



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF AGRICULTURE

Compliance Examination
 For the Two Years Ended June 30, 2017

Release Date: March 27, 2018

FINDINGS THIS AUDIT: 22				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	0	2	2	2015	17-2	17-15	
Category 2:	14	6	20	2013		17-4, 17-20	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2011		17-13, 17-14	
TOTAL	14	8	22	2009		17-18	
				2007	17-1		
FINDINGS LAST AUDIT: 15							

SYNOPSIS

- **(17-01)** The Department did not exercise adequate controls over State property.
- **(17-02)** The Department had deficiencies in their Development Standards and Version Control Procedures.
- **(17-08)** The Department did not perform required reconciliations in a timely manner. Irreconcilable differences noted in multiple funds ranged from \$2,192 to \$9,166,096.

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.}

**DEPARTMENT OF AGRICULTURE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

EXPENDITURE STATISTICS	2017	2016	2015
Total Expenditures.....	\$ 78,459,074	\$ 58,454,162	\$ 98,292,905
OPERATIONS TOTAL.....	\$ 65,656,832	\$ 51,316,076	\$ 82,942,073
% of Total Expenditures.....	83.7%	87.8%	84.4%
Personal Services.....	25,730,144	26,278,192	17,932,406
Other Payroll Costs (FICA, Retirement).....	12,042,380	11,134,676	6,163,431
All Other Operating Expenditures.....	27,884,308	13,903,208	58,846,236
AWARDS AND GRANTS.....	\$ 11,908,124	\$ 6,554,970	\$ 12,684,576
% of Total Expenditures.....	15.2%	11.2%	12.9%
REFUNDS.....	\$ 52,176	\$ 31,552	\$ 119,431
% of Total Expenditures.....	0.1%	0.1%	0.1%
PERMANENT IMPROVEMENTS.....	\$ 841,942	\$ 551,564	\$ 2,546,825
% of Total Expenditures.....	1.0%	0.9%	2.6%
Total Receipts.....	\$ 41,604,691	\$ 38,625,329	\$ 58,287,022
Average Number of Employees (Not Examined).....	330	334	337

SELECTED ACTIVITY MEASURES (Not Examined)	2017	2016	2015
Number of Inspections by Division			
Agricultural Products.....	4,951	5,358	5,974
Animal Health (Animals Tested).....	43	38	35
Animal Disease Laboratories (Tests Performed).....	not available	53,971	76,111
Environmental Programs (Pesticides Misuse).....	178	142	130
Warehouses (Grain Examinations).....	471	710	756
Weights & Measures (Devices).....	118,005	126,723	113,582
Number of participants at outreach events.....	43,771	53,536	97,823
Percent of grain dealers rated compliant.....	95.8%	98.0%	97.0%
Racing horses (all types) foaled in Illinois.....	1,289	1,635	2,275
Acres of farmland in conservation tillage.....	9,245,000	8,400,000	8,600,000
Total Marketing Expenditures (in thousands).....	\$ 3,022	\$ 3,806	\$ 3,199

AGENCY DIRECTOR	
During Examination Period:	Phillip Nelson (1/20/15 - 9/24/15), Warren Goetsch, Acting (9/25/15 - 11/15/15), Raymond Poe (effective 11/16/15)
Currently:	Raymond Poe

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROLS OVER STATE PROPERTY

The Department did not exercise adequate controls over State property.

The following are some of the items we noted during our testing of State property within the Department:

- We were unable to locate 3 of 60 items totaling \$23,254 from the property listing.
- Twenty-four of 60 items could not be traced to the property listing.
- We noted 16 of 120 items were not tagged.
- The Department was not able to provide adequate supporting documentation for additions or deletions during Fiscal Year 2016 and 2017. As a result, we were not able to perform additions and deletions testing of State property items.

