



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

HISTORIC PRESERVATION AGENCY

Compliance Examination
 For the Year Ended June 30, 2017

Release Date: May 3, 2018

FINDINGS THIS AUDIT: 19	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	6	7	2016	17-5	17-8, 17-11	
Category 2:	0	12	12	2014	17-1, 17-3, 17-4, 17-7	17-9, 17-10, 17-12, 17-15, 17-17, 17-18	
Category 3:	0	0	0	2012		17-13, 17-19	
TOTAL	1	18	19	2010		17-14	
FINDINGS LAST AUDIT: 20				2008	17-2	17-16	

INTRODUCTION

The Historic Preservation Agency (Agency) was created in 1985 by Public Act 84-25 for the protection and interpretation of Illinois' history and historic resources. On March 31, 2017, the Governor of Illinois signed Executive Order 2017-01 consolidating the Agency with the Department of Natural Resources (Department) and established the Abraham Lincoln Presidential Library and Museum (ALPLM) effective July 1, 2017. As a result, the Board of Trustees and all employees terminated their positions with the Agency as of June 30, 2017. Executive Order 2017-01 was later superseded by Public Act 100-0120 effective August 18, 2017.

SYNOPSIS

- (17-1) The Agency did not maintain adequate internal controls over receipts and refunds.
- (17-2) The Agency did not maintain sufficient controls over its property and related fiscal records.
- (17-4) The Agency failed to maintain adequate internal controls over historical artifacts.
- (17-5) The Agency did not have adequate controls over voucher processing.
- (17-8) The Agency did not maintain adequate internal controls over payroll expenditures and time reporting.

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.

{Expenditures and Activity Measures are summarized on next page.}

**HISTORIC PRESERVATION AGENCY
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2017**

EXPENDITURE STATISTICS	2017	2016
Total Expenditures.....	\$ 17,218,340	\$ 17,204,931
OPERATIONS TOTAL.....	\$ 16,971,847	\$ 17,193,162
% of Total Expenditures.....	98.6%	100.0%
Personal Services.....	-	833,666
Other Payroll Costs (FICA, Retirement).....	-	591,963
All Other Operating Expenditures.....	16,971,847	15,767,533
AWARDS AND GRANTS.....	\$ 209,840	\$ 5,219
% of Total Expenditures.....	1.2%	0.0%
PERMANENT IMPROVEMENTS.....	\$ 36,653	\$ 6,550
% of Total Expenditures.....	0.2%	0.0%
Total Receipts.....	\$ 3,646,791	\$ 4,054,815
Average Number of Employees.....	171	174

SELECTED ACTIVITY MEASURES (Not Examined)	2017	2016
Abraham Lincoln Presidential Library and Museum:		
Library Users.....	42,304	39,377
Conservation Treatments Performed.....	3,366	2,260
Museum Attendance.....	299,272	280,937
Preservation Services:		
Number of Certified Local Governments.....	80	80
Historic Sites:		
Site Attendance (In Thousands).....	1,886	1,671
Economic Impact of Historic Sites (In Millions).....	\$ 150.8	\$ 155.9

AGENCY DIRECTOR
During Examination Period: Heidi Brown McCreery

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

INADEQUATE CONTROLS OVER RECEIPTS AND REFUNDS

The Agency did not maintain adequate internal controls over receipts and refunds

We noted the following during our testing:

Accountants unable to conclude Agency's records were sufficiently accurate.

- The Agency was unable to provide sufficient documentation for the accountants to conclude the Agency's records were sufficiently accurate.
- Proper segregation of duties was not maintained.
- 58 of 60 (97%) Receipt Deposit Transmittals (RDTs) were not independently reviewed and approved.
- 29 of 60 (48%) RDTs and 2 of 2 (100%) refunds did not include supporting documentation. (Finding 1, pages 14-15) **This finding has been repeated since 2014.**

Supporting documentation not maintained

We recommended the Agency, or its successor, establish proper segregation of duties over the receipts process, perform supervisory review over all reporting and transaction processing, and maintain accurate documentation to support receipt and refund activities and the related reviews performed.

