

LEGISLATIVE AUDIT COMMISSION



Review of
Illinois Department of Natural Resources
Two Years Ended June 30, 2014

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REVIEW: 4452
ILLINOIS DEPARTMENT OF NATURAL RESOURCES
TWO YEARS ENDED JUNE 30, 2014

FINDINGS/RECOMMENDATIONS - 16

ACCEPTED - 13
ACCEPTED AND PARTIALLY IMPLEMENTED - 1
IMPLEMENTED - 2

REPEATED RECOMMENDATIONS - 6

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 13

This review summarizes the auditors' reports on the Illinois Department of Natural Resources, filed with the Legislative Audit Commission on June 30, 2015. The auditors performed a compliance examination in accordance with State law and *Government Auditing Standards* for the two years ended June 30, 2014. The auditors also conducted a financial audit of the Department's Capital Asset Account for the year ended June 30, 2014. The auditors stated that the Department's capital asset account was fairly presented.

The Department of Natural Resources was established on July 1, 1995 when the functions of the former Department of Conservation, Department of Mines and Minerals, the Abandoned Mined Lands Reclamation Council, portions of the Department of Energy and Natural Resources, and the Division of Water Resources from the Department of Transportation were merged by an Executive Order of the Governor.

The Department's mission is to manage, conserve, and protect Illinois' natural, recreational and cultural resources, further the public's understanding and appreciation of those resources, and promote the education, science and public safety of Illinois' natural resources for present and future generations.

The Department currently manages over 300 sites totaling nearly 474,000 acres of publicly owned and leased land including State parks. The Department manages a variety of other public sites such as museums, boat access areas, marinas and trails. DNR maintains concessions that are leased to or operated by private concessionaires or local communities.

The Director during the two-year audit period was Mr. Marc Miller. Mr. Wayne Rosenthal was appointed Director on January 20, 2015. Director Rosenthal was previously a member of the General Assembly and also served in the Illinois Air National Guard for 30 years, retiring as a Brigadier General.

The chart on the following page presents the average number of employees in the fiscal year noted.

	FY14	FY13	FY12
Full-time:			
General Office	73	71	60
Architecture, Engineering & Grants	21	20	24
Realty and Environmental Planning	43	47	50
Business Services/Strategic Services	67	64	74
Sparta World Shooting Complex	11	10	11
Resource Conservation	227	206	227
Law Enforcement	150	144	142
Land Management	367	313	353
Mines & Minerals	113	100	106
Water Resources	54	48	57
Museums	62	58	60
Total Full-time	1,188	1,081	1,163
Part-time and Seasonal	165	153	176
GRAND TOTAL	1,353	1,234	1,339

Expenditures From Appropriations

The General Assembly appropriated \$942,583,167 from 42 different funds to the Department of Natural Resources for FY14. Of the total, \$274 million was from the Capital Development Fund; \$149.3 million from the Build Illinois Bond Fund; \$103.9 million from the Wildlife and Fish Fund; \$88 million from the Open Space Lands Acquisition and Development Fund; \$80.1 million from the Park and Conservation Fund; \$45.6 million from the General Revenue Fund; and \$201.7 million from the remaining 36 funds. Appendix A summarizes these appropriations and expenditures by fund for the period under review. Some of the significant changes in expenditures when comparing FY14 to FY13 were as follows:

- \$3.9 million increase in State Boating Act Fund due to an increase in staffing levels in FY14;
- \$3.4 million increase in State Parks Fund due to more cash available in FY14 from camping fees and permits, property rentals, and Secretary of State license plates;
- \$8.7 million increase in Wildlife and Fish Fund due to increases in lump sums expenditures and personal services;
- \$4 million decrease in Capital Development Fund due to a decrease in construction grants;
- \$4.9 million decrease in Open Space Land Acquisition Fund due to reduced grant appropriation amounts beginning in FY10;
- \$11.3 million increase in Park and Conservation Fund due to an increase in project and staffing expenditures as a result of the new sustainability funds revenue stream; and
- \$8.3 million increase in Build Illinois Bond Fund due to ongoing Park and Recreational Facility Construction Act grant programs incurring more expenditures as projects neared completion.

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Appendix B provides a summary of the Department's expenditures by line item for FY14-FY12. Expenditures were about \$265 million in FY14 compared to \$229.9 million in FY13, an increase of \$35.1 million, or 15.3%, due to larger appropriations for grants and awards and lump sum purposes.

Lapse period spending was about \$19 million, or 7.2% of FY14 expenditures.

Property and Equipment

Appendix C provides a summary of property and equipment for the year ended June 30, 2014. Property and equipment for the Department increased from \$1,209,558,000 as of July 1, 2012 to \$1,237,621,000 as of June 30, 2014. The Department has \$383.4 million in land and improvements; \$452.4 in site improvements; \$300.9 million in buildings and improvements; and \$100.8 million in equipment, capital leases-equipment and construction in progress.

Cash Receipts

Appendix D provides a summary of cash receipts for FY14-12, which totaled \$220,523,000 in FY14, an increase of \$34 million, or 18.2% from FY13. About 42.1% of cash receipts is from licenses and fees. The \$13.8 million increase in Vehicle Registration Fees was due to a \$2 surcharge that was collected in addition to license fees for motor vehicles beginning in 2014. The \$5.7 million increase in Other Revenue was due to the Sustainability Bill (SB1566) going into effect, which created new revenue for the Department, from application fees, consulting fees, and award fees.

Service Efforts and Accomplishments

About 39.5 million people visited Department owned or managed sites in FY14. In FY14, 84% of park visitors were highly satisfied with their visit. The Department issued 567,577 fishing licenses and 197,625 hunting licenses in FY14. Eighty-nine miles of bikes trails were newly acquired or developed, and 2,976 acres were reforested. More than 19,500 students were certified in safety education classes for hunters, boaters, trappers and snowmobilers. In FY14, the Department issued 777 mine safety certifications, 1,564 blasting and explosives licenses and certifications, and inspected 490 dams. State museum attendance was 360,363 and 285 teachers completed training in the Environment and Nature Training Institute for Conservation Education (ENTICE).

Accountants' Findings and Recommendations

Condensed below are the 16 findings and recommendations included in the report, of which six were repeated from prior reports. The following recommendations are classified on the basis of updated information provided by the Department of Natural Resources via electronic mail dated March 1, 2016.

