

LEGISLATIVE AUDIT COMMISSION



Management and Program Audit
Rend Lake Conservancy District

September 2004

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Springfield, Illinois 62706
217/782-7097

Management and Program Audit

Rend Lake Conservancy District September 2004

RECOMMENDATIONS - 16

ACCEPTED - 16

Background and Report Conclusions

The Rend Lake Conservancy District was created in 1955 to provide a dependable supply of water to Franklin and Jefferson counties. Rend Lake was built as a joint project of the Illinois Department of Conservation, the Rend Lake Conservancy District, and the U.S. Army Corps of Engineers. Construction of the 18,900 acre reservoir cost \$60 million and took five years to complete. The District provides water, sewage collection, and recreation facilities such as golfing, trap shooting, lodging, and dining. The District's annual revenues exceeded \$12 million. The District has one governmental fund, the general fund, and four proprietary funds

REVENUES AND EXPENSES									
Fiscal Year 2004									
	General	Land In Development	Water System	Sewage Treatment Fund	Recreation Fund				TOTAL
					Golf	Restaurant	Lodge	Shooting & Hunting	
Revenues	\$649,583	\$149,268	\$8,006,806	\$ 210,276	\$1,080,859	\$862,087	\$866,323	\$460,064	\$12,285,266
Expenses	(256,978)	(57,465)	(4,084,843)	(151,371)	(1,073,956)	(1,130,931)	(658,971)	(625,307)	(8,039,822)
Interest Expense	-	-	(423,592)	(54,323)	(69,503)	-	(161,417)	-	(708,835)
Depreciation	(47,600)	-	(931,739)	(149,951)					(1,129,290)
Income (loss)	\$345,005	\$91,803	\$2,566,632	(\$145,369)	(\$62,600)	(\$268,844)	\$45,935	(\$165,243)	\$2,407,319
Recreation Fund Depreciation									(451,815)
Other Recreation Fund Adjustments									(1,559)
District-Wide Income									\$1,953,945
Note: The Recreation Fund activities had additional adjustments that were made for hospitalization insurance and a loss on the sale of assets. The District did not allocate these adjustments, along with depreciation, to the individual activities. Income (loss) total does not include \$96,000 capital grant.									
Source: Rend Lake Conservancy District FY2004 audited financial statements.									

The Management and Program audit, and the financial audit of the Rend Lake Conservancy District were conducted pursuant to PA 93-0275. The audits concluded that the Rend Lake Conservancy District has significant deficiencies in virtually all aspects of its management including planning, water and sewage operations, personnel, contract management, property and equipment management, performance monitoring, and internal controls. The following is a more detailed description of 10 areas that had significant deficiencies:

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- The Board has not been effective in carrying out its oversight responsibilities;
- The District failed to establish and implement formal planning;
- Funds from the sale of water could have been used to pay for upgrading the aging water plant;
- No supervisor was assigned to review the accuracy of water bills;
- The District did not have job descriptions, a pay plan for non-union employees, a formal staffing plan, or written personnel policies and procedures;
- There was no list of all the contracts the District had entered into and was legally bound to honor;
- The District's list of assets was incomplete, assets were not tagged, and an independent inventory was not conducted. The District did not know how many vehicles it owned and was unable to locate vehicles on loan;
- The District lacked internal reporting to show whether its water plant and recreational activities were performing satisfactorily;
- The District did not comply with several requirements that are State law; and
- The District lacks an adequate number of professional managers with a business background. The District has been losing money on its recreational assets, but continues to lack a business plan.

After the end of the audit period, the District appointed Glenn Poshard to lead the district for the remainder of calendar year 2004. The current General Manager is Keith Thomason. Mr. Thomason had no previous association with the District. Mr. Thomason provided the updated responses to the recommendations via electronic mail on April 28, 2005.

Program and Management Audit Recommendations

1. The Board of Trustees for the Rend Lake Conservancy District should establish legal and engineering departments pursuant to Ordinance No. 1.

Findings: Ordinance No. 1 established a legal department and an engineering department, but these departments did not exist. Instead, outside consultants were paid more than \$500,000 in FY04 to provide legal and engineering services without written contracts that would have documented their responsibilities and billing rates.

Updated Response: Implemented. The District has hired both an experienced engineer and an experienced lawyer to run the engineering and legal departments of the organization.