Twenty-four items found could not be traced to property listing

During our testing of the quarterly Agency Report of State Property (Form C-15), we noted the following:

- Adequate supporting documents for the additions and deletions for Fiscal Years 2016 and 2017 were missing. As a result, we were not able to verify the accuracy of the amounts reported or reconcile Department records with Comptroller's record for equipment expenditures. In addition, we were unable to determine whether C-15 errors noted in the prior examination were corrected by the Department.
- Three of 8 Form C-15s were not submitted timely.
- Five of 8 Form C-15s contained mathematical errors in totals and the beginning balances did not agree with ending balances of previous quarter. (Finding 1, pages 12-14) **This finding has been repeated since 2007.**

Accuracy of amounts reported to the Comptroller could not be determined

We recommended the Department strengthen its procedures over property and equipment to ensure accurate and timely recordkeeping and accountability for all State assets. We also recommended the Department incorporate internal review procedures within its fixed assets reporting function to ensure the capital asset information is complete and properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Illinois Office of the Comptroller.

Department agrees with auditors

Department officials agreed with the recommendation and stated new procedures resulting from the Department's conversion into the new Enterprise Resource Program with SAP replacing much of the current software and programs that are used by the Department today that are very out of date should clear up much of the confusion surrounding property and assets held by the Department. *(For the previous Department response, see Digest Footnote #1.)*

WEAKNESSES REGARDING SYSTEM DEVELOPMENT AND CHANGE CONTROL PROCEDURES

Incomplete population of system changes provided

The Department had deficiencies in their Development Standards and Version Control Procedures. In addition, the Department did not provide the complete population of system changes or supporting documentation for changes.

The accountants noted the Development Standards and Version Control Procedures did not contain provisions for the following key elements:

- Use of forms to document the change process
- Procedures to request system changes
- Procedures to control system changes
- Procedures for User Acceptance Testing and Approval
- Controls over mitigation to production
- Controls over emergency changes

During the review, the accountants requested the Department to provide the population of changes made to computer systems in order to determine if the Department had complied with its change control procedures. In response to the request, the Department stated that change logs and other supporting documentation of changes were not maintained. (Finding 2, pages 15-16)

We recommended the Department strengthen its internal control, ensure documentation is available to support completeness of population, and documentation for system changes is maintained. Further, we recommended the Department date and enhance its Development Standards and Version Control Procedures to ensure new system developments and modifications to the existing systems are developed and implemented in a manner that ensures they are adequately planned, developed, tested, documented, approved, and implemented.

Department agrees with auditors

Department officials agreed with the recommendation and stated with the creation of the Department of Innovation and Technology (DoIT) and the transfer of employees from the Department to the DoIT, it has been unclear as to the division of responsibilities between the two agencies. The Department

further stated having a clear understanding that the Department is responsible for maintaining these procedures will assist in creating the documentation necessary.

INADEQUATE CONTROLS OVER RECONCILIATIONS

The Department did not perform required reconciliations in a timely manner. In addition, when the Department did perform the reconciliations and noted differences, the Department failed to notify the Comptroller's Office and resolve the differences.

During our review of the Department's monthly cash balance and expenditure reconciliations, we noted the following:

- For Fiscal Year 2016, the Department failed to perform the November expenditure reconciliation. We calculated an irreconcilable difference of \$101,893.
- For Fiscal Year 2016, the Department did not complete any monthly reconciliations of ending available cash balances for the Agriculture Premium Fund. For Fiscal Year 2017, the Department did not complete any monthly reconciliations of available cash balances for six funds. The twelve months of incomplete reconciliation for these funds contained irreconcilable differences ranging from \$2,192 to \$9,166,096. (Finding 8, pages 24-25)

Irreconcilable differences of \$2,192 to \$9,166,096

We recommended the Department improve its cash and expenditure reconciliation procedures and timely resolve differences noted.

Department agrees with auditors

Department Officials agreed with the recommendation and stated they have contracted a third party accounting firm to work with the Bureau of Budget and Fiscal Services to ensure that the recording and reconciling of the Department's funds has been done properly, timely, and in a consistent manner. They further stated the firm will help them to identify issues which the Department can implement best practices to resolve.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Department. 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, 2017, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2017-001 and 2017-002. 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 Adelfia LLC.

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:skm

DIGEST FOOTNOTES

#1 – INADEQUATE CONTROLS OVER STATE PROPERTY

2015: The Department agrees with the finding. The Bureau of Budget and Fiscal Services is inadequately staffed. The Bureau will strive to develop and implement policies and procedures to ensure data is compiled and reported accurately with appropriate oversight.