Accepted or Implemented

1. **Establish an operations manual for the specific operations of the World Shooting and Recreation Complex (WSRC). Ensure the handbook specifically addresses the terms of the Facility Use Agreements, event rentals, operations of the various shooting areas, handling of Department-owned firearms, and responsibility and recordkeeping for sponsorships and in-kind items received. In addition, strengthen controls over contractual employees and ensure they only work time scheduled or approved by their immediate supervisor. Also, ensure campground hosts are performing their duties as agreed upon with the Department and adequately display signage near campground hosts' campers.**

Finding: The Department did not exercise adequate controls over operations of its World Shooting and Recreation Complex (WSRC) in Sparta, Illinois.

The Department opened the WSRC in 2006. The WSRC consists of 1,500 acres of land devoted to shooting and outdoor recreation, including 1,000 camp sites, areas for trap, skeet, and sporting clay shooting, a cowboy action/pistol berm, a vendor mall, and an event center. Auditors noted the following weaknesses during testing of WSRC operations:

Lack of Operations Manual

The Department has not established an operations manual, administrative rules, or procedures to govern operations of the WSRC. While certain Department-wide procedures and rules guide some of the WSRC's operations and functions, such as camping and equipment, the Department has not established guidance for the operational areas that are specific to the WSRC, such as event rentals, operations of the various shooting areas, handling of Department-owned firearms, and responsibility and recordkeeping for sponsorships and in-kind items received.

Lack of Controls over Sponsorship Items Received

The WSRC receives a number of in-kind items, such as certificates for firearms and ammunition, from sponsors for events. These items are then distributed as prizes for participants in certain shooting events. However, there are no records maintained for items received and/or distributed. As such, auditors could not determine to whom those items were distributed and if any items were lost or stolen.

Lack of Controls over Contractual Employees

In FY12, the Department executed employment contracts with two individuals to perform duties related to operation of the cowboy action/pistol berm. The contracts with these individuals were renewed annually, including FY13 and FY14. These individuals also operated a promotion company, promoting and conducting cowboy action shooting events. The terms of the employment contracts between the Department and these individuals were negotiated by Department personnel and varied from year to year.

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A key contract term appeared in the March 5, 2013 through March 5, 2014 contract and permitted the promotion company described above to host certain shooting events at the WSRC. These provisions required the individuals to go off of State payroll for one week prior to the events hosted by their promotion company.

This provision did not appear in the contract covering the period of one of their shoots held in FY14. During the week prior to the event, the individuals each worked 48 hours. They were also each paid for working 8 hours on the final day of this multi-day event, for a total of 112 hours paid in conjunction with the setup and conduct of an event benefiting their own private business.

Auditors noted inadequate controls over the work hours of these contractual employees. Auditors performed a comparison of the berm's hours of operations for the month of April 2014 to the timesheets for these contractual employees, and noted they were paid for a total of 136 hours for times/days when the berm was not open. Auditors also noted five days on each of these employees' timesheets during April 2014 where the berm was scheduled to be open, but the employees did not work.

Subsequent to the examination period, Department management terminated the contracts with these two individuals. However, the Department did not request these individuals to return their keys to the WSRC. The Department also did not request another individual terminated to return keys to the WSRC.

Lack of Controls over Equipment

The WSRC personnel identified 27 State owned firearms secured in two safes on site. Auditors noted three of the 27 firearms were not included on the Department's equipment listing. The remaining 24 firearms were not added to the Department's equipment listing on a timely basis. The 24 firearms were all added to the Department's equipment listing in January 2015. In addition, it appears the WSRC does not have proper controls in place regarding the use of these State owned firearms. WSRC has developed a sign-out sheet for individuals who remove the firearms from the safe for use on the property. However, the sign-out sheet was only located in one of the two safes. Also, WSRC personnel could not provide sign-out sheets for the examination period.

Inconsistencies in Cash Receipts

During testing of cash receipts for activity at the cowboy action/pistol berm, auditors noted numerous inconsistencies in cash amounts received when compared to the pricing schedule established by the Department. Some of the issues noted include:

- Seven instances where persons used the berm for free. The WSRC did not collect revenues totaling \$68 related to these instances.
- Forty instances where persons used the berm at a reduced price. In total, the WSRC should have collected an additional \$270 related to these instances.

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- One hundred twenty-three instances where persons used the berm at a reduced price due to their membership in a specific organization. In total, the WSRC should have collected an additional \$790 related to these instances.
- Three instances where auditors could not determine what price each shooter was charged with relation to the cash deposit as a whole. However, it appears the WSRC did not receive the correct amount per shooter. In total, the WSRC should have collected an additional \$67 related to these instances.
- Sixteen instances where persons used the berm at a reduced price for “Ladies’ Night” events. In total, the WSRC should have collected an additional \$32 related to these instances, as the pricing schedule for the WSRC makes no provisions for a reduced price for such events.

Lack of Controls over Camping Activity

- Campground hosts were not performing their required duties. One of three campground hosts only signed one camping permit during the examination period. In addition, one of three campground hosts did not sign any camping permits at all during the examination period. Auditors noted the campers for these campground hosts were not marked with any exterior signage, indicating they were campground hosts.
- During one of their visits on site, auditors noted 15 campers on site. Seven of the campers noted belonged to either campground hosts, State agencies, or a vendor. The remaining eight campers did not have the required orange placards on display to indicate they had paid for camping privileges.

Lack of Controls over Facility Use Agreements

Testing at the WSRC included a sample of facility use agreements and related transactions. Auditors noted the following:

- Reservation deposits of \$250 each were not received prior to six of 15 (40%) events tested. The WSRC’s Facility Use Agreement states a \$250 reservation deposit is required to be submitted along with an application for facility reservations.
- Payments for the use of the facility were not made at least seven days prior to the scheduled event for six of 15 (40%) events tested. Payments received ranged from \$360 to \$3,907 and were received from seven to 159 days late. The WSRC’s Facility Use Agreement states all fees for the use of WSRC facilities must be paid in full not less than seven days before the scheduled event, and failure to make the payment will result in cancellation of the agreement.
- The WSRC paid for awards to be distributed to the winners of two events held by the promotion company described earlier in this finding. The awards cost a total of \$3,849. The WSRC’s Facility Use Agreements for these events did not indicate the WSRC was responsible for the cost of the awards.
- Insurance information was not provided to the WSRC for three of 15 (20%) events tested. Each of these events was conducted by the promotion company described

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earlier in this finding. The WSRC's Facility Use Agreements for these events stated the promotion company was to provide insurance information prior to the events.

