

REPORT DIGEST

**ILLINOIS DEPARTMENT OF AGRICULTURE
FINANCIAL AND COMPLIANCE AUDIT
(In Accordance with the Single Audit Act of 1984
and OMB Circular A-128)
FOR THE TWO YEARS ENDED JUNE 30, 1993**

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

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CIRCUMVENTION OF APPROPRIATION RESTRICTIONS

The Department circumvented appropriation restrictions by transferring numerous permanent employees to "extra help" appropriations, and Administrative Services employees to unrelated divisional appropriations, at the end of fiscal years 1992 and 1993. The employees were transferred to divisions for which they did not work due to insufficient appropriations in several personal services line items.

Department officials indicated that these transfers were necessary to avoid layoffs due to decreased funding in certain areas. As a result of these transfers, the Department did not expend funds for the purposes expressly stated in its appropriation bill.

We recommended the Department expend funds only for the purpose for which such funds have been appropriated and that the Department properly plan future staffing levels within the appropriation received from the General Assembly. (Finding 2, page 11)

We also noted the Department was not following appropriate procedure for charging State costs. The Department did not have a documented methodology or a consistent practice for charging postage, telecommunications, operation of automotive equipment, and some personal services to the appropriate line item. Department personnel stated consistent practices were difficult during the audit period due to the Department's reorganization. As a result, expenditures may be incurred contrary to legislative intent.

We recommended the Department develop a cost allocation plan to document and justify the methodology used in charging expenditures throughout the Department. (Finding 1, pages 9 & 10)

Department officials stated they would implement the recommendations.

FAILURE TO DEPOSIT INDIRECT COST REIMBURSEMENTS INTO THE PROPER FUND

The Department did not deposit all federal indirect cost reimbursements into the fund from which the original expenditures were made.

The State Officers Money and Disposition Act (30 ILCS 230/2a.3) states, "Any indirect cost reimbursement received by any . . . department . . . shall deposit the reimbursement to the fund from which the original expenditures were made which gave rise to the reimbursement. . . . If deposit to the original fund cannot be made or determined for any reason, then the reimbursement shall be deposited to the General Revenue Fund."

We noted that \$133,796 of indirect costs for federal U.S. Environmental Protection Agency grants were deposited into the Agricultural Pesticide Control Act Fund during the audit period. Also, \$17,471 of indirect cost for the Brucellosis Program and \$6,302 for the Gypsy Moth

Program were deposited into the Agriculture Federal Projects Fund. All these funds should have been deposited in the General Revenue Fund. In addition, the Department deposited approximately \$335,000 of indirect cost reimbursements for the Meat and Poultry Inspection Program into the Wholesome Meat Fund, this, too, should have been deposited into the General Revenue Fund.

As a result of not depositing indirect costs into the fund from which original expenditures were made, or to the General Revenue Fund, the Department is not in compliance with State law. Department personnel stated these funds were not deposited into the General Revenue Fund due to an oversight.

We recommended the Department deposit all future federal indirect cost reimbursements into the fund from which the original expenditures were made. Further, any indirect cost reimbursement in excess of Wholesome Meat Fund expenditures from the Division of Administrative Services should be deposited in the General Revenue Fund. We also recommended the Department reimburse appropriate funds retroactively for all improper indirect cost deposits during the audit period. (Finding 4, pages 13 & 14)

Department officials concurred and stated they will implement the recommendation in the future. Department officials indicated, however, that past deposits were made to partially recover less than 100% reimbursement of direct cost. Therefore, retroactive reimbursement is not possible. In order to avoid this problem in the future, the Department will not seek reimbursement for indirect costs until 100% of the direct cost has been recovered.

NEED TO IMPROVE FISCAL MONITORING OF AWARDS

The Department did not perform any fiscal monitoring of research projects awarded under the Fertilizer Research and Education Program.

During the audit period, the Department awarded almost \$700,000 in grants approved by the Fertilizer Research and Education Council (FREC) to universities to conduct fertilizer research. The Illinois Fertilizer Act of 1961 (5-5 ILCS 80/6a) requires the FREC to "monitor the progress of projects and report at least once each 6 months on each project's accomplishments to the Director and Board of Agricultural Advisors." Although the Department monitors research reports, there is no monitoring of fiscal activity. The Department does not require expenditure reports, nor do they review expenditures for propriety.

We recommended the Department require grantees to submit periodic expenditure reports, accounting for all funds expended and equipment purchased under the award. We also recommended the Department make advance payments only when necessary and in accordance with "An Act in Relation to State Finance" and that any remaining payments be based upon properly approved expenditure reports. (Finding 5, pages 15 & 16)

Department officials stated they will implement our recommendations, however, the Illinois Fertilizer Act does not require financial reporting, only reports of research progress. Future grant contracts will include provisions for financial reports to be submitted to the Department.

FAILURE TO INSPECT WEIGHTS AND MEASURING DEVICES EVERY TWELVE MONTHS

Weights and measuring devices were not being inspected every twelve months as required by

State law.

We noted that 23% (21,171 of 92,711) of weights and measuring devices did not receive an inspection within the required twelve month period during calendar year 1992. The Weights and Measures Act (225 ILCS 470/10) requires inspections every twelve months, or more frequently, if necessary.