2. The Board of Trustees for the Rend Lake Conservancy District should take the following actions:

- **Abide by all policies that have been established by ordinances, such as those pertaining to having a treasurer and expense committee;**

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- **Enter into contracts which specify billing rates, responsibilities, and services to be performed for all professional services;**
- **Establish a line-item budget for each operational division that ensures that revenue covers the associated costs;**
- **Prohibit trustees and employees from having a financial interest in the District's business; and**
- **Establish its own conflict of interest disclosure form for all District trustees, employees, and outside consultants to complete.**

Findings: The Board has been ineffective in carrying out its oversight responsibilities considering the past problems and the additional problems identified in this audit. The Board did not establish a specific budget for each operational area. The River Conservancy Districts Act states that no trustee or employee shall have a financial interest in any business with the District. However, some trustees held common stock or were on the Board of Directors for banks with whom the District was doing business. One District employee leases farmland from the District. The District's outside legal counsel also represents other organizations that do business with the District. The engineering consultant provides services to several municipalities that buy water from the District.

Updated Response: Partially Implemented.

- The Board concurs with the findings and recommendations and will abide by all policies established by ordinances. The District's legal counsel and Board have reviewed and modified ordinances that are outdated. The Board will elect or name a Treasurer at the May 2005 Board Meeting.
- All recent District professional service contracts specify billing rates and responsibilities. Billing rates are also being added to ongoing contracts.
- The District's first line item budget was prepared in the 2004/2005 fiscal year. The 2005/2006 line item budget was prepared in April 2005. Information gained from the analysis of revenues and expenditures has allowed the District to prepare a budget that will cover all costs of the organization.
- The District has updated the organization's policies and procedures manual and included a policy that prohibits the trustees and the employees from having a financial interest in the District's business over which they have influence.
- The District's policies and procedures manual includes a conflict of interest form that is required to be completed by employees, trustees, and professional consultants to disclose any interests that they have in the business of the district.

3. The Board of Trustees for the Rend Lake Conservancy District should take the following actions:

- **Establish a written mission statement for the District;**
- **Establish goals and objectives for the District;**
- **Establish a policy and procedures manual for the District;**
- **Establish required performance reports on District operations;**

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- **Issue an annual report for its stakeholders that summarizes the District's activities, successes, and challenges; and**
- **Establish a written staffing plan that specifies the skills and training needed for personnel who operate the various businesses managed by the District.**

Findings: The District did not have a written vision or mission statement, goals or objectives, or complete written policies and procedures for the District's operations. The auditors were able to identify only a few performance reports at the District beyond the financial information submitted to the Board. The only operational report was a monthly water usage report. The only salaried employee was the District's managing director. There was no staffing plan; and there was no annual report to provide basic information such as programs, revenues, expenditures, balance sheet, number of visitors, or rounds of golf played.

Updated Response: Partially implemented.

- The District has established a mission statement as recommended.
- The District has established goals and objectives as recommended.
- The District has established a policies and procedures manual as recommended.
- The District has established performance reports as recommended. These reports are provided to the trustees during monthly Board meetings.
- An annual report summarizing the District's activities, successes, and challenges will be issued in the second quarter of each fiscal year for the previous fiscal year.
- The District has developed both a staffing and training plan that identifies the number of employees needed in each operational area and the skill training that is required.

4. The District should take the following actions:

- **Establish detailed written policies and procedures for the accounting function;**
- **Establish a line item budget with revenues and expenditures for each division; and**
- **Set rates and charges to cover the cost of operating the recreational activities.**

Findings: The District did not have written policies and procedures for the accounting and approval of expenditures although the District earned more than \$12 million. The District had an appropriation ordinance that capped total expenditures; however, funds could be moved among areas and there was not written policy on how funds could be used. Contrary to State law, the District has not been charging rates for its sewage and recreational facilities that have been sufficient to cover their operating expenses. In FY04, the District's recreational areas lost approximately \$450,000.

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Response: Accepted. Written policies and procedures for District accounting functions will be incorporated into the policy and procedures manual in Chapter #4 (Budget Function and Procedures). These policies are currently being written.