- The WSRC did not collect all fees due to the WSRC for two of 15 events tested. Fees for amenities for these events, such as extra porta-potties, vendor fees, clay targets, and hand washing stations, and fees for the correct numbers of shooters, totaling \$2,220 were not collected from the promotion company who sponsored the events.
- Facility Use Agreements could not be located for two of 15 events selected for testing. WSRC personnel stated the events selected were canceled. Facility Use Agreements should have been completed when the events were scheduled in order for the dates to be held by the WSRC. WSRC records also do not indicate deposits were received or refunded for these events.
- A comprehensive vendor list was not received for one of 15 events selected for testing. The Facility Use Agreement for this event specified the promotion company was to provide WSRC personnel with a comprehensive vendor listing to ensure the appropriate fees were received for all vendors on site. As a result, auditors could not determine if the appropriate fee was received from the promotion company for this event.

The Facility Use Agreement was not signed by the applicant for one of 15 events tested. In addition, the Facility Use Agreements were not signed by the Executive Director for six of 15 events tested. A signed Facility Use Agreement is necessary to ensure all parties agree to the terms, conditions, and price of events to be held at the WSRC.

Department personnel stated the WSRC is a specialized facility requiring senior operations managers with shooting sports knowledge and training. Limited staffing and lack of management experience in shooting programs and running a facility with the complexities of the WSRC led to the situations noted in the finding.

Response: Accepted. The WSRC is a unique site within the family of Department sites. Rather than a state park, fish and wildlife area or other habitat focused area, it is a 1600 acre site developed primarily for shooting sports. The WSRC serves an important group of users and is a significant portion of Department operations. During FY14, the Department expended \$2,977,193 from normal operating budgets to operate the WSRC and paid debt service of \$414,997 for a total of \$3,392,190, as well as realizing \$1,136,521 of income. The Department estimates the WSRC served approximately 240,000 shooters in calendar year 2014.

The Department anticipated many of the audit findings. Recognizing the need to improve WSRC management in 2014, the Department shifted resources to the WSRC and undertook steps to improve its management and operation. However, the Department found that changes were made to standard operating procedures and traditional approval mechanisms were bypassed. The Department has assigned staff from other Department units, not traditionally responsible for WSRC management, to advise WSRC management on operational issues. Those efforts were met with mixed success. One positive result was improvements in the operation and standardization of concession and leasing operations for some of the WSRC's largest events. One effort that did not meet with as much success was

Accepted or Implemented - continued

an attempt to improve how WSRC management determined the schedules for contractual employees. In November 2014, the Department terminated the contract of an employee responsible for WSRC operations during the audit period. The Department is actively pursuing a WSRC Executive Director with the requirement that any candidate would have substantial shooting sports industry experience.

The Department has implemented a number of additional changes that address the audit findings. The Department has modified its personal services contracts for temporary WSRC staff. When no-cost camping space represents a portion of the compensation paid to a contractual employee, it will be clearly documented within the employment contract, rather than using the temporary WSRC staff as campground hosts. In the past, the Department hired people to serve both as campground hosts and as contractual shooting range officials. In order to avoid any further conflicts between those two important functions, the Department terminated select contracts in November 2014.

To address daily shooting sports management, fee collection and other operational issues, the Department plans to develop a more comprehensive WSRC-specific operations manual immediately following the hiring of new WSRC management personnel. Although the WSRC has shooting range safety and operational rules posted, it will expand the areas covered by site-specific guidance to include the areas covered by the audit findings. All of these new personnel the Department is seeking to hire will report to the Department's Director, consistent with past practice. This reporting structure will continue to ensure that the new personnel will be closely monitored and responsible to the highest authorities within the Department.

The Department is also finalizing a revised Facility Use Agreement which will address questions about payment of WSRC fees and Department responsibilities during shooting events. The revised Facility Use Agreement will more clearly spell out which fees are applicable to each event and will remove discretion on the part of WSRC staff to charge reduced fees or otherwise waive fees and identify those shoots that will receive prizes pursuant to the Department's statutory imprest account authority (Section 21(g) of the State Comptroller Act (15 ILCS 405/21(g))). The audit findings did include fee collection issues totaling several thousand dollars. Fee collection is an important issue and while the totals identified in the audit findings were not significant in the context of the WSRC's finances, the Department is committed to eliminating problems associated with fees charged for shooting and camping.

The Department has confirmed the location and security of all firearms on the WSRC's inventory as well as ensured that all weapons held for use at the WSRC are on the Department's inventory list. It is a feature of Illinois' firearms laws that neither the WSRC nor the Department can obtain a FOID card, and thus cannot directly hold title to firearms necessary for the operation of the WSRC. To address this issue, the Department has firearms for use at the WSRC held under the name of the Executive Director, and the firearms are entered on the Department's inventory list. Firearms at the WSRC are stored in two gun safes and are checked-out by authorized users. The new operating guidance will include provisions on ensuring firearms remain secure and with the Department during

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management transition periods. The firearm check-out process was recently improved by adding a second check-out log so that both gun safes now have appropriate check-out logs.

Updated Response: Accepted. The World Shooting and Recreation Complex (WSRC) has been closed to the public since October 1, 2015, due to lack of funds resulting from the current budget impasse. The Department is currently in the planning phase for re-opening the facility and determining the most beneficial structure for operating the WSRC. In planning to re-open, the Department is reviewing current WSRC policies and procedures, in association with the issues noted in this audit finding, to ensure controls are adequate and identify areas needing improvement. Once a final decision is made on the structure, the Department will develop a more comprehensive WSRC-specific operations manual that provides an adequate internal control structure over WSRC processes and hire a WSRC Executive Director with the requirement of having substantial shooting sports industry experience.

2. Proceed with assessing and collecting fees for environmental consultations as required, or seek legislative remedy.

Finding: The Department did not assess and collect fees for certain environmental consultations performed as required.

The Department did not collect the \$500 fee for consultations performed during the examination period. Between July 5, 2013 and March 17, 2014, the Department performed 1,019 consultations of this type. As a result, the Department did not bill for or collect over \$500,000 in revenue to which it was entitled.

Department personnel stated it took additional time to develop and implement a fee collection step to its existing database/system for processing environmental consultations. Department personnel indicated they began collecting the consultation fees subsequent to the examination period.