Agencies agree with auditors

The ALPLM agreed with the finding and stated they would work with the ERP team to ensure proper segregation of duties will exist moving forward. The Department also agreed with the finding and stated they have established proper segregation of duties over the receipts process and they maintain accurate documentation. *(For the previous Department response, see Digest Footnote #1.)*

PROPERTY CONTROL WEAKNESSES

The Agency did not maintain sufficient controls over its property and related fiscal records.

Some of the conditions noted during our testing follow:

Accountants unable to test Agency's compliance relative to equipment additions or deletions

- The Agency was unable to provide a detailed population of additions or any support for amount reported as addition on the Agency Reports of State Property (Form C-15). The Agency did provide a population of deletions, however the listing did not

identify all required information or supporting documentation, therefore the accountants were unable to test the Agency's compliance relative to equipment additions or deletions.

- 1 of 40 (3%) items did not have a State tag number attached, 1 of 40 (3%) items could not be located, and 2 of 40 (5%) items were not listed on the Agency's detailed list.
- Total property value reported on the Form C-15 exceeded the Agency's detailed list of equipment by \$6,967.
- The Agency was unable to provide support for its annual certification of inventory to the Department of Central Management Services. (Finding 2, pages 16-18) **This finding has been repeated since 2008.**

Property value reported on Form C-15 exceeded Agency's detailed list of equipment

We recommended the Agency, or its successor, strengthen controls over property and equipment to comply with applicable laws and regulations, specifically implementing procedures to ensure all equipment transactions are recorded timely and accurately and documentation is retained. We further recommended the Agency include a supervisory review process in its procedures to ensure clerical, technical, and other errors are promptly detected and corrected.

Agencies agree with auditors

The ALPLM agreed with the finding and stated they would strengthen its control over property and equipment. The Department also agreed with the finding and stated they have procedures in place to ensure all equipment transactions are recorded timely and accurately and documentation is retained. (*For the previous Department response, see Digest Footnote #2.*)

INADEQUATE CONTROLS OVER HISTORICAL ARTIFACTS

The Agency failed to maintain adequate internal controls over historical artifacts.

We noted the following during our testing:

- The Agency uses an electronic catalog system to track historic artifacts, and no independent review of items added to or removed from the system was performed.
- 3 of 40 (8%) artifacts at 5 different historical sites on display at the site could not be located on the Agency's artifact inventory.

Review not performed on electronic catalog system of historic artifacts

Artifacts could not be located

- 6 of 40 (15%) artifacts from the Agency’s artifact inventory at 5 different historical sites could not be located for observation. (Finding 4, pages 21-22) **This finding has been repeated since 2014.**

We recommended the Agency, or its successor, perform an inventory of all historical artifacts maintained and ensure each artifact is cataloged in the electronic catalog system. In addition, we recommended the Agency implement internal controls requiring additions and deletions to the artifacts catalog be independently reviewed and approved.

Agencies agree with auditors

The ALPLM agreed with the finding and stated while they were not specifically cited as part of the finding, they agreed with the need to comply with the State Property Control Act. The Department also agreed with the finding and stated they have maintained the electronic catalog system that was used at the Agency and an inventory of historical artifacts is done annually. *(For the previous Department response, see Digest Footnote #3.)*

INADEQUATE CONTROLS OVER VOUCHER PROCESSING

The Agency did not have adequate controls over voucher processing.

Some of the conditions noted during our testing follow:

Vouchers approved untimely

- 95 of 142 (67%) vouchers, totaling \$224,605 were approved more than 30 days after receipt of a proper bill. These vouchers were approved for payment from 4 to 692 days late.
- 34 of 142 (24%) vouchers, totaling \$89,552 where the Agency failed to process an additional voucher to pay the vendor required interest, totaling \$1,767.

