.**

Finding: The Department did not have formal System Development Methodology or Change Control Procedures.

The Department had not formally implemented system development methodology and change control procedures to ensure new systems and major changes to existing systems were adequately developed, tested, documented, approved and implemented. In addition, the Department did not have an effective separation of duties for programmers developing and maintaining one of its computer systems.

Updated Response: Accepted and Partially implemented. The Department has researched several methodologies as we eagerly await direction from the new Department of Innovation & Technology. Given the current trends in programming and development, the need for rapid turn-around times, and the small size of the development team at the Department of Agriculture, the Agile software development methodology is what we are learning and will use.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than three business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the

REVIEW: 4465

Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY15 and FY14, the Department filed no affidavits for emergency purchases.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2015, the Department had 186 employees assigned to locations other than official headquarters.

REVIEW: 4465
ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2015

APPENDIX A

Summary of Services and Activities

	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>
<u>Animal Health</u>			
Number of inspections of livestock dealers, branch locations and auction markets	83	51	119
Number of animals tested for all diseases	35	75	21
Number of veterinarians trained in bioterrorism	-	46	52
<u>Animal Welfare</u>			
Number of animal welfare inspections	900	1,064	724
Number of formal complaint and hearing notices issued for violations of the Animal Welfare Act	29	17	73
Number of Animal Welfare complaints	272	371	336
<u>Fairs and Horse Racing</u>			
Number of Illinois State Fair attendees	411,547	847,690	961,063
Number of DuQuoin State Fair attendees	315,808	350,000	258,000
Illinois State Fair revenue generated	\$ 6,034,800	\$ 5,700,000	\$ 6,435,700
DuQuoin State Fair revenue generated	\$ 1,284,500	\$ 1,230,900	\$ 1,176,000
Number of registered thoroughbreds conceived and /or foaled in Illinois	991	1,155	1,271
Number of registered standardbreds conceived and foaled in Illinois	1,239	1,454	1,422
Number of registered quarter horses conceived and foaled in Illinois	45	89	97
Number of thoroughbred stakes races and restricted races	352	NA	336
Number of standardbred stakes races and restricted races	676	NA	928
Number of quarter horse stakes races and restricted races	-	6	6
<u>Land and Water Resources</u>			
Sustainable agriculture grants approved	-	7	-
Conservation practices program projects approved	-	317	244
Streambank stabilization restoration program projects approved	-	18	21
Number of participants in workshops and courses	789	726	741
Acres of farmland in conservation tillage	8,600,000	9,030,000	8,815,000
<u>Meat Inspection</u>			
Number of enforcement actions taken (warning letters and hearings)	18	134	122
Livestock inspected (head)	805,043	703,089	879,040
Number of inspected plants/brokers	995	999	1,017
Number of planned/random compliance reviews	3,361	8,098	5,768

Appendix A - continued

	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>
<u>Animal Disease Laboratories</u>			
Total tests performed	76,111	77,112	92,749
Meat samples tested	2,040	2,149	2,947
Rabies samples tested	439	635	637
<u>Environmental Programs</u>			
Pesticide applicators licensed	37,468	37,510	37,311
Pesticide misuse investigations conducted	130	111	103
Nursery dealers licensed	3,204	3,405	3,181
Livestock notices of intent to construct	150	123	121
Waste management plans certified	24	23	31
Livestock managers certified	467	176	266
<u>Weights and Measures</u>			
Devices inspected	113,582	131,811	112,358
Enforcement actions	7,697	8,642	7,643
Percent of instances where inappropriate device is used	6.8%	7.0%	6.8%
Percent of devices that measure accurately	93.2%	93.0%	92.6%
Number of citizen complaints about accuracy of devices	286	311	406
<u>Marketing</u>			
Number of custom reports and inquiries	1,776	1,639	1,289
Number of IDOA's own trade shows/missions developed	15	24	24
Number of trade leads generated from IDOA marketing activities	21	453	1,138
Number of participants in IDOA sponsored trade shows	419	362	242
<u>Egg Inspection</u>			
Number of enforcement actions taken	348	365	495
Number of in-state egg suppliers	925	900	850
Number of out of state egg suppliers	328	315	285
Number of egg inspections	2,803	2,700	3,142
Number of dozen eggs taken off sale	103,348	55,000	101,006
<u>Warehouses</u>			
Number of grain examinations	756	823	800
Number of grain licenses issued	1,365	1,365	1,343
Number of grain dealer/warehouse formal enforcement actions	7	15	16

