



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS CONSERVATION FOUNDATION

**FINANCIAL AUDIT AND COMPLIANCE
EXAMINATION**

For the Year Ended: June 30, 2012

Release Date: February 6, 2013

Summary of Findings:

Total this audit: 3

Total last audit: 4

Repeated from last audit: 3

SYNOPSIS

- The Illinois Conservation Foundation (Foundation) does not have sufficient internal controls over the financial reporting process.
- The Foundation lacks adequate segregation of duties over its accounting functions.
- The Foundation did not present information on the internet concerning their investment of public funds as required by the Accountability for the Investment of Public Funds Act.

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

ILLINOIS CONSERVATION FOUNDATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For The Year Ended June 30, 2012

STATEMENT OF ACTIVITIES (Governmental Activities)	FY 2012	FY 2011
Program Revenue:		
Charges for Goods.....	\$ 33,026	\$ 47,342
Operating Grants and Contributions - General Administrative.....	452,447	426,511
Operating Grants and Contributions - Natural Resources & Recreation.....	1,241,598	5,629,737
Capital Grants and Contributions - Natural Resources & Recreation.....	8,700	77,487
Total Program Revenue.....	<u>1,735,771</u>	<u>6,181,077</u>
Expenses:		
General Administrative.....	558,277	503,300
Natural Resources and Recreation.....	1,244,582	1,546,989
Total Expenditures.....	<u>1,802,859</u>	<u>2,050,289</u>
Net (Expense) Revenue.....	(67,088)	4,130,788
General Revenue:		
Unrestricted Realized Gain/(Loss).....	(10,766)	9,999
Unrestricted Investment - Unrealized Gain/(Loss).....	(139,447)	324,022
Unrestricted Investment Earnings.....	82,733	85,736
Change in Net Assets.....	<u>(134,568)</u>	<u>4,550,545</u>
Net Assets, Beginning of Year.....	<u>7,510,084</u>	<u>2,959,539</u>
Net Assets, End of Year.....	<u>\$ 7,375,516</u>	<u>\$ 7,510,084</u>
STATEMENT OF NET ASSETS (Governmental Activities)	FY 2012	FY 2011
Assets:		
Cash and Cash Equivalents.....	\$ 399,120	\$ 554,692
Accounts Receivable.....	24,155	11,687
Accrued Investment Income.....	9,605	11,418
Prepaid Expenses.....	11,725	4,884
Investments.....	2,573,693	2,552,437
Capital Assets, Net.....	4,423,104	4,397,224
Total Assets.....	<u>7,441,402</u>	<u>7,532,342</u>
Liabilities:		
Accounts Payable.....	37,752	17,984
Accrued Expenses.....	28,134	4,274
Total Liabilities.....	<u>65,886</u>	<u>22,258</u>
Net Assets:		
Natural Resources and Recreation - Restricted.....	1,221,810	1,067,636
Endowment/Nonexpendable - Restricted.....	118,944	111,400
Unrestricted.....	1,611,658	1,933,824
Invested in Capital Assets, Net of Related Debt.....	4,423,104	4,397,224
Total Net Assets.....	<u>\$ 7,375,516</u>	<u>\$ 7,510,084</u>
FOUNDATION CHIEF EXECUTIVES		
During Audit Period: Mark Spangler, Executive Director	Marc Miller, Chairman	
Currently: Mark Spangler, Executive Director	Marc Miller, Chairman	

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**NEED TO IMPROVE FINANCIAL REPORTING
PROCESS**

The Illinois Conservation Foundation (Foundation) does not have sufficient internal controls over the financial reporting process.

Reporting errors

Several errors were identified during the audit of the Foundation's financial statements. The Foundation's financial statements were adjusted for the following reporting errors:

Adjusting entries not made

- The Foundation failed to make numerous adjusting entries to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Entries not posted

- The Foundation did maintain records to indicate the balances of accounts payable and accounts receivable. However, no entries were posted to record the activity.