Updated Response: Accepted. The Department has been consistently collecting fees since October 30, 2014. However, the Department has noted an approximately 75% drop in consultation compliance by local governments since fee collection began, so that only about \$150,000 was collected in FY15. The Department attributes this to the fee amount being so high that local governments are electing not to participate in the consultation process. The Department has received numerous complaints from local government officials about the fee. The Department is seeking a legislative remedy from the General Assembly; a Bill has been submitted which would allow the Department to assess a lesser fee amount, set by Administrative Rule, which could result in higher revenue due to restored compliance levels.

Accepted or Implemented - continued

3. Issue Off-Highway Vehicle Usage Stamps and collect the related fee as required by State statute or seek legislative remedy.

Finding: The Department failed to issue Off-Highway Vehicle Usage Stamps and collect related monies as required by the Recreational Trails of Illinois Act (Act).

During testing, auditors noted the Department failed to begin selling Off-Highway Vehicle (OHV) Usage Stamps and collecting related monies.

Department personnel stated while administrative rules for implementation of this statute were approved, a decision to postpone implementation was announced on March 6, 2014, due to ongoing questions and concerns raised by the public.

Response: Accepted. The Department is working on a State recreation venue for off-highway vehicle usage. The Department has agreed to not issue Off-Highway Vehicle Usage Stamps until the State provides an off-road park for off-highway vehicle usage.

Updated Response: Accepted. A State recreation venue for off-highway vehicle usage has been selected in Southern Illinois. The site has passed the internal review process and is now in a project development phase. Planning, engineering and resource staff are working on project elements and costs, and engaging the CERP process with the intention of submitting a project for the FFY16/SFY17 Recreational Trails Program which is a federally supported program that can fund motorized projects. Due to the budget impasse the Department is unable to project when Off-Highway Vehicle Usage Stamps can be implemented and issued.

4. Ensure adequate controls are in place to ensure concessionaires are in compliance with contracts and lease agreements. (Repeated-2006)

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

During the engagement period, the Department had approximately 70 concessionaires located at State parks throughout Illinois. The Department's concession coordinators are responsible for negotiating and enforcing lease terms, overseeing the site, approving rates charged, and collecting rental payments. The Department received rental fees from concessionaires totaling \$795,525 and \$799,913 during FY14 and FY13, respectively.

During sample testing of 10 concession and lease agreements, auditors noted 20 (54%) rental payments were remitted to the Department in an untimely manner, ranging from one to 145 days late.

In addition, for the largest four concessionaires as measured by rental payments/deposits, auditors noted all four did not properly adhere to the terms and conditions stated in their lease agreement. Specifically, these concessionaires did not submit, or submitted late, the required

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documents as set forth in the lease agreements. During review of these concessionaires, some of the deficiencies noted by the auditors follow:

- Three of the four concessionaires did not submit reserve deposit slips in a timely manner, ranging from one to 211 days late.
- Three of the four concessionaires' reserve deposit slips tested did not have a date stamp. As a result, auditors were unable to determine if the reserve deposit slips were remitted timely.
- One concessionaire's file was missing the 2012 and 2013 Schedule of Gross Revenue. In addition, the 2012 and 2013 reconciliation between the Schedule of Gross Revenue and the Lessee's revenue reports was not performed. Also, the 2012 Profit and Loss Statement was submitted two days late and the 2012 Forecast, Budgeting and Marketing Documents, including the forecast of operating expenses and revenues, budget of capital expenditures for real and personal property, summary of the facility's marketing plan, and an annual cash flow analysis, were submitted 13 days late.

Department personnel stated that they cannot control when a lessee sends in the required deposits or documents. When items are not received, the Department contacts the lessee to encourage their compliance; however, they cannot force the lessee to conform. Failure to date stamp documents was an oversight by staff.

Response: Accepted. The Department now sending notices/letters to the lessees reminding them of the deadline when these reports are due and contacts the lessee to request items that are past due.

Updated Response: Implemented.

- 5. Review existing policies and procedures to ensure all reconciliations are performed timely and properly while maintaining an adequate segregation of duties. Further, ensure sites are following Department policy and remitting revenue to the Central Office on a timely basis. (Repeated-2008)**

Finding: The Department did not properly prepare and review bank reconciliations at Department sites selected for testing.

During visits to 10 Department sites, auditors tested the local revenue and petty cash bank reconciliations. Of the 10 sites tested, eight sites maintained local revenue accounts. During testing of the local revenue accounts, some of the deficiencies noted by the auditors follow:

- 36 of 169 (21%) monthly bank reconciliations were not performed.
- 24 of 169 (14%) monthly bank reconciliations did not include a signature indicating review and approval by a second individual.
- Six of 169 (4%) monthly bank reconciliations were not signed by the preparer and reviewed and approved by a second individual.

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Accepted or Implemented - continued

- One of eight sites did not maintain a check register for the local revenue account; therefore, the auditor could not trace the book balance used on the reconciliation to any supporting documentation.
- Bank statements could not be located for seven of 169 monthly bank reconciliations; therefore, accuracy of the bank reconciliations could not be verified.

Of the 10 sites tested, seven sites maintained a petty cash account. During testing of the petty cash accounts, some of the deficiencies noted by the auditors follow:

- Four of 148 monthly bank reconciliations were not signed by the preparer.
- 52 of 148 monthly bank reconciliations did not include a signature indicating review and approval by a second individual.
- Four of 148 monthly bank reconciliations were not signed by the preparer and reviewed and approved by a second individual.

Department personnel stated their Land Management sites have operated short staffed for numerous years. Many experienced site superintendents have retired, and many site superintendents are now supervising multiple sites. In addition, many sites operate without any clerical assistance. As a result, maintaining sites for public use was prioritized ahead of administrative functions.

Response: Accepted. The Department has issued updated procedures addressing reconciling local revenue and petty cash accounts, as well as revenue transmittal and deposits, including their timing.

Staff has been added, wherever possible, to assist in the segregation of duties in regards to approval signatures and administrative duties. The current staff has acquired missing reconciliation tools (bank statements and check registers) and has found older missing documents. As staff is added, the Department will ensure that all materials associated with the local revenue and petty cash accounts are updated accordingly.

As permitted, the Department will continue to increase the number of staff responsible for administrative duties including reconciliations, approvals and review, deposits, writing checks and revenue transmittals at the site level.

