



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**ILLINOIS CONSERVATION FOUNDATION**

**FINANCIAL AUDIT AND COMPLIANCE  
EXAMINATION (In Accordance with the Single Audit  
Act and OMB Circular A-133)  
For the Year Ended: June 30, 2010  
Release Date: January 27, 2011**

**Summary of Findings:**  
**Total this audit: 5**  
**Total last audit: 5**  
**Repeated from last audit: 5**

**SYNOPSIS**

- The Foundation did not take timely action to collateralize bank balances in excess of the FDIC insurance limit.
- The Foundation's Executive Director did not submit time sheets documenting the time spent each day on official state business, did not file an economic interest statement during fiscal year 2010 and worked from home approximately 80% of each month even though this arrangement was not explicitly provided in his contract.
- The Foundation does not have adequate segregation of duties.

{Expenditures and Activity Measures are summarized on the reverse page.}

**ILLINOIS CONSERVATION FOUNDATION**  
**FINANCIAL AUDIT AND COMPLIANCE EXAMINATION**  
**For The Year Ended June 30, 2010**

<b>OPERATING STATEMENT (Governmental Funds)</b>	<b>FY 2010</b>	<b>FY 2009</b>
<b>Revenues:</b>		
Donations - Restricted.....	\$ 751,739	\$ 1,354,776
Grants and Receipts from Governments.....	893,248	647,207
Investment Income - Restricted.....	2,477	3,523
Investment Income - Unrestricted.....	82,605	99,078
Investment Income - Unrestricted Unrealized Gain (Loss).....	122,265	(217,205)
Investment Income - Unrestricted Realized Gain (Loss).....	63,491	(337,790)
Investment Income - Restricted Unrealized Gain (Loss).....	3,468	(18,989)
Donations - Unrestricted.....	120,825	108,739
Merchandise Sales - Restricted .....	47,663	36,553
Publication Sales - Restricted.....	580	385
On-Behalf Payments.....	90,674	86,417
Miscellaneous Income.....	0	145
Total Revenue.....	<u>\$ 2,179,035</u>	<u>\$ 1,762,839</u>
<b>Expenditures:</b>		
Administrative.....	\$ 163,943	\$ 229,563
Natural Resources and Recreation.....	1,710,377	2,583,448
On-Behalf Payments.....	90,674	86,417
Total Expenditures.....	<u>\$ 1,964,994</u>	<u>\$ 2,899,428</u>
<b>Changes in Net Assets.....</b>	<u>\$ 214,041</u>	<u>\$ (1,136,589)</u>
<b>Net Assets, Beginning of Year.....</b>	<u>2,738,518</u>	<u>3,875,107</u>
<b>Net Assets, End of Year.....</b>	<u>\$ 2,952,559</u>	<u>\$ 2,738,518</u>
<b>STATEMENT OF NET ASSETS (Governmental Activities)</b>		
	<b>FY 2010</b>	<b>FY 2009</b>
<b>Assets:</b>		
Cash and Cash Equivalents.....	\$ 426,471	\$ 385,930
Accounts Receivable.....	21,227	62,907
Accrued Investment Income.....	12,474	13,385
Prepaid Expenses.....	6,980	7,005
Investments.....	2,529,600	2,426,010
Total Assets.....	<u>\$ 2,996,752</u>	<u>\$ 2,895,237</u>
<b>Liabilities:</b>		
Accounts Payable and Accrued Expenses.....	\$ 31,651	\$ 136,071
Accrued Expenses.....	5,562	1,143
Deferred Revenue.....	0	12,500
Total Liabilities.....	<u>\$ 37,213</u>	<u>\$ 149,714</u>
<b>Net Assets:</b>		
Natural Resources and Recreation - Restricted.....	\$ 1,239,246	\$ 1,608,761
Endowment/Nonexpendable - Restricted.....	49,701	46,234
Unrestricted.....	1,670,592	1,090,528
Total Net Assets.....	<u>\$ 2,959,539</u>	<u>\$ 2,745,523</u>
<b>SUPPLEMENTARY INFORMATION</b>		
	<b>FY 2010</b>	<b>FY 2009</b>
% of Administrative Expenditures to Total Expenditures.....	8.34%	7.92%
% of Total Expenditures From Federal Sources.....	45.46%	22.32%
<b>FOUNDATION CHIEF EXECUTIVES</b>		
During Audit Period: Mark Spangler	Chairman: Marc Miller	
Currently: Mark Spangler	Chairman: Marc Miller	

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**BANK BALANCES IN EXCESS OF THE FDIC  
INSURANCE LIMIT WERE NOT PROTECTED BY  
COLLATERAL PLEDGED BY THE BANK**

During our testing of the Foundation's bank accounts, we noted one account exceeded the insurance limit on 11 different days for as much as \$31,555.

