



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF NATURAL RESOURCES**

**Compliance Examination  
 For the Two Years Ended June 30, 2020**

**Release Date: July 14, 2021**

FINDINGS THIS AUDIT: 30				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<u>New</u> 3	<u>Repeat</u> 3	<u>Total</u> 6	2018	20-3	20-11, 20-12, 20-13, 20-14, 20-18, 20-19	
Category 2:	5	19	24	2016	20-4	20-10, 20-22, 20-29	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2014	20-2	20-7, 20-21, 20-23, 20-24, 20-25	
<b>TOTAL</b>	<b>8</b>	<b>22</b>	<b>30</b>	2012		20-15, 20-28, 20-30	
				2010		20-20	
<b>FINDINGS LAST AUDIT: 23</b>				2006		20-16	

**INTRODUCTION**

Because of the significance and pervasiveness of the findings described within the report, we expressed an **adverse opinion** on the Department of Natural Resources’ (Department) compliance with the specified assertions which comprise a State compliance examination. The Codification of Statements on Standards for Attestation Engagements (AT-C § 205.72) states a practitioner “should express an adverse opinion when the practitioner, having obtained sufficient appropriate evidence, concludes the misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.”

Further, this digest covers our Compliance Examination of the Department for the two years ended June 30, 2020. A separate Financial Audit of the Department’s Capital Asset for the year ended June 30, 2020 was previously released on February 10, 2021. In total, this report contains 30 findings, 1 of which was also reported in the Financial Audit.

**SYNOPSIS**

- **(20-2)** The Department did not exercise adequate internal controls over its reporting and maintenance of accounts receivable.
- **(20-4)** The Department did not have adequate control over preparation of monthly reconciliations.
- **(20-6)** The Department had weaknesses over its general information technology controls.
- **(20-16)** The Department failed to monitor and enforce concessionaire lease agreements regarding rental and reserve payments.
- **(20-24)** The Department did not have adequate controls over voucher processing.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**DEPARTMENT OF NATURAL RESOURCES  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2020**

Usually, digests of compliance reports released by the Auditor General include certain key expenditure statistics, receipts processed, and the total number of employees at the auditee. As described in Finding 2020-004 (pages 23-24), the Department's internal controls were inadequate to allow the Department to prepare certain Report Components using its internal records and reconcile them to the Office of Comptroller reports. As this part of digest consists of data derived from various report components within the Department's Compliance Examination Report, this information is unable to be provided except the average number of employees at the auditee.

EXPENDITURE STATISTICS	2020	2019	2018
Average Number of Employees.....	1,486	1,493	1,501

AGENCY DIRECTOR
During Examination Period: Wayne Rosenthal (through 3/3/19); Colleen Callahan (effective 3/4/19) Currently: Colleen Callahan

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER ACCOUNTS  
RECEIVABLE**

The Department did not exercise adequate internal controls over its reporting and maintenance of accounts receivable. We performed detailed testing of accounts receivable including the *Quarterly Summary of Accounts Receivable – Accounts Receivable Activity Report* (Form C-97) and *Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables* (Form C-98) on the following funds: the State Boating Act Fund (039), the State Parks Fund (040), the Wildlife and Fish Fund (041), the Plugging and Restoration Fund (137), the Underground Resources Conservation Enforcement Fund (261), and the Illinois Historic Sites Fund (538). During testing, we noted the following weaknesses:

**Failed to effectively utilize the ERP System to improve reporting process**

- During Fiscal Year 2019, the Department implemented a new Enterprise Resource Planning (ERP) System to centralize various processes, including accounts receivable maintenance and reporting, reduce manual processing and simplify existing workflows. However, the Department failed to effectively utilize the ERP System to improve its accounts receivable maintenance and reporting process. The Department continued to rely on numerous subsystems by manually preparing and compiling reports and operating without a subsidiary ledger.

**Errors noted on accounts receivable**

- Two of 37 (5%) receivables selected for detailed testing, totaling \$5,489, were paid in full before June 30, 2019, but continued to be reported as receivables as of June 30, 2019. In addition, one of 37 (3%) receivables, totaling \$2,525, was not due as of June 30, 2020 but was reported as a receivable as of June 30, 2020. Also, six of 37 (16%) receivables selected for detailed testing, totaling \$44,847, did not agree with the supporting documents. Specifically, the accounts receivable balance was understated by a total of \$22,923 when compared to the supporting documents.

**No support for accounts written-off**

- The Department was unable to provide support for accounts written-off, totaling \$16,000, for Fund 137 in the 1st quarter of Fiscal Year 2019.

**Did not track real property rental agreements**

- The Department was the lessor in several real property rental agreements but did not track the timing of the rental payment due dates against related receipts to determine if receivables should be recorded and reported to the Office of Comptroller on its Fund 538 Form C-97. Total real property rental receipts reported by the Department for Fund 538 were \$157,371 and \$90,163 in Fiscal Year 2020 and Fiscal Year 2019, respectively. Potential receivable amounts could not be determined.

