



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**DEPARTMENT OF AGRICULTURE**

**COMPLIANCE EXAMINATION  
For the Two Years Ended: June 30, 2011**

**Release Date: April 5, 2012**

**Summary of Findings:**

<b>Total this audit:</b>	<b>7</b>
<b>Total last audit:</b>	<b>7</b>
<b>Repeated from last audit:</b>	<b>3</b>

**SYNOPSIS**

- The Department did not exercise adequate controls over State property.
- The Department did not have a formalized methodology to document various federal expenditures reported to the Office of the State Comptroller as part of the year-end reporting process for the statewide single audit.
- The Department did not properly complete locally held fund reports and did not remit checks that have been outstanding for more than 7 years to the State Treasurer.
- The Department did not exercise adequate controls over the maintenance and recordkeeping of State vehicles.
- The Department did not report all collateral held for licensees as part of its year-end financial reporting in accordance with generally accepted accounting principles.

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

**DEPARTMENT OF AGRICULTURE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2011**

EXPENDITURE STATISTICS	2011	2010	2009
<b>Total Expenditures.....</b>	<b>\$ 97,065,201</b>	<b>\$ 114,851,399</b>	<b>\$ 118,546,163</b>
OPERATIONS TOTAL.....	\$ 83,187,070	\$ 95,833,296	\$ 90,581,803
% of Total Expenditures.....	85.7%	83.4%	76.4%
Personal Services.....	7,051,007	19,611,220	20,383,299
Other Payroll Costs (FICA, Retirement).....	4,002,648	4,331,651	6,967,770
All Other Operating Expenditures.....	72,133,415	71,890,425	63,230,734
AWARDS AND GRANTS.....	\$ 13,045,510	\$ 18,221,725	\$ 26,648,012
% of Total Expenditures.....	13.4%	15.9%	22.5%
REFUNDS.....	\$ -	\$ 311	\$ 10,910
% of Total Expenditures.....	0.0%	0.0%	0.0%
PERMANENT IMPROVEMENTS.....	\$ 832,621	\$ 796,067	\$ 1,305,438
% of Total Expenditures.....	0.9%	0.7%	1.1%
<b>Total Receipts.....</b>	<b>\$ 49,811,138</b>	<b>\$ 48,018,347</b>	<b>\$ 45,844,985</b>
<b>Average Number of Employees.....</b>	<b>415</b>	<b>421</b>	<b>429</b>

SELECTED ACTIVITY MEASURES	2011	2010	2009
Number of Inspections by Division*			
Agricultural Products.....	6,091	6,075	5,880
Animal Health (Animals Tested).....	32	1,090	2,860
Animal Disease Laboratories (Tests Performed).....	309,737	347,978	502,993
Environmental Programs (Pesticide Misuse).....	66	91	116
Meat Inspections:			
Livestock (Head).....	908,225	926,065	935,966
Plants/Brokers.....	937	1,051	1,042
Compliance Reviews.....	8,355	6,642	7,322
Warehouses (Grain Examinations).....	605	577	695
Weights & Measures (Devices).....	126,038	125,101	127,326
Total Federal Expenditures (in thousands).....	\$ 9,204	\$ 9,042	\$ 9,545
Racing horses (all types) foaled in Illinois*.....	3,458	4,305	4,542
Conservation Practices Program Projects Approved*...	1,189	932	1,187
Total Marketing Expenditures (in thousands)*.....	\$ 3,666	\$ 3,366	\$ 3,505
*Not Examined			

AGENCY DIRECTOR
During Examination Period: Tom Jennings
Currently: Robert F. Flider, Acting

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**NEED TO IMPROVE CONTROLS OVER STATE  
PROPERTY**

**Inadequate controls**

The Department did not exercise adequate controls over State property.

During our testing of the Department's property for the two year examination period, we noted:

**165 items, totaling \$ 96,969 were reported as lost or stolen**

- 165 items, totaling \$96,969, were reported as lost or stolen. This amount represents 7% of all property deletions reported during the examination period.
- One item tested, totaling \$2,962, was not located.
- One item was not recorded at the proper value on the property listing. The item was understated by \$14,000 on the Department's property control records.

We recommend the Department strengthen its controls over State property to minimize loss or theft of items and to ensure proper recording. (Finding 1, pages 9-10). **This finding has been repeated since 2007.**

**Department agrees with auditors**

Department officials agree with the finding and stated it will strengthen controls over State property to minimize loss of theft of items and to ensure their proper recording. (For the previous Department response, see Digest Footnote #1)

**INTERNAL CONTROL WEAKNESS OVER  
REPORTING FEDERAL COST INFORMATION**

The Department did not have a formalized methodology to document various federal expenditures reported to the Office of the State Comptroller as part of the year-end reporting process for the statewide single audit.

**Understatement of \$91,000**

During our testing of the federal expenditures reported to the Office of the State Comptroller, we noted an error resulting in an understatement of \$91,000.