The Board has approved the establishment of a line item budget with revenues and expenditures for each division for FY04-05. Rates and charges to cover the cost of operating the recreational activities will be established pending Board consideration of options presented by management during the September Board meeting. Cutting expenses, increasing charges and rates, as well as leasing will be options for Board consideration in order to cover costs of operating the recreational activities.

These activities will be completed by December 31, 2004.

Updated Response: Implemented.

- The District hired a new comptroller in March to lead financial management improvements within the organization. The District has prepared a financial policies and procedures document. The new comptroller is currently updating these policies and procedures.
- The District's first line item was prepared in the 2004/2005 fiscal year. The 2005/2006 line item budget was prepared in April 2005. The budget contains revenue and expenditures for each department of the organization.
- Rates and prices have been changed to ensure that revenues cover the cost of operations in the budget.

5. The District should develop specific procedures and guidelines for determining which types of expenses are allowable and unallowable. In addition, the District should ensure that expenditures are:

- **Supported by adequate documentation;**
- **Reviewed by the appropriate supervisor;**
- **Allocated to the correct funds; and**
- **Beneficial to the programs of the District.**

Findings: In a sample selected of 100 expenditures to verify that expenses appeared program related, were supported by adequate documentation and properly authorized, the auditors found that in 50 of the 100 expenditures sampled, there was a lack of supervisory review. Some of the expenditures did not appear to benefit the programs and function of the District, such as donations to other organizations and functions in the area. There were questionable expenditures such as turkeys purchased to distribute to employees, trustees and outside consultants. In 14 of the 100 expenditures sampled, the auditors found inadequate documentation to support expenditures that totaled \$17, 850.

Updated Response: Partially Implemented.

- The District's financial policy and procedures manual will be updated to further identify unapproved expenses and proper ways to process payment.

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- Expenditure supporting documentation and purchase order information is required to be provided prior to payment by the District.
- Expenditures must be approved by the purchasing agent and the Comptroller or the General Manager prior to approval for payment.
- Supervisors are required to identify the proper line item budget charge code for all expenditures that they approve. The Comptroller is required to properly allocate approved expenditures to the correct funds.
- Supervisors and the comptroller are prohibited from approving expenditures that are not beneficial to the District.

6. The District should take the following actions:

- **Establish one billing system for all water plant customers of the District;**
- **Implement an electronic billing system that tracks each account and delinquencies;**
- **Require all customers to pay on a monthly basis or assess a late fee or penalty;**
- **Provide customers with return payment stubs with bills;**
- **Ensure that each customer has their own meter;**
- **Review all contracts to ensure that they are current, and follow all contract provisions;**
- **Review all water main sizes to ensure that the proper amount is being charged;**
- **Map the residential customers so that meters can be easily located;**
- **Develop written policies for leak allowances and termination of services in case of a delinquency; and**
- **Review all inactive meters and either charge the minimum rate each month or pull the meter.**

Findings: The residential billing system for water made errors in calculating the bill amount and required manual checks. No supervisory review was performed to verify the accuracy of the work of the employee who performed the billing function. For municipal and commercial customers, there were no return stubs for customers to include with payments, which caused problems in matching payments with bills. Other problems included:

- Residential customers were on self-determined billing cycles;
- The District was unable to provide the total number of water customers whose payment of bills was in arrears. No delinquent charge had been imposed on any customers;
- There were few operational reports on water and sewage billings such as revenues, costs, number of users, number delinquent, amount delinquent, etc.;
- Some customers did not pay the established sewage rate; and
- Some meters were inaccurate and need to be replaced.

Updated Response: Partially Implemented.