**Did not make attempts to collect aged accounts receivable**

- The Department did not make sufficient attempts to either collect its aged accounts receivable or write off uncollectible accounts receivable greater than one year old. As of June 30, 2020, the outstanding receivables aged more than a year totaled \$1,569,336, \$2,076,167, \$123,074, and \$208,398 for Funds 137, 261, 884, and 962, respectively. (Finding 2, pages 17-20) **This finding has been repeated since 2014.**

We recommended the Department implement the necessary internal controls to ensure accounts receivable are consistently and accurately reported to the Office of Comptroller. Also, we recommended the Department ensure accounts receivable are timely pursued for collection and, if not collectible, submitted for uncollectible certification and subsequently written off and establish controls to evaluate all accounts receivable over \$250 and more than 90 days past-due and place them under the Office of Comptroller's Offset System. Further, we recommended the Department utilize the ERP System to improve its accounts receivable maintenance and reporting process. Lastly, we recommended the Department review rental transactions to determine the amount of receivable to be reported quarterly and at the end of the year.

**Department agreed with auditors**

Department officials agreed with our recommendation and stated they will implement the necessary internal controls to ensure accounts receivable are consistently and accurately reported to the Office of Comptroller.

**INADEQUATE CONTROLS OVER PREPARATION OF MONTHLY RECONCILIATIONS**

The Department did not have adequate controls over preparation of monthly reconciliation of its significant accounts and transactions with the Office of Comptroller's (Comptroller) records.

During our testing, we noted the Department did not perform monthly reconciliations. Specifically, the Department did not reconcile its internal records with the following Comptroller's reports:

**Did not perform SB04 monthly reconciliations**

- Revenue Status Report (SB04) and Cash Report (SB05) of Non-Shared Funds for 18 of 24 (75%) months from January 2019 through June 2020.

**Did not perform SB01 monthly reconciliations**

- Appropriations Status Report (SB01) for 18 of 24 (75%) months from January 2019 through June 30 2020 and lapse periods of Fiscal Years 2019 and 2020.

**Did not perform SA02 & SB03 monthly reconciliations**

- Object Expense/Expenditures By Quarter (SA02) and Appropriation Transfer Report (SB03) for 24 of 24 (100%) months during Fiscal Years 2019 and 2020.

**Unable to prepare Compliance Report Components using their internal records**

As a result, the Department could not prepare certain Compliance Report Components using their internal records and reconcile them to Comptroller records; therefore, the Components and related analyses were omitted from the Department's *Compliance Examination Report*. (Finding 4, pages 23-24). **This finding has been repeated since 2016.**

We recommended the Department ensure monthly reconciliation of its activity are performed, documented, and reviewed on a timely basis. We also recommended the Department prepare the Compliance Report Components using their internal records and reconcile them to the Comptroller reports.

**Department agreed with auditors**

Department officials agreed with our recommendation and stated they will strive to ensure all required reconciliations of activities are performed, documented and reviewed on a timely basis.

## **WEAKNESSES OVER GENERAL INFORMATION TECHNOLOGY CONTROLS**

The Department had weaknesses over its General Information Technology Controls (GITC).

**Did not provide sufficient evidence to verify completeness of the population of four applications**

During testing of seven applications, we requested the Department provide a population of users of these applications. The Department provided a population of users of each application; however, we were unable to obtain sufficient evidence to verify the completeness of the population for four of seven (57%) applications. Due to this condition, we were unable to conclude the Department's population records were complete and accurate as required by the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35).

*Although the population limitations noted above hindered our ability to conclude whether the selected sample was a representative of the population, we reviewed the GITC over these applications and noted the following:*

**User access rights were not periodically reviewed**

- User access rights were not periodically reviewed. The Department did not perform security reviews for six of seven (86%) applications to ensure employees' access to systems was appropriate.

**Users access granted without proper authorization**

- Users were granted access without proper authorization. The Department could not provide access authorizations for three of 15 (20%) new users tested.

**User access rights were not timely removed**

- User access rights were not timely removed. We noted 30 of 30 (100%) separated employees continued to have access to two applications. The Department did not evaluate whether the separated employees accessed the applications subsequent to their separation from the Department.

**Change management policy did not exist**

- A change management policy did not exist for applications managed by the Department. (Finding 6, pages 28-30)

We recommended the Department design a process to maintain a complete and accurate population of application users, ensure authorizations for granting access are properly maintained, ensure access rights are periodically reviewed and appropriate changes are made, and adopt a change management policy for applications managed by the Department.

**Department agreed with auditors**

Department officials agreed with our recommendation and stated they will ensure authorizations for granting access are properly maintained and access rights are periodically reviewed and appropriate changes are made as well as timely deactivation of users no longer needing access.

**FAILURE TO ENFORCE CONCESSIONAIRE LEASE AGREEMENTS**

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

During the examination period, the Department had concession and lease agreements with approximately 66 concessionaires located at State parks throughout the State. The Department's concession coordinators are responsible for negotiating and enforcing lease terms, overseeing the site, approving rates charged, and collecting rental payments. These concession and

lease agreements are being monitored by the Department using an agreement tracking database. The Department received rental fees from concessionaires totaling \$547,290 and \$445,091 during Fiscal Years 2019 and 2020, respectively. The weaknesses we noted are described below.