Department administrative staff has traveled to sites with multiple issues to assist in training and review of current procedures. Where possible, accounts with past discrepancies have been consolidated, and those that could not be consolidated are currently being reconciled by the administrative Department staff.

Updated Response: Accepted. The Department is in the process of implementing procedures to have all locally held account bank statements, reconciliations and reports of receipts and disbursements sent to the Springfield Office of Fiscal Management every month. This will provide stronger internal controls over the locally held accounts and allow continual monitoring of account status.

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- 6. Ensure equipment items are properly tagged and proper documentation of equipment location is completed and on file. In addition, review the necessity of all equipment and properly dispose of obsolete items. Further, ensure all fuel reconciliations are properly completed and any overages or shortages are investigated. (Repeated-2010)**

Finding: The Department failed to maintain adequate controls over equipment and reconciliations of fuel at various sites. During testing at 10 Department sites, auditors noted the following:

Equipment

Auditors selected a total of 291 equipment items from property control listings for testing, noting:

- 27 items selected from the property listing were missing property asset tags.
- 34 items selected were obsolete.
- 12 items selected were observed at the sites but were not listed on the property control listing.
- 16 items physical location did not match their location on the property control listing.
- 10 items selected for testing could not be located at the Department sites.

In addition, during equipment observation, at five of 10 Department sites, auditors noted numerous items which were obsolete and unused that were being stored at the parks and not scrapped or surplused, including multiple tractors, traffic counters, monitors, printers, cash registers, mobile radios, chairs, typewriters, old CPUs, mowers, weed eaters, chainsaws, an old fuel tank, a floor jack, a blade sharpener, microscopes and electrical boxes.

During testing at one of 10 Department sites, auditors noted that the Department-owned residence on site was not being properly maintained.

Fuel Reconciliations

Of the 10 sites tested, eight had fuel held on site. Auditors tested 48 monthly fuel reconciliations, noting:

- 14 fuel reconciliations revealed overages or shortages; however, there was no documentation that the overages or shortages were investigated by management.
- 43 fuel reconciliations did not contain any evidence of supervisory review and approval.
- Three fuel reconciliations were not performed.
- Three fuel reconciliations were performed without using stick measurements in the reconciliation process.

Department personnel stated that limited staffing, Site Superintendents with responsibilities for multiple sites, and a lack of clerical staff contributed to the issues noted in the finding.

Accepted or Implemented - continued

Response: Accepted. The Department agrees to the exceptions noted by the auditors in their testing of equipment and fuel reconciliations. Through the annual property control certification process, issues with missing tags or property, or item locations are identified, and the sites work with Property Control to remedy these situations. Land Management will remind Site Superintendents of the importance of property control and following procedures for fuel reconciliations, including investigating variances greater than 25 gallons.

Updated Response: Accepted. The Department planned to implement new procedures to have the sites send in the fuel reconciliations to the Springfield administration staff for review. Unfortunately, the Department has been unable to fill a vacancy in the Springfield administration staff that would perform the review. Due to this vacancy, there is no change in our original response.

7. Maintain adequate internal audit staff to ensure compliance with the Fiscal Control and Internal Auditing Act and to perform internal audits of petty cash funds when reimbursements to the fund exceed \$5,000 in a single fiscal year as required.

Finding: The Department failed to follow up on internal audit report findings and audit all major systems of internal accounting and administrative controls on a periodic basis. In addition, the Department did not perform internal audits of petty cash funds where reimbursements to the accounts exceeded \$5,000 in a single fiscal year.

Follow up on internal audit findings

During testing auditors noted the following:

- The internal audit staff did not follow up on previously issued reports to ensure appropriate corrective action was taken.
- The Department's internal audit function is not in compliance with the Fiscal Control and Internal Auditing Act which requires them to audit the Department's major systems of internal accounting and administrative controls on a periodic basis so that all systems are reviewed every two years and include testing of:
 - The obligation, expenditure, receipt, and use of public funds of the State and of the funds held in trust to determine whether those activities are in accordance with applicable laws and regulations; and
 - Grants received or made by the designated State agency to determine that the grants are monitored, administered, and accounted for in accordance with applicable laws and regulations.

The Fiscal Control and Internal Audit Act requires the chief executive officer of each designated State agency to ensure the internal auditing program includes:

- A two-year plan, identifying audits scheduled for the pending fiscal year, approved by the chief executive officer before the beginning of the fiscal year. By September 30 of each year the chief internal auditor shall submit to the chief executive officer a written

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report detailing how the audit plan for that year was carried out, the significant findings, and the extent to which recommended changes were implemented.

- Audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every two years. The audits must include testing of:
 - The obligation, expenditure, receipt, and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations; and
 - Grants received or made by the designated State agency to determine that the grants are monitored, administered, and accounted for in accordance with applicable laws and regulations.
- Reviews of the design of major new electronic data processing systems before their installation to ensure the systems provide for adequate audit trails and accountability.
- Special audits of operations, procedures, programs, electronic data processing systems, and activities as directed by the chief executive officer or by the governing board, if applicable.

Department personnel stated establishing a findings follow-up process was overlooked when the internal audit function was returned to an in-house function. Due to a limited staff, internal audit was not able to provide audit coverage of all major systems of internal accounting and administrative controls within the Department over the two year period, as required by the Act.

Internal audits of petty cash funds

Auditors noted the Department's internal audit function did not perform audits of petty cash funds where reimbursements to the accounts exceeded \$5,000 in a single fiscal year. Seven and two funds operated by the Department in FY13 and FY14, respectively, received reimbursements exceeding \$5,000 in each fiscal year and should have been subjected to internal audits as required. The Department operated 148 petty cash funds during FY13 and FY14.

Department personnel stated the audits were not performed due to limited resources in the Department's internal audit function.

Updated Response: Accepted. Due to budgetary constraints, Internal Audit has not received additional staffing. The Department expects the FY15 Compliance Examination to include a repeat of this finding.

8. Strengthen internal controls over the recording and reporting of State property. Specifically, ensure all equipment transactions are accurately and timely recorded on property records and accurately reported on the C-15s.