Payments processed to vendors without detailed invoice

- 3 of 142 (2%) vouchers, totaling \$54,635 where the Agency processed the payment to the vendor without obtaining a detailed invoice.
- 33 of 142 (23%) vouchers, totaling \$98,344 were not approved by the receiving officer and/or the proper unit head. (Finding 5, pages 23-24)

We recommended the Agency, or its successor, improve its procedures to ensure vouchers are thoroughly reviewed to detect and correct errors and to comply with SAMS and statutory requirements. In addition, documentation should be maintained to support all reviews performed and substantiate all vouchers processed. We also recommended the Agency

improves its procedures to document the receipt of a proper bill and ensure that proper prompt payment interest is paid when required and revoke signature authority from the accounting personnel who is involved in the processing of vendor invoices.

Agencies agree with auditors

The ALPLM agreed with the finding and stated procedures are being developed to improve internal voucher processing. The Department also agreed with the finding and stated they have procedures in place to ensure vouchers are thoroughly reviewed to detect and correct errors and to comply with SAMS and statutory requirements.

INADEQUATE CONTROLS OVER PAYROLL AND TIME REPORTING

The Agency did not maintain adequate internal controls over payroll expenditures and time reporting.

During testing, we noted the following:

Eligibility could not be determined for employees receiving bonus payments

- For 5 of 5 (100%) bonus payments, totaling \$11,310, the Agency was unable to provide the documentation necessary to substantiate eligibility for merit compensation bonus payment for non-bargaining unit employees.

Payroll vouchers not posted in Agency's records

- For 10 of 22 (45%) payroll vouchers, the Agency was unable to provide evidence of the payroll entries having been posted in the Agency's accounting records.
- The Agency could not provide a copy of its written policy requiring employees to report time spent on official State business to the nearest quarter hour. (Finding 8, pages 30-31)

We recommended the Agency, or its successor, maintain appropriate documentation supporting the decisions and activities of the Agency and determine if any merit compensation bonus payments were made to ineligible employees. Furthermore, we recommended the Agency records its payroll transactions in its accounting records and adopt a policy to ensure time reporting is maintained.

Agencies agree with auditors

The ALPLM agreed with the finding and stated they will ensure if another merit compensation bonus payment is authorized, they will ensure the program is completed in compliance with any guidelines or directives. They also stated they are working on an employee handbook that will contain the required policy. The Department also agreed with the finding and stated they maintain appropriate documentation

supporting the decisions and activities of the Department and all payroll transactions are recorded. They also stated they have a policy to ensure time reporting is maintained.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the ALPLM and the Department. We will review both agencies' progress toward implementation of our recommendations in our next examination.

ACCOUNTANT'S OPINION

Accountants qualified their report

The accountants conducted a compliance examination of the Agency for the year ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2017-001 through 2017-007. Except for the noncompliance described in these findings, the accountants stated the Agency complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Borschnack, Pelletier & Co.

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

FJM:ljk

DIGEST FOOTNOTES

#1 – Inadequate Controls Over Receipts and Refunds – Previous Agency Response:

2014: The Agency agrees with the finding and the recommendation. The Agency agrees that segregation of duties is necessary and will adjust staff roles to address the issue. Additionally, the Agency believes that the documentation and approval requirements under the new accounting system will help resolve this issue.

#2 – Property Control Weaknesses – Previous Agency Response:

2014: The Agency agrees with the finding and the recommendation. A complete physical inventory of each location is in progress and scheduled for completion by June 1, 2017. The audit will be reconciled with the last C-15 and all adjustments will be made on the C-15 required to be filed by July 31, 2017. The new State accounting system will require the Agency to track assets from the purchase request to physical receipt of the item.

#3 – Inadequate Controls Over Historical Artifacts – Previous Agency Response:

2014: The Agency agrees with the finding and the recommendation. The Agency is challenged to implement the recommendation until funding becomes available to fill the Agency Curator position. The Agency has taken corrective action on this issue by conducting a yearly inventory of artifacts by site supervisory staff, but we have insufficient resources to maintain the electronic catalogue, or complete the independent approval of additions and deletions. We will fill the position as soon as resources are available and continue to monitor the paper physical inventory records.