During our testing of 50 rental payments from seven concession and lease agreements, we noted the following:

**Rental payments were not timely remitted**

- 17 (34%) rental payments were not timely remitted to the Department, ranging from 1 to 150 days late.

**A rental payment was missing supporting documents**

- One (2%) rental payment was missing supporting documents. As a result, we were unable to verify if the rental payment was timely remitted to the Department.

During our testing of 72 reserve account monthly remittances for the four largest concessionaires/lessees measured in terms of rental payments and/or deposits, we noted the following:

**Deposit slips were not timely submitted**

- 20 (28%) concessionaires' reserve deposit slips were not timely submitted to the Department, ranging from 1 to 55 days late.

**Deposit slips were not date stamped upon receipt**

- Five (7%) concessionaires' reserve deposit slips were not date stamped upon receipt by the Department. As a result, we were unable to determine if the reserve deposits were remitted timely.

During our testing of compliance with the reporting requirements of the concession agreements for the four largest concessionaires/lessees measured in terms of rental payments and/or deposits, we noted the following:

**Required reports were not timely submitted**

- Five of 42 (12%) required reports consisting of balance sheet, income (profit and loss) statement, and schedule of gross revenue and reconciliations were not timely submitted to the Department, ranging from 2 to 47 days late.

**Required reports were not submitted**

- 23 of 42 (55%) required reports consisting of financial statements, profit and loss statement, annual forecast of operating revenues and expenses, budget of capital expenditures, summary of concession's marketing plan, and annual cash flow analysis were not submitted to the Department.

**Required reports were not date stamped upon receipt**

- One of 42 (2%) required reports consisting of a profit and loss statement was not date stamped upon receipt by the Department. As a result, we were unable to determine if the report was timely submitted to the Department.

**Late payment penalty was not charged and collected**

During our test of controls over monitoring of seven concession and lease agreements, we noted an agreement's (14%) late payment penalty of \$454 was not charged and collected from the concessionaire/lessee. (Finding 16, pages 51-54) **This finding has been repeated since 2006.**

We recommended the Department monitor concessionaires to enforce its contractual agreements and send concessionaires formal written communication when they fail to comply with their contractual obligations to the Department.

**Department agreed with auditors**

Department officials agreed with our recommendation and stated they were sending notices/letters to the lessees reminding them of the deadline when the reports are due and would contact the lessees to request items that were past due.

**INADEQUATE CONTROLS OVER VOUCHER PROCESSING**

The Department did not have adequate controls over voucher processing. We noted the following weaknesses during our testing of 338 vouchers:

**Vouchers were approved late**

- 95 (28%) vouchers, totaling \$8,909,575, were approved for payment one to 316 days late.

**Vouchers did not have documentation of the receipt date**

- Seven (2%) vouchers, totaling \$1,113,794, did not have documentation of the receipt date of the vendor's bill. Of those, one voucher, totaling \$600,000, did not have the approval by the immediate supervisor or any authorized designee. As a result, we were unable to determine the timeliness of approval and payment of these vouchers.

**Vouchers were paid late**

- 50 (15%) vouchers, totaling \$1,245,052, were paid from two to 360 days late.

**Vouchers processed without purchase orders**

- Three (1%) vouchers, totaling \$28,125, did not have purchase orders or other obligation documentation.

**Fuel vouchers missed supporting charge tickets**

- Five (1%) vouchers for purchases of fuel, totaling \$169,440, did not have supporting charge tickets. As a result, we were unable to determine if the fuel charges were for State vehicles. (Finding 24, pages 70-72) **This finding has been repeated since 2014.**

We recommended the Department improve its voucher processing system to ensure vouchers are timely approved and paid. We also recommended the Department ensure receipts, charge tickets, and invoices are maintained to support payments made and improve its process to document the receipt of a proper bill and approval.



**Department agreed with auditors**

Department officials agreed with our recommendation and stated they had taken steps to improve the voucher processing system with the implementation of a new State-wide accounting system and improved procedures to ensure vouchers are timely approved and paid.

**OTHER FINDINGS**

The remaining findings pertain to (1) inadequate controls over capital assets, historical artifacts, World Shooting and Recreational Complex operations, payroll and long-term leave of absences, receipts, overtime, performance evaluations, agency workforce reports, contractual agreements, the investment of public funds, fuel reconciliations, and bank reconciliations; (2) lack of contingency planning or testing to ensure recovery of computer systems; (3) weaknesses with payment card industry data security standards; (4) weaknesses in cybersecurity programs and practices; (5) internal audit deficiencies; (6) noncompliance with mandated duties and non-game wildlife protection act; (7) failure to comply with historical sites act, issue off-highway vehicle usage stamps, and update policy and procedures manual; and (8) property control and petty cash weaknesses. We will review the Department's progress towards the implementation of our recommendations in our next compliance examination.

**ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2020, as required by the Illinois State Auditing Act. Because of the effect of the noncompliance described in Finding 2020-001 through Finding 2020-030, the accountants stated the Department did not materially comply with the specified requirements described in the report.

This compliance examination was conducted by Roth & Co., LLP.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

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