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- The District will establish one billing system for all water plant customers. The Comptroller is combining the two existing software accounts receivable systems into a single system. Anticipated completion date is June 30, 2005.
- Non-commercial accounts are already included in the preferred electronic billing system. A delinquent account report is generated monthly for these accounts by the system. When both systems are combined on June 30th, delinquent accounts for all customers will be included in this report.
- The District requires monthly payment by all customers. The District is implementing a late fee collection of 5% of the unpaid balance. The late fee collection process will be fully integrated into the billing process when the single billing system is implemented.
- Non-commercial accounts are already provided payment stubs by the electronic billing system. When both systems are combined on June 30th, all customers will obtain payment stubs.
- All customers that are approved for water hookup to the District's water system have their own meter. The District has located approximately 150 water services that were connected either without approval or in a manner that does not meet the Illinois EPA requirements for approved water mains. Two engineering projects are underway to correct a portion of the improper line installations and install meters. An engineering analysis will be performed to determine how to design, construct, and pay for additional water mains required to install legal meter hookups. Installing new water lines will be an ongoing multi-year project.
- Water contracts will be completely reviewed and corrected, as needed, by June 30th.
- Minimum water rates are based upon the size of the water meter that is installed. When a single billing system is fully functional, the water meter size for all customers will be printed on the bill stubs to ensure that the minimum water rates are being charged properly.
- GPS locations have been collected and recorded for all meters. These coordinates make future meter location much easier to accomplish.
- The District has established a leak allowance procedure and termination of service procedure.
- The District charges all meters the minimum rate. Water customers who do not pay the required bill will be disconnected in accordance with procedures.

7. **The District should take the following actions:**

- **Establish a single comprehensive capital construction plan for the water plant that specifies needs, benefits, projects, priorities, costs, revenue sources, and timelines; and**
- **Have the capital plan reviewed and approved by its Board of Trustees.**

Findings: According to District personnel, the 30-year old water plant needs to be upgraded. The District had varying construction cost estimates for individual projects

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associated with upgrading the plant, but they were not linked and seemed to have different priorities. There was no single comprehensive capital plan. There were various lists of projects with differing priorities, including some established by the outside engineer, but there was no comprehensive document that showed their funding mechanisms or approval by the trustees.

Response: Accepted. The Water Plant Superintendent has identified major water plant and distribution system improvements, some of which are currently being addressed by engineering studies, which are being incorporated into a single comprehensive capital construction plan. The Board approved at its July 2004 meeting the solicitation of engineering firms to begin work on some of these projects because of their pressing nature.

The entire capital construction plan will be completed and approved by the Board of Trustees no later than the October 2004 Board meeting.

Operational reports to assist management in appropriate decision-making, particularly on water and sewer billing and comparing Rend Lake Conservancy District operations with other utilities that provide water, will be developed by December 31, 2004.

Updated Response: Partially implemented.

- A capital plan was prepared as part of the 2005/2006 budget. The plan specifies projects, needs, benefits, priorities, costs, revenue sources, and schedules.
- This capital plan will be updated annually and be approved by the Board as part of the annual budget process.

8. The District should accumulate adequate reserves that are dedicated to capital improvements and maintenance, and collect data that is needed to monitor and evaluate performance for the water plant.

Findings: The water plant is more than 30 years old and is in need of major improvements. In some cases, maintenance has been deferred to the point where there is the potential for significant problems. More than \$10 million was transferred from the Intercity Water Fund to other funds. These funds could have been accumulated to pay for major capital improvements to the water plant or other parts of the water system.

Response: Accepted. The District is developing a capital budgeting plan that will provide a systematic process to plan for capital expenditures and identify funding sources. This will include the establishment of a Revenue Fund for capital improvements and maintenance.

The need for Rend Lake Conservancy District to conduct careful financial and management planning to maintain its capital assets is obvious. The plan will reflect the District's needs, objectives, expected growth and financial capabilities. The District has

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limitations for funding capital facilities; however, careful planning will assure that high priority projects will be built first.

These activities will be completed by December 31, 2004.

Updated Response: Implemented.

- The District has budgeted to set aside \$300,000 per month for necessary capital projects in the Intercity Water System.
- The District has budgeted to set aside \$140,000 per year for necessary capital projects in the Recreation Department. The capital funds are scheduled to be set aside in the months that excess cash flows are anticipated to occur.
- The District collects and provides water plant performance data to the Trustees at monthly Board meetings.

9. The District should establish meters for all its sewage customers and implement a system to bill all the customers in accordance with rates that were established by ordinance and written contracts.

Findings: The audit identified problems with the billing for sewer services. There were only seven customers, and none of them was charged according to a master meter. The U.S. Army Corps of Engineers was supposed to be charging \$2.80 per 1,000 gallons of sewage, but the District's billing unit said the former General Manager decided to charge the Corps a flat rate of \$165 per month. The billing unit's calculation based on water used showed the total bill for the Corps' sewage should have been \$12,910 for the period January 2002 to March 2004, but the amount charged (\$165 per month) was \$4,455. One potential customer, new apartments which opened in 2001, was never charged for sewer service.