**Highly decentralized and informal process to prepare and document federal expenditures**

In addition, the documentation for federal reporting was highly decentralized and maintained by various program personnel throughout the Department. There was no formal methodology to prepare and document federal reporting forms on a Department wide basis.

We recommend the Department implement a formalized methodology to document federal expenditures reported to the

Office of the State Comptroller. (Finding 2, pages 11-12)

**Department agrees with auditors**

Department officials agree with our finding and stated that it will implement a formalized methodology to document federal expenditures reported to the Office of the State Comptroller.

**FAILURE TO PROPERLY COMPLETE LOCALLY HELD FUND REPORTS**

The Department did not properly complete the quarterly “Report of Receipts and Disbursements for Locally Held Funds” (C-17) submitted to the Office of the State Comptroller for two Department funds.

During the testing of the C-17 reports submitted during the audit period, we noted the following:

**Cash balances did not agree to agency records**

- All C-17 reports related to the Carcass Evaluation Fund had cash balances that did not agree to the Department’s records. Balance differences ranged from \$5,468 to \$6,666.
- Receipts and disbursements for the Carcass Evaluation Fund are accumulated manually leaving no documentation trail to support the amounts reported.
- Two of eight C-17 reports related to the Agriculture Products Promotional fund had cash balances that did not agree to the Department’s records. Balance differences ranged from \$250 to \$1,230.

**\$1,105 in checks were not sent to the Treasurer’s office as unclaimed property**

Auditors also noted that one fund had \$1,105 in checks that have been outstanding for at least 7 years. The Department is required to submit outstanding checks that are 7 years old or greater the Office of the Treasurer as unclaimed property under the Uniform Disposition of Unclaimed Property Act.

We recommend the Department accurately and consistently prepare C-17 reports based on balances reported on the Department’s accounting records and implement procedures to ensure compliance with the Uniform Disposition of Unclaimed Property Act. (Finding 3, pages 13-14)

**Department agrees with auditors**

Department officials agree with the finding and stated it will ensure that C-17 reports are completed accurately and ensure compliance with the Uniform Disposition of Unclaimed Property Act.

## **NEED TO IMPROVE CONTROLS OVER STATE VEHICLES**

### **Inadequate controls**

The Department did not exercise adequate controls over the maintenance and recordkeeping of State vehicles.

During our examination of vehicles assigned to the Department, we noted:

### **Oil changes were not performed on a timely basis**

- 21 of 25 (84%) vehicles did not have an oil change performed on a timely basis according to the Department of Central Management Services (DCMS) guidelines.

### **3 vehicles, totaling \$40,963 were not removed from Department records**

- Three vehicles, totaling \$40,963, that were transferred as surplus were not removed from the Department's property control records.

We recommend the Department review and strengthen procedures to enforce DCMS policies for the maintenance of State vehicles and to ensure property control records are accurate. (Finding 5, pages 17-18)

### **Department agrees with auditors**

Department officials agree with the finding and stated it will implement procedures to enforce DCMS policies for the maintenance of State vehicles.

## **FAILURE TO REPORT COLLATERAL AS PART OF THE YEAR-END REPORTING**

### **\$598,000 was not reported as collateral**

The Department did not report all collateral held for licensees as part of its year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Office of the State Comptroller. Collateral totaling \$598,000 was not reported as part of the Department's Grain Indemnity Trust Fund.

At June 30, 2011, the Department Held collateral totaling \$15,831,000. Of this, \$1,015,000 should have been reported as assets in the Department's Grain Indemnity Trust Fund. During our testing, we noted the Department reported total collateral assets of \$417,000 and had not accounted for certificates of deposits totaling approximately \$193,000, and a mortgage totaling approximately \$405,000, a total understatement of \$598,000.

### **Department agrees with auditors**

We recommend the Department implement procedures to report all applicable collateral held for licensees in the Trust Fund in accordance with GAAP. (Finding 7, page 21)

Department officials agree with the finding and stated it will report collateral held in the Trust Fund for licensees in

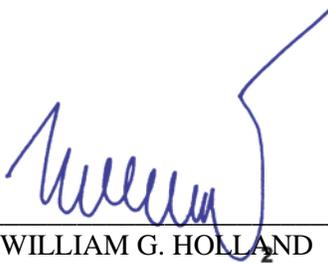
accordance with GAAP.

### **OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Department. We will follow up on our findings during our next examination of the Department.

### **AUDITORS' OPINION**

We conducted a compliance examination of the Department of Agriculture as required by the Illinois State Auditing Act. The Department has no funds that require an audit leading to an opinion of financial statements.



A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line.

WILLIAM G. HOLLAND  
Auditor General

WGH:EVB:rt

### **SPECIAL ASSISTANT AUDITORS**

Sikich, LLP were our Special Assistant Auditors for this engagement.

### **DIGEST FOOTNOTES**

#### **#1 – NEED TO IMPROVE CONTROLS OVER STATE PROPERTY - Previous Department Response**

2009 - “The Agency agrees with the finding and has taken steps to solve the recording and reporting issues. The Agency will continue to attempt to minimize theft and loss.”