Finding: The Department did not maintain adequate controls over property and fixed asset records and related functions and reporting. During testing of property and fixed asset records, auditors noted the following:

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- 31 of 60 equipment acquisitions tested, totaling \$447,722, were added to the property listing from one to 197 days late. In addition, three of 40 equipment deletions tested, totaling \$14,498, were removed from the property listing from two to 588 days late. The delays in recording transactions had a negative impact on six of eight of the Department's quarterly Agency Reports of State Property (C-15s), ranging from a \$34,325 understatement to a \$10,698 overstatement of property balances.
- One of 40 equipment items tested, totaling \$1,539, was located in storage and was deemed obsolete; however, the item still remained on Department property records.
- Three of 40 equipment items tested could not be found on the Department's property listing.

Department personnel stated the untimely recording of transactions in the property system were due to delays in obtaining all necessary invoices and/or documentation from the multiple locations the Department has throughout the State. The Department operates numerous State parks and facilities, many of which were short staffed or not staffed at all during the examination period. When invoices are not received in a timely manner, payment processing and the recording of property additions are delayed.

Response: Accepted. The Department continues to strive to record property transactions in a timely manner and ensure that the property control system accurately reflects the property inventory.

- 9. Implement the necessary internal controls to consistently and accurately report accounts receivable. Also, implement a Department-wide accounts receivable system, working with the appropriate parties regarding any possible Statewide consolidated accounting system initiatives. Further, take the appropriate measures to place accounts in the Comptroller's Offset System or write off uncollectible accounts.**

Finding: The Department did not exercise adequate controls over reporting of accounts receivable.

Auditors performed detailed accounts receivable testing on the following funds: 039 - State Boating, 040 - State Parks, 041 - Wildlife & Fish, 261 - Underground Resources and 884 - DNR Special Projects. Auditors noted the following weaknesses:

- The Department's accounts receivable reporting process is cumbersome, relies on numerous subsystems, and requires manual entry. During testing of Forms C-97 and C-98, auditors noted reports were manually compiled from multiple accounts receivable systems in order to issue a single report. Fund 261 was compiled using an outdated computer code called Paradox. Other funds such as Fund 884 were maintained in Excel spreadsheets that can be prone to error, and Fund 039 was comprised of Automated Clearing House (ACH) accounting reports, phone/internet deposit slip forms, fund transfer reports from the Illinois Office of the Comptroller, and

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returned check aging reports. For Funds 040 and 041, the only documentation available for some large farm lease adjustments made was an email with a single figure on it; records of how the adjustments were calculated were not kept. These adjustments were as much as \$4 million. The Department's accountant supervisor oversees the compilation of Forms C-97 and C-98. However, the individual is not responsible for verifying the figures reported to her from the various individuals in charge of the funds' accounts receivable.

The Department has not consistently recorded estimated uncollectibles for Fund 261. The entire accounts receivable balance was recorded as estimated uncollectibles for all but two quarters, FY13 quarter three and FY14 quarter two, of the audit period. Furthermore, the Department has not consistently recorded the aging of accounts receivable balances on Form C-98 for Fund 261. The balance on the C-98 was recorded as "Over One Year" in some quarters and as "181 days - one year" in subsequent quarters. Based on the activity in this fund, it does not appear reasonable to suggest these balances should have been classified as less than one year old at any time during the examination period.

- The Department has not made sufficient attempts to collect on the accounts or write off the uncollectible balances for Fund 261. The accounts receivable for Fund 261 are unpaid fines and outstanding well fees dated as far back as FY91 and had values at June 30, 2014 of \$1.6 million and \$709,000 thousand, respectively.
- The Department did not maintain a detailed accounts receivable subsidiary ledger to support the current quarter accounts receivable additions reported on the C-97 forms. The Department was also unable to provide support for Fund 040 and 041 adjustments and collections reported on the Form C-97 ranging from \$(122,000) to \$7,000 for FY13 quarters two and three and FY14 quarter two.
- For Funds 040, 041, 261 and 884, auditors were unable to reconcile amounts for collections and gross receivables at the end of the quarter on the Form C-97 to agency provided schedules and support for FY13 quarters one and four and FY14 quarters two through four. Differences between amounts on the Form C-97 and agency provided support ranged from \$(1.6) million to \$3.1 million.

For all funds tested, auditors were unable to agree amounts reported by the Department on the Form C-98 to Department prepared aging schedules for one or more quarters in the audit period.

- For three of nine (33%) individual accounts receivable at June 30, 2014, the Department did not accurately report the accounts receivable balance. The accounts receivable balances at June 30 were overstated by \$15,161.
- The Department did not timely file the Form C-97 with the Comptroller for FY13 quarter two for Funds 040 and 041. The reports were each filed four days late.

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Department personnel stated that the differences noted by the auditors were the result of the lack of an automated system to track accounts receivable across the Department, human errors, and the lack of staff available to dedicate time to the collection of accounts receivable.

Response: Accepted. Given budgetary constraints, the Department is unlikely to obtain/implement a Department-wide accounts receivable system prior to the availability of a GAAP compliant Statewide accounting system.

Updated Response: Partially Implemented. The Department has reviewed and revised processes and procedures over accounts receivable and related reporting, resulting in more consistent, adequately documented and reconciled accounts receivable balances. The Department is looking forward to the state wide accounting system that would provide consistent, accurate accounts receivable reporting.

10. Ensure vouchers are approved timely as required.

Finding: The Department did not ensure vouchers were approved timely. Auditors noted 104 of 400 (26%) vouchers tested, totaling \$5,658,579, were approved for payment from one to 95 days late.

In addition, auditors noted interest expenditures from non-shared funds were necessary due to untimely approval of vouchers. For the sample of interest expenditures selected for testing, totaling \$4,381, auditors noted the related eight vouchers were approved for payment from 88 to 1,313 days late.

Department personnel stated the untimely approvals and related interest payments were due to delays in obtaining all necessary invoices and/or documentation from the multiple locations the Department has throughout the State. The Department operates numerous State parks and facilities, many of which were short staffed or not staffed at all during the examination period. Department personnel also stated in some cases, invoices were misplaced or lost, requiring additional effort, and sometimes interest payments, as duplicate invoices had to be requested from the affected vendors.

Response: The Department agrees that the vouchers noted were not approved for payment within the 30 day time frame and that prompt payment interest was paid on vouchers due to untimely approval. The Department will continue to bring attention to the need to forward invoices for processing immediately upon receipt.