Updated Response: Partially implemented.

- The District bills customers in accordance with ordinances and contracts.
- The District concurs that wastewater rates should be based upon a quantifiable measurement. It is "Good Engineering Practice" and industry standard for wastewater rates to be charged based upon water consumption meter readings. Large customers that may have wastewater flows significantly different than water consumption may request to have a force main wastewater meter installed.

10. The Rend Lake Conservancy District should take the following actions:

- **Establish a comprehensive written personnel policy;**
- **Keep complete records on all its employees, including comprehensive job descriptions, job applications, and recruitment and selection records;**
- **Conduct annual performance evaluations of all permanent employees;**
- **Improve controls over employees' time records;**

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- **Retain complete records on employees' training; and**
- **Keep confidential records appropriately locked.**

Findings: As of May 2004, the District had 143 employees—54 full-time; 34 part-time; and 55 seasonal. One hundred and ten were non-union and 33 were union employees. The District did not have job descriptions (prior to August 2003), a pay plan for non-union employees, a formal staffing plan, or written personnel policies and procedures.

- Personnel files were incomplete and more than one-half of the 30 personnel files the auditors sampled did not have complete job application forms. One-third of the files sampled lacked salary data.
- There was little documentation related to recruitment that could demonstrate that the best candidates were selected.
- The job descriptions created by supervisors did not encompass all of a position's requirements.

The District had weak controls over employees' time keeping records, such as vacation time, and did not perform supervisory reviews of employee's timesheets.

Updated Response: Implemented.

- The District has established written personnel policies.
- The District has established a written procedure to maintain job descriptions, job applications, and recruitment / selection records.
- The District has established written requirements for annual performance evaluations. The first performance evaluations were completed at the end of the 2004/2005 fiscal year.
- The District has established time record keeping requirements and supervisor approval requirements to improve controls over time reporting.
- The District has established employee training and record keeping requirements. Training records are maintained in the employees personnel files.
- Employee files are locked for confidentiality.

11. The Rend Lake Conservancy District should take the following actions:

- **Establish policies and procedures for entering into contracts that comply with the River Conservancy Districts Act;**
- **Ensure that these policies and procedures include competitive bidding for applicable contracts and a system to monitor and evaluate contractor performance;**
- **Perform an analysis to determine if any currently used vendors need contracts; and**
- **Keep complete records on all its contracts, including evidence of monitoring contractor performance.**

Findings: There were significant weaknesses in the District's administration of contracts, assets and information systems.

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- The District did not follow the bidding requirement in State law which states that contracts for work other than professional services exceeding \$2,500 be let to the lowest responsible bidder. In numerous instances, goods and services exceeding \$2,500 were purchased without entering into a contract with the vendor. Additionally, the District did not have a list of all the contracts it had entered into and contract files were not kept in a centralized location.
- The District did not have a system to monitor the performance of contractors and lessees.
- The District did not have written policies and procedures for the acquisition, usage, and disposal of property and equipment. There was no complete, accurate and comprehensive physical inventory of fixed assets, and the District did not utilize a tagging system to track assets. The District did not know the total number of vehicles it owned and could not locate vehicles on loan to the Benton airport.
- The District lacked written policies and procedures associated with information systems and also lacked a written and tested disaster recovery plan.

Updated Response: Partially Implemented.

- The District has established a purchasing policy that requires all contracts to comply with the River Conservancy Act requirements.
- The District has established bidding requirements that comply with the River Conservancy Act requirements.
- Current vendors are being analyzed to determine if bidding requirements apply to future purchases. Materials and supplies that need to be bid are systematically being bid per the purchase order policy. Operational changes are being implemented at the District that are changing the type and quantity of the materials purchased. It is anticipated that all changes will be fully implemented and initial bidding of supplies will be complete by December 2005.
- The District is currently maintaining records of all contracts. The legal department will establish legal files that contain copies of all of these contracts.