**Bank balances exceed FDIC  
insurance limit**

We recommended the Foundation request the bank pledge securities as collateral in a sufficient amount so as to cover the amounts in excess of the FDIC insurance limit. (Finding 1, page 17) **This finding was first reported in 2007.**

Foundation management stated they do not believe the frequency of occurrence and the small dollar amounts represent a significant risk but if the amounts or frequency increases, the Foundation will seek collateral pledges by the bank. (*For the previous agency response, see Digest Footnote #1.*)

**PERSONNEL POLICES NOT FOLLOWED**

The Illinois Conservation Foundation has one payroll employee (Executive Director) and two contractual employees. We noted the following pertaining to the Executive Director:

**Director did not submit timesheets**

- In October 2006, the Foundation adopted a policy requiring the Executive Director to submit time sheets documenting time spent each day on official Foundation business to the nearest quarter hour. The Director did not submit time sheets during our audit period.

**Director did not submit statement of  
economic interest**

- The Director did not submit a statement of economic interest in accordance with the Illinois Governmental Ethics Act.

**Director works from home  
approximately 80% of the time  
although contract does not contain  
clause allowing this**

- The Director's employment contract dated June 1, 2010 states he shall be responsible for the day to day operations and management of the Foundation and will supervise any and all staff hired or contracted for the Foundation's operations. In addition, the contract does not contain a clause allowing the Director to work from home, which he does approximately 80% of each month.

We recommended the Foundation ensure its employee prepare timesheets and file statements of economic interest in

compliance with the Act and Foundation personnel policies and fulfill the requirements of each employment contract. (Finding 4, pages 21-22)

**Foundation management disagreed with our recommendation**

Foundation management stated the Director is not a State employee and therefore should not be required to maintain such detailed time reporting. Foundation management also stated the Director will file a statement of economic interest next year and that they believe the Director is effectively performing his job from his assigned work location including supervision of contractual employees.

**Auditor's comment**

In an auditor's comment, we stated the timekeeping requirement is set forth in the State Officials and Employees Ethics Act (Act) which defines a State employee and a State Agency. We believe the Foundation is a State Agency under the Act and its employees are, therefore, State employees who are subject to the timekeeping requirement. Furthermore, the Foundation's own personnel policies require such timekeeping reports to be submitted by the Executive Director.

We further stated in an auditor's comment that the Illinois Governmental Ethics Act states "by May 1 of each year a statement must be filed by each person whose position at that time subjects him to the filing requirements..." and therefore the auditors continue to stand by their finding and recommendation.

Lastly, in an auditor's comment we stated the auditors continue to believe the conditions and limitations of any telecommuting arrangement should be authorized and delineated in Board policy, standards to ensure appropriate supervision of employees should be adopted, and detailed records of such arrangements should be maintained.

**SEGREGATION OF DUTIES**

**One person performs all accounting functions**

The Foundation has an Executive Director on payroll and two contractual employees. Because of the small size of the Foundation staff all of the accounting functions are performed by one employee which creates a segregation of duties issue.

We recommended the Board of Directors remain involved in the financial affairs of the Foundation to provide oversight and independent review functions. (Finding 5, page 23)

**Foundation management disagreed with our recommendation**

The Foundation respectfully disagreed with our recommendation and stated they believe compensating controls have been put in place to manage risk and that adding staff and costs is not warranted.

**Auditor's comment**

In an auditor's comment, we stated we did not suggest the Foundation add staff. Instead, we recommended the

Foundation's Board provide additional oversight and review of Foundation operations in order to eliminate risks inherent in a lack of segregation of duties.



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WILLIAM G. HOLLAND  
Auditor General

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Kyle E. McGinnis, CPA was our special assistant auditor.

#### **DIGEST FOOTNOTES**

**#1 – BANK BALANCES IN EXCESS OF THE FDIC INSURANCE LIMIT WERE NOT PROTECTED BY COLLATERAL PLEDGED BY THE BANK - Previous Agency Response**

2009: The Foundation does not believe the frequency of occurrence and amounts represent a significant risk. The Foundation will continue to monitor the situation and if it continues to be a problem, agrees to request that the banks pledge securities as collateral in a sufficient amount so as to cover the amounts in excess of the FDIC insurance limits which has been increased to \$250,000.