11. Establish policies and procedures to track all Department mandated duties and identify responsible parties to ensure compliance. (Repeated-2010)

Finding: The Department did not comply with all duties mandated by State Law. Auditors noted the following:

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- The Department did not timely carry out the provisions of the Surface Coal Mining Land Conservation and Reclamation Act as required. For the sample of five permit applications tested, a hearing was requested for one application. For the remaining four in the sample, no hearings were requested.
 - In the instance where a hearing was requested and held, the Department did not make a decision timely. In this instance, the Department made its decision 69 days late.
 - In the instances where a hearing was not requested, the Department did not make a decision timely for two of four applications tested. In these instances, the Department made its decision 30 and 189 days late.

Department personnel stated that understaffing prevented decisions from being made in a timely manner.

- The Department did not employ the appropriate number of State Mine Inspectors for the number of operational mines as required by the Coal Mining Act. During FY13 and FY14, auditors noted 48 and 43 operational mines in the State, for which the Department employed 15 and 14 inspectors, respectively, instead of the statutory minimum of 16. Department personnel stated that this occurred due to retirements and a lag in the hiring process. Department personnel stated they are striving to resolve this issue and have posted an invitation for bid for several State Mine Inspector positions.
- The Department failed to comply with the Illinois Oil and Gas Act (225 ILCS 725/1.2). The Oil and Gas Board acts as an advisory body to the Department and is made up of seven members appointed by the Director of the Department. Six of the seven members must be actively engaged in the oil and gas industry. Auditors noted the following:
 - The Department did not comply with the Act in regard to member appointment. Board members' two year terms expired in January 2013 but the Director did not reappoint them to the Board until August 2013.
 - The Board failed to meet at least quarterly as required. The Board did not meet for four of eight (50%) quarterly meetings required to be held during the examination period.

Department personnel stated that the administration in control at the time was seeking a legislative change to the makeup of the Board. Department personnel also stated the Board failed to meet during FY13 Q3 and Q4 and FY14 Q1 due to the fact that the new Board members had not been appointed or reappointed until August 2013. The Board failed to meet during FY14 Q3.

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- The Department did not timely carry out the provisions of the Fluorspar and Underground Limestone Mines Act (225 ILCS 710/17) as required.

Department personnel stated that an inspector of mines report was prepared for calendar year 2013. The report was submitted to the General Assembly and Governor with the Annual Coal Report, resulting in the inspector of fluorspar and underground limestone mines report being late.

- The Department failed to comply with the State Services Assurance Act for FY08 (5 ILCS 382/3-15). Department personnel stated the lack of bilingual staff is due to normal attrition and timelines for filling positions. The Department has attempted to add bilingual needs to field positions (such as park interpreters, field biologists, permit staff, etc.). When posting the field positions, the Department has been unsuccessful in obtaining qualified, bilingual candidates.

During the prior examination, the Department had not established policies or procedures to comply with a section of the Coal Mining Act (225 ILCS 705/2.15). During the current examination, the Department properly complied with the Act. During the prior examination, the Department did not comply with provisions of the Fluorspar and Underground Limestone Mines Act (225 ILCS 710). Specifically, the Department failed to appoint inspectors of mines. During the current examination, the Department properly complied with the Act and appointed an inspector of mines. During the prior examination, the Department's Miners' Examining Board failed to submit required reports to the Director. During the current examination, the Department's Miners' Examining Board properly and timely submitted their reports to the Director. During the prior examination, the Department failed to submit annual financial reports to the Oil and Gas Board. During the current examination, the Department submitted annual financial reports to the Oil and Gas Board.

Response: Accepted. The Department has begun inputting mandates into a Department database. Due to personnel changes and competing priorities, limited progress has been made on the database.

Updated Response: Accepted. In December 2014, the Department hired five additional State Mine Inspectors.

The Department is in compliance with 225 ILCS 710/17. The Department is in compliance with 225 ILCS 705/2.15 and 225 ILCS 710. On August 3, 2015, the Governor signed into law Public Act 99-0224 to amend the Fluorspar and Underground Limestone Mines Act. The amendment changed the title of the Act to the Fluorspar Mines Act to clarify that the Act is merely for the regulation of the fluorspar mining industry. At present, there are no active fluorspar mines in the state.

12. Implement controls to ensure employees accurately complete time sheets and agree those records to leave requests to ensure accrued absence balances are accurate. Further, strengthen controls to ensure employee personnel files are complete and the voluntary deductions are properly authorized.

Finding: The Department did not exercise adequate control over employee attendance records and other personnel functions. Auditors tested 40 employees' attendance records for four months during the examination period and some of the deficiencies noted follow:

- Timesheets for nine of 40 employees tested contained discrepancies. Problems noted included the following:
 - Amounts of leave time reported as used on employees' timesheets did not agree with the approved leave slips on file.
 - Accrued overtime balance for one employee was not computed correctly for two of the four periods tested.

- Leave requests for 28 of 40 employees tested were not properly approved. Problems noted included the following:
 - 104 instances in which 25 employees failed to get time approved in advance.
 - 15 instances in which four employees' leave requests did not contain a supervisor's approval and, therefore, we could not determine if leave time was approved in advance.
 - Five instances in which two employees' leave requests could not be located by the employees' timekeeper.
 - Four instances in which four employees' leave requests for sick time were not dated by the employee requesting the time and/or the supervisor approving the time.
 - Four instances in which three employees' leave requests were not approved by a supervisor.

Auditors also noted the following with regard to the Department's personnel functions:

- Eight of 40 employees tested lacked proper authorizations for miscellaneous payroll deductions.
- For three of 40 employees tested, the insurance deduction code on their payroll voucher did not agree to the authorization form on file.
- One of 40 employees tested did not have a personnel application in their personnel file and, therefore, we could not determine if it was complete.

Department personnel stated that errors in recording and calculating leave time are the result of manually maintaining paper timesheets and associated leave requests for over 1,200 employees and 500 seasonal staff. Approval for using leave time was likely obtained by phone, email, or in person prior to the time off being taken, although the request form was not signed until after the fact. In addition, since employees and supervisors can be located in separate locations, it is not always possible to have the paperwork signed prior to the time off.

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Department personnel also stated the noted insurance deduction codes were entered in error, and the deduction authorizations and personnel file that were not located were likely misfiled.

Response: Accepted. Payroll has a new Insurance Coordinator and a Payroll & Benefits Manager who have both received training in Group Insurance Discrepancy reporting (through the CMS Group Insurance Financial Reporting System). The Department continues to explore technology to improve timekeeping systems via a web based system. The Department will continue to encourage staff and supervisors to ensure leave requests are complete and approved in a timely manner.