12. The Rend Lake Conservancy District should take the following actions:

- **Review its farm, oil, and other leases to update their provisions and ensure that the District is receiving its appropriate contractual share;**
- **Determine the exact number of acres leased as farmland; and**
- **Obtain cash rents for farmland using competitive bids.**

Findings: The District did not have complete records on its oil wells and did not adequately monitor its leases for oil production on District owned land. Similarly, the District did not know the number of acres leased to farmers, and there was no documentation to show the basis for the District receiving 1/3 of the profits from the sale of grain. Farmers were not required to provide reports, financial records, or elevator tickets showing the total amount of crops sold and revenue generated.

Updated Response: Partially Implemented.

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- The District has reviewed farm and oil leases. Farm leases will be bid on a cash rent basis at the end of the current farming season. Farmers have been notified that these lands will be leased under new contracts in 2005. Performance metrics for gas and oil leases are being evaluated.
- The District has determined that it owns 1,274.6 acres of farmland. 1,099.7 acres are under lease to be farmed.
- Farm leases will be bid on a cash rent basis at the end of the current farming season. Farmers have been notified that these lands will be leased under new contracts in 2005.

13. The Rend Lake Conservancy District should take the following actions:

- **Establish policies and procedures for the acquisition, usage, and disposal of property and equipment;**
- **Tag all property and equipment with a unique inventory number;**
- **Take an annual inventory of assets and ensure that all assets are accurately recorded and identifiable;**
- **Establish a central purchasing agent function;**
- **Ensure vehicle listings are accurate, including lists used for insurance; and**
- **Improve controls over vehicle usage, such as unique numbers to easily identify vehicles, mileage logs, and sign-out sheets.**

Findings: The District did not have written policies and procedures for the acquisition, usage, and disposal of property and equipments. There was no comprehensive physical inventory of fixed assets and no tagging system.

Updated Response: Partially Implemented.

- The District has established a purchase order process to control the acquisition of property and equipment. Property tagging has been completed for appropriate items. These items are summarized on an asset management list to track the use and location of all tagged property and equipment. Property disposal options will be evaluated prior to the disposal of outdated or broken items.
- Property and equipment is tagged with a unique identification number system.
- The District has established a written policy that requires that all tagged equipment be inventoried annually.
- The District has created a central purchasing agent position.
- Vehicles are included on the asset management list. Vehicle information will be verified during the annual inventory of tagged equipment.
- A fleet management plan is scheduled to be completed in June 2005. This plan will specify the approved use of all vehicles. To track actual use information, vehicle mileage logs and sign out sheets will be used when vehicles leave the District's property.

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14. The Rend Lake Conservancy District should take the following actions:

- **Establish policies and procedures for its information systems that at least include file backup, security, passwords, user access, and use of non-licensed software;**
- **Segregate duties related to the administration of the computer system to the extent possible;**
- **Establish appropriate physical, logical, and access security;**
- **Competitively bid the consulting contract for an information systems service provider as required by ordinance;**
- **Update the computer system at the lodge; and**
- **Establish a disaster recovery plan for its critical computer applications.**

Findings: The auditors identified weaknesses in information systems used by the District regarding physical security, access security, disaster recovery, service, and software licensure.

Updated Response: Partially Implemented.

The District concurs with the findings and recommendations. The reliance on technology has increased; therefore the District is compelled to protect the integrity of its computing facilities and its users. The District will evaluate the entire information technology system and prepare a written policy for the system by June 30, 2005. This policy will include security, password management, software licensing, and disaster recovery.

15. The Rend Lake Conservancy District should take the following actions:

- **Establish a comprehensive plan of action to eliminate the losses by golf and shooting;**
- **Develop written financial and marketing goals for golf, shooting, and hunting with specific timetables;**
- **Review rates charged to ensure they cover the cost of operations, including alternatives such as memberships and variable rates;**
- **Establish written operating procedures for golf, shooting, and hunting;**
- **Collect and review statistics to monitor and report the performance of golf, shooting, and hunting against established goals; and**
- **Segregate duties so that family members do not have direct reporting relationships, or provide additional controls.**

Findings: The District's 27-hole golf course has a 4 1/2 star rating. In FY04, the Golf Course and Pro Shop lost \$62,000 before depreciation on revenues of over \$1 million. The golf course's operating revenue was \$1,075,881 and its expenses were \$1,073,956. The total number of golf rounds played peaked in 2001 generally because new courses are opening elsewhere. Rates at Rend Lake are comparable to other similar courses. In

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December 2003, the Golf Course embarked on a revenue enhancement plan after establishing written policies and procedures in August 2003.