\$109,282 adjustment to correct the realized and unrealized gain balances

- The Foundation had realized and unrealized gains posted to opposite accounts in error. A net audit adjustment of \$109,282 was recorded to correct the balances in the realized and unrealized gain accounts.

Vacation accrual for employees was not recorded

- The Foundation does not track vacation accrual for employees. An audit adjustment of \$23,704 was made to record the liability for the Foundation.

Adjustment for noncash contributions

- Noncash contributions of materials, facilities, and services are not being tracked by management. An audit adjustment of \$25,300 was made to record noncash contributions.

Foundation could not determine noncash contributions used during special events

- Noncash contributions of items used by the Foundation during special events are not recorded or tracked. The Foundation is unable to determine the amount of items received and utilized during special events throughout the year. (Finding 1, page 13-14)
This finding was first reported in 2011.

We recommended the Foundation implement additional internal control procedures to ensure financial statements are prepared in accordance with GAAP.

Management agrees with auditors

Foundation management accepted our recommendation.

NEED TO IMPROVE INTERNAL CONTROLS

The Foundation lacks adequate segregation of duties over its accounting functions.

All accounting functions are performed by one employee

The Foundation has two employees, an Executive Director and a property manager, and two contractual employees, the Chief Financial Officer and the Contract Federal Grant Director. 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. (Finding 2, page 15) **This finding was first reported in 2009.**

We recommended the Board of Directors remain involved in the financial affairs of the Foundation to provide oversight and independent review functions.

Management agrees with auditors

Foundation management accepted our recommendation. (*For the previous Foundation response, see Digest Footnote #1.*)

NONCOMPLIANCE WITH ACCOUNTABILITY FOR THE INVESTMENT OF PUBLIC FUNDS ACT (ACT)

Noncompliance with reporting requirement

The Foundation did not present information on the internet concerning their investments of public funds as required by the Act. The Foundation had various investment balances (debt securities, equity securities, commodities, real estate, other assets) totaling \$2,575,588 that would be classified as public funds at June 30, 2012.

The Accountability for the Investment of Public Funds Act (30 ILCS 237) requires each State agency to make available on the internet, and update as least monthly by the 15th of the month, sufficient information concerning the investment of any public funds held by the State Agency to identify the amount of funds held by the agency on the last day of the preceding month or the average daily balance for the preceding month, the total monthly investment income and the yield for all funds invested, the asset allocation of the investments, and a complete listing of all approved depository institutions, commercial paper issuers, and broker-dealers approved to do business with the agency. (Finding 3, pages 16-17) **This finding was first reported in 2008.**

We recommended the Foundation comply with the requirements of the Act and ensure the information concerning the investment of public funds is updated monthly by the 15th of each month.

Management disagrees with auditors

Foundation management respectfully disagreed with our recommendation and stated they will seek legislation to clarify its exemption from the Investment of Public Funds Act. (*For the previous Foundation response, see Digest Footnote #2.*)

AUDITORS' OPINION

Auditors' qualify opinion on financial statements

The auditors expressed a qualified opinion on the Foundation's financial statements for the year ended June 30, 2012. The auditor's qualified their opinion on the financial statements because the Foundation did not maintain sufficient documentation to determine the value of noncash contributions made to the Foundation's special events held throughout the year.



WILLIAM G. HOLLAND
Auditor General

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AUDITORS ASSIGNED

Kemper CPA Group, LLP was our special assistant auditor.

DIGEST FOOTNOTES

#1 – NEED TO IMPROVE INTERNAL CONTROLS – Previous Foundation Response

2011: The Foundation agrees.

#2 – NONCOMPLIANCE WITH ACCOUNTABILITY FOR THE INVESTMENT OF PUBLIC FUNDS ACT (ACT) – Previous Foundation Response

2011: The Foundation respectfully disagrees. The Foundation will seek legislation to clarify its exemption from the Investment of Public Funds Act.