13. Ensure overtime is approved in advance and that overtime requests are filled out and properly approved by management. Also, ensure all overtime transactions are properly recorded on the employees' timesheets.

Finding: The Department did not exercise adequate control over employees' accrual and use of overtime. Department employees were eligible to earn compensatory time for overtime worked during the examination period. Department personnel indicated overtime totaling \$1,188,424 and \$1,782,203 was paid out to employees during FY13 and FY14, respectively. Auditors tested 40 employees' attendance records for four months during the examination period and some of the deficiencies noted follow:

- 28 of 40 (70%) employees tested did not receive approval prior to working overtime. Auditor noted 140 instances in which overtime requests were approved between one and 59 days after the overtime was worked.
- Electronic timesheets for six of 40 employees tested where overtime was reported were not approved within the required timeframe.
- For four of 40 employees tested, overtime was not properly accumulated on the employees' timesheets. For the instances noted, the employees' overtime hours were overstated by a cumulative 34.5 hours.
- 14 of 40 employees tested did not receive approval prior to the use of accumulated holiday time or compensatory time.
- For two of 40 employees tested, the compensatory time requested to be used did not agree to the employee's timesheet.

Department personnel stated that although the formal overtime request paperwork may have been signed after the overtime was worked, approval for the overtime was likely obtained by phone, email, or in person prior to being worked. In addition, since employees and supervisors can be located in separate locations, it is not always possible to have the paperwork signed prior to when the overtime is worked. This also applies to approval for taking accumulated

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holiday time or compensatory time. Approval was likely obtained in person, by phone, or email prior to taking the time off with the leave requests being signed after the fact.

Department personnel also stated issues related to errors in recording and calculating overtime are the result of manually maintaining the overtime figures on paper timesheets for over 1,200 employees and 500 seasonal staff.

Response: Accepted. The Department continues to explore technology based solutions to improve the Department's timekeeping process.

- 14. Develop and implement disaster recovery and business continuity plans which reflect the Department's current environment and align with management's intentions. Additionally, work with (and provide essential information to) the Department of Central Management Services to ensure plans, facilities and other operational provisions are appropriately aligned.**

Once plans have been developed and implemented, ensure plans are tested at least annually. (Repeated-2012)

Finding: The Department had not provided adequate planning for the recovery of its applications and data.

Effective January 15, 2005, statute authorized the consolidation of Information Technology functions of State government to the Department of Central Management Services, which included the Department. After consolidation, DCMS became the primary Information Technology (IT) service provider for the Department. As a result, the Department and DCMS have a shared responsibility over the security and integrity of the Department's applications and data. However, the Department has the ultimate responsibility to ensure it has the capability to recover its applications and data.

The Department maintained the Information Processing Recovery Activation Plan (Plan) for the Department's Headquarters, Regional Offices, Museum, and Survey Offices; however, the Plan had not been updated in many years and did not reflect the current operating environment.

Additionally, testing of the Department's recovery Plan had not been conducted in the audit period. Furthermore, the Department had not provided essential recovery information to the Department of Central Management Services during the audit period.

Department management stated that limited resources had not allowed the Department to perform a comprehensive disaster recovery test.

Response: Accepted. The Department's Information Technology unit will review and revise the unit's Disaster Recovery Plan and determine appropriate testing strategies.

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- 15. Ensure data at rest is adequately secured with methods such as encryption or redaction; ensure hardcopy versions of confidential information are adequately secured and properly disposed of and perform a comprehensive risk assessment to identify all forms of confidential or personal information; and ensure adequate security controls, including adequate physical and logical access restrictions, have been established to safeguard data and resources. (Repeated-2013)**

Finding: During the review of the Department, the following weaknesses were noted in regards to the Department's security and control of confidential information:

- Failure to perform a comprehensive risk assessment of the Department's computer resources.
- Insufficient controls over documents containing personal/confidential information.
- Failed to ensure data at rest was properly secured.

The Department actively collected, processed and maintained confidential and sensitive information; including names, addresses, driver's license numbers, credit card numbers, and social security numbers for approximately two million applicants.

During a walk-through of the facility, auditors found documents containing personal/confidential information (including person's name, address, social security number) were located in unsecured bins and trays in areas of public access. Upon notification to the Department, the affected parties were notified.

Department management stated that limited resources had not allowed the Department to perform a comprehensive risk assessment of computer resources. In addition, the incident where documentation containing confidential information was disposed of in the trash resulted from a momentary lapse in judgment when the copy machine jammed and damaged the subject documents. The Department also stated, regarding the failure to secure data at rest, the Department of Central Management Services lacked sufficient resources to update storage devices to provide encryption of data at rest as part of their enterprise data service and within the Department there was unfamiliarity with the need to build in alternate methods of encryption of data at rest when building application/databases.

Response: Accepted. Confidential information training was held in 2014. Department management will engage Central Management Services management in seeking solutions to ensure that data is properly secured.

- 16. Implement procedures to ensure complete and accurate reporting of year-end GAAP packages to the Illinois Office of the Comptroller.**

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Finding: The Department did not accurately report expenditure amounts in the Department's FY14 Generally Accepted Accounting Principle accounting reports (GAAP packages) submitted to the Illinois Office of the Comptroller.

During review of the GAAP package forms SCO-563 and SCO-568 for two funds, auditors noted variances between expenditure amounts reported to the Illinois Office of the Comptroller and expenditure amounts per agency provided support ranging from \$(418,000) to \$321,000.

Department personnel indicated expenditure amounts were adjusted on forms to compensate for inaccurate prior year payable amounts. However, these adjustments were not documented due to oversight.

Updated Response: Implemented. The FY15 GAAP packages have supporting documentation for all amounts and adjustments made.

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 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the 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.

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During FY13 and FY14, the Department filed 14 affidavits for emergency purchases totaling \$886,325.30 for the following items:

- \$ 552,810.05 for repairs;
- \$ 152,900.00 for recreation area services;
- \$ 88,347.00 for equipment;
- \$ 56,793.25 to eliminate safety hazards related to mines; and
- \$ 35,475.00 for drafting and review of administrative rules.

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 of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

A report filed on July 15, 2014 indicated that 198 employees spent more than half their working time at locations other than official headquarters.