In FY04, the Shooting Complex and Hunting Preserve's net revenues were \$459,684 with expenses of \$625,307. The District's shooting rates are generally lower than many other shooting clubs. Additionally, supplies for the Shooting Complex were not purchased using competitive bids, and the complex does not appear to track costs of supplies compared to prices charged.

The hunting operation is much smaller—it allows controlled game hunts from October through March with professional guides and trained pointing dogs. Revenue from the Hunting Preserve was about \$13,000 with expenses of about \$8,000.

Response: Accepted. The District will reorganize the golf, shooting and hunting operations to eliminate losses. Such reorganization will take into consideration the overall mission of the District, which includes the promotion of recreation and tourism as an integral part of the region's economy balanced against the need to have each operation be self supporting. The District has already segregated Intercity Water funds and restricted their use to water plant and distribution needs only.

Management will present to the Board at the September Board meeting a comprehensive plan of action with written financial and marketing goals to accomplish the District's mission.

This activity will be completed by December 31, 2004.

Updated Response: Partially Implemented.

- The District has implemented actions and developed a budget designed to cover the costs of operation at the golf course, restaurant, and shooting complex. Actions have included staffing changes, rate and price adjustments, mentoring of management staff, elimination of unnecessary costs, and focusing marketing efforts.
- Written marketing goals have been included in the District's annual business plan and budget for all recreational activities. Monthly and annual financial goals are defined in the budget.
- The District has adjusted rates and prices as part of the budgeting process.
- Written operating procedures are being developed in all recreational areas.
- The District collects performance data and provides this data to Trustees during monthly Board meetings.
- The District has segregated family members' duties to prevent family members from having a direct reporting relationship with each other.

16. The Rend Lake Conservancy District should take the following actions:

- **Establish a comprehensive plan of action to significantly reduce losses from the restaurant;**

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- Establish a plan to improve the profitability of the lodge after accounting for depreciation;
- Develop written financial and marketing goals for the lodge and restaurant with specific timetables;
- Collect and review statistics to closely monitor and report the performance of the lodge and restaurant against goals;
- Review the method for issuing and recording gift certificates to simplify the process; and
- Explore alternatives to managing these facilities, such as leasing them to third parties to operate.

Findings: The Rend Lake Seasons Lodge and Fairway Suites had income of \$45,935 before depreciation for FY04. However trends indicated that the Lodge's occupancy rates have been declining. The Seasons Restaurant lost \$268,844 before depreciation in FY04. In addition, few controls were in place, such as over inventory, which may contribute to the loss.

Response: Accepted. The District will reorganize the restaurant and lodging operations to eliminate losses. Such reorganization will take into consideration the overall mission of the District, which includes the promotion of recreation and tourism as an integral part of the region's economy balanced against the need to have each operation be self supporting. The District has already segregated the Intercity Water funds and restricted their use to water plant and distribution needs only.

Management will present to the Board at the September Board meeting a comprehensive plan of action with written financial and marketing goals to accomplish the District's mission.

This activity will be completed by December 31, 2004.

Updated Response: Partially Implemented.

- The District has implemented actions and developed a budget designed to cover the costs of operation at the golf course, restaurant, and shooting complex. Actions have included staffing changes, rate and price adjustments, mentoring of management staff, elimination of unnecessary costs, and focusing marketing efforts
- Actions have been implemented to improve the profitability of the lodge and to cover the cost of items that are depreciated in the future. A capital reserve line item has been included in the budget to cover depreciation of future capital investments in the lodge and condominiums.
- Written marketing goals have been included in the District's annual business plan and budget for all recreational activities. Monthly and annual financial goals are defined in the budget.
- The District collects performance data and provides this data to the Trustees at monthly Board meetings.

**Management and Program Audit
Rend Lake Conservancy District**

- New gift certificates have been tested to simplify the use and accounting of gift certificates. The District intends to continue to make changes to the Gift Certificates to make them more user friendly and easy to track.
- Recreational facility lease proposals were solicited and evaluated. A detailed analysis of these proposals was completed by the Southern Illinois Entrepreneurship Center (SIEC). SIEC indicated that the proposals did not provide sufficient financial gain to justify leasing the facilities at this time.