REVIEW: 4465
ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2015

APPENDIX B

Summary of Appropriations and Expenditures
I. By Fund

	Expenditures		
	FY15	FY14	FY13
<u>Appropriations, All Funds</u>	\$ 108,604,539	\$ 104,968,100	\$ 98,536,300
<u>Expenditures</u>			
General Revenue Fund	\$ 19,870,667	\$ 20,702,545	\$ 20,103,529
Agriculture Lab Services Revolving Fund	503,732	560,217	685,313
Agricultural Premium Fund	21,146,687	23,193,876	22,182,204
Compassionate Use of Medical Cannabis Fund	55,220	-	-
Weights and Measures Fund	5,259,186	5,217,177	4,730,065
Fair and Exposition Fund	900,000	900,000	900,900
Motor Fuel and Petroleum Standards Fund	27,000	27,938	33,805
Fertilizer Control Fund	1,013,168	999,515	102,599
Used Tire Management Fund	40,000	40,000	40,000
Feed Control Fund	1,612,916	840,862	1,042,599
Livestock Management Facilities Fund	30,000	3,361	5,488
Illinois State Fair Fund	7,335,020	6,663,774	6,289,049
Agricultural Marketing Service Fund	3,451	3,699	3,037
Agricultural Master Fund	894,918	562,158	516,531
Wholesome Meat Fund	6,793,622	6,321,293	6,241,847
Pesticide Control Fund	6,142,594	5,181,216	5,031,300
Partners for Conservation Fund	8,813,247	11,553,452	10,987,321
Quarterhorse Breeders Fund	4,350	7,050	7,050
Agriculture Pesticide Control Fund	553,025	542,830	367,152
Illinois Standardbred Breeders Fund	1,031,929	1,273,478	1,258,543
Illinois Thoroughbred Breeders Fund	1,277,627	1,937,634	1,953,133
Illinois Animal Abuse Fund	4,000	3,883	-
Agriculture Federal Projects Fund	1,452,140	2,093,233	2,572,709
Total Expenditures All Funds	\$ 84,764,499	\$ 88,629,191	\$ 85,054,174

REVIEW: 4465
ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2015

APPENDIX C

Schedule of Expenditures

	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>
By Division			
Administrative Services	\$ 14,130,593	\$ 15,852,468	\$ 12,374,901
Agriculture Industry Regulation	4,520,386	4,112,461	3,822,437
County Fairs and Horseracing	7,656,726	8,781,352	8,714,216
By Bureau			
Computer Services	1,441,857	1,631,331	1,453,782
Marketing and Promotion	3,646,032	4,035,671	3,550,428
Animal Industries	3,574,423	3,838,917	3,958,435
Meat and Poultry Inspection	10,381,403	9,830,352	9,932,292
Land and Water Resources	7,063,597	9,215,657	11,986,161
Environmental Programs	7,318,430	7,349,175	7,137,442
Building and Grounds - Springfield	14,920,336	14,151,671	12,954,961
Building and Grounds - DuQuion	3,110,114	2,909,194	2,752,786
DuQuoin State Fair	1,659,196	1,675,827	1,652,463
Weights and Measures	5,286,186	5,245,115	4,763,870
Compassionate Use of Medical Cannabis	55,220	-	-
Total Expenditures	<u>\$ 84,764,499</u>	<u>\$ 88,629,191</u>	<u>\$ 85,054,174</u>

REVIEW: 4465
ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2015

APPENDIX D

Cash Receipts

Funds	FY15	FY14	FY13
General Revenue Fund	\$ 1,822,381	\$ 1,589,067	\$ 1,909,652
Agriculture Laboratory Services Fund	544,521	489,898	739,232
Agriculture Premium Fund	1,630,214	1,817,903	1,907,506
Compassionate Use of Medical Cannabis Fund	7,622,200	-	-
Weights and Measures Fund	4,995,914	4,410,501	4,369,496
Motor Fuel and Petroleum Standards Fund	28,875	39,063	48,565
Fertilizer Control Fund	1,564,967	1,583,239	1,491,756
Grain Regulatory Fund	86,110	91,050	113,004
Feed Control Fund	2,145,023	2,145,576	2,054,843
Livestock Management Facilities Fund	40,420	29,950	35,620
Illinois State Fair Fund	6,542,242	7,413,006	7,477,698
Agricultural Marketing Service Fund	3,700	-	7,400
Agriculture Master Fund	961,324	869,020	895,722
Wholesome Meat Fund	8,325,145	5,303,656	5,792,662
Pesticide Control Fund	6,171,962	5,659,127	5,865,853
State Cooperative Extension Service Trust Fund	13,443,900	13,443,900	13,443,900
Illinois Racing Quaterhorse Breeders Fund	50	50	50
Watershed Park Fund	-	20	-
Agriculture Pesticide Control Act Fund	722,334	590,526	338,358
Illinois Standardbred Breeders Fund	500	600	1,950
Illinois Thoroughbred Breeders Fund	3,050	5,900	3,250
Illinois Agrifirst Program Fund	480	-	320
Agriculture Federal Projects Fund	1,631,710	1,654,097	2,064,179
State Fair Promotional Activities Fund	-	-	4,419
Total	<u>\$ 58,287,022</u>	<u>\$ 47,136,149</u>	<u>\$ 48,565,435</u>

REVIEW: 4465
ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2015

APPENDIX E

Summary of Property and Equipment

	<u>FY15</u>	<u>FY14</u>
Beginning Balance, July 1	\$ 206,779,949	\$ 205,726,372
Additions	946,664	746,738
Deductions	(313,032)	(2,409,133)
Transfers	2,583,496	2,715,972
Ending Balance, June 30 *	<u>\$ 209,997,077</u>	<u>\$ 206,779,949</u>
Comprised of *		
Equipment	\$ 18,881,244	\$ 18,653,758
Building	144,123,074	143,990,832
Land	39,180,216	39,171,374
Construction in progress	7,812,543	4,963,985
	<u>\$ 209,997,077</u>	<u>\$ 206,779,949</u>