The Department's failure to complete inspections could result in defective and/or inaccurate weights and measuring devices being used in trade or commerce.

Department officials indicated that weights and measuring devices are not all inspected within the twelve month timeframe because of insufficient staffing levels in some counties. There are currently 29 inspectors responsible for inspecting 92,711 weights and measuring devices. Further, revenues derived from the program do not cover the direct cost of inspections. The Department indicated that inspection fees during fiscal years 1992 and 1993 totalled \$690,173 and \$729,911, respectively, while the direct costs of the program were approximately \$1.2 million per year.

We recommended the Department allocate sufficient resources to inspect all weights and measuring devices annually as required by statute. (Finding 7, page 18)

Department officials concurred and stated they will implement this recommendation. They also stated that additional inspection personnel have been requested, but the Department has been unable to obtain funding. Efforts to obtain necessary funding will continue.

COMPLAINANTS FEES NOT PROPERLY ASSESSED

The Department does not charge complainants applicable fees and administrative costs for weights and measures inspections or motor fuel sampling when the complainant's position is refuted as required by State law.

The Weights and Measures Act (225 ILCS 470/40) states, "When an inspection is made upon a weighing or measuring device because of a complaint by a person other than the owner of such weighing or measuring device, and the device is found accurate as set forth in Section 8 of this Act, then the inspection fee shall be paid by the complainant." The Motor Fuel and Petroleum Standards Act (815 ILCS 370/5) states, "Administrative, sampling and laboratory testing costs shall be paid by the party to whose position with regard to the quality of the motor fuel subject thereto is refuted." Failure to charge fees required by this mandate results in uncollected revenues and noncompliance with statute. Department officials were unable to estimate the revenue lost due to the failure to charge appropriate fees.

The Department documented 103, 141, and 193 complaints for weights and measuring devices during calendar year 1991, and 1992, and through October, 1993, respectively. The Department documented 90 and 65 complaints for quality of motor fuel during fiscal year 1992 and 1993, respectively. Department officials indicated approximately 12% of weights and measuring device complaints and 23% of quality of motor fuel complaints are warranted or upheld during

the inspection process.

The Department has taken the position that the charging of fees to consumer complainants for refuted complaints hinders the Department from promoting the accuracy of weighing and measuring devices and the quality of motor fuel. Department officials contend that citizens will be discouraged from pursuing complaints if they are charged a fee. This could reduce the number of complaints and limit the Department's knowledge of potential violators.

We recommended the Department charge complainants applicable fees and administrative costs for weights and measures inspections and motor fuel sampling when the complainants' position is refuted as required by State law, or seek to have the statutory requirement amended. (Finding 8, page 19 & 20)

The Department agreed, in part, with our recommendation. Department officials indicated the recommendation concerns two different laws and they are attempting to modify both. The proposed modification to the Weights and Measures law will change the manner in which fees are assessed. An amendment to rescind the motor fuel fee was prepared, however, it was not introduced. This amendment will be submitted at a later date.

FAILURE TO IMPLEMENT THE GASOHOL FUELS TAX ABATEMENT ACT

The Department did not implement certain provisions of the Gasohol Fuels Tax Abatement Act (35 ILCS 125 *et seq.*).

The Act states, "Each distributor of motor fuel shall report to the Director the total amount of motor fuel sold in a calendar year and the amount of ethanol contained in the motor fuel. The report shall be made within 32 days of the expiration of the calendar year, in accordance with regulations adopted by the Department." Based on these reports, the Director shall certify the average percentage of ethanol used in motor fuel to the Director of the Department of Revenue. Based on these results, the gasohol sold in Illinois could be eligible for 70% of the occupation and use tax rate. The Department has not implemented any provisions of the Act.

Failure to implement this Act could reduce the incentive to encourage and expand the use of domestically produced ethanol in motor fuel. Department personnel stated they were unable to administer the Act due to limited financial resources.

We recommended the Department implement provisions of the Gasohol Fuels Tax Abatement Act. (Finding 10, page 23)

The Department officials concurred with our recommendation and indicated legislation will be proposed to facilitate the collection of this information and avoid duplication of efforts, since this information is also available from the Department of Revenue.

NEED TO IMPROVE RECORD KEEPING PRACTICES FOR LOCALLY HELD FUNDS

The Department's record keeping practices and internal controls used to administer several locally held funds were inadequate. Conditions noted included the following:

-Inadequate segregation of duties in the administration and processing of fiscal transactions through the Illinois Colt Stakes Fund. The fund's accountant processes all receipts and disbursements and reconciles the bank savings accounts. We also noted that the fund's checking account had not been reconciled since December 1992, and that incorrect quarterly "Reports of Receipts and Disbursements for Locally Held Funds" have been filed with the Comptroller's Office. Further, the savings account balances at June 30, 1992 and 1993 were in excess of the \$100,000 FDIC coverage which is in violation of the State Officers and Employees Money Disposition Act.

The Illinois Colt Stakes Fund is used to pay the purses for harness races promoted by the Department. The Department expended approximately \$682,000 and \$697,000 from the fund in fiscal years 1992 and 1993, respectively.

-Inadequate segregation of duties in the administration and processing of fiscal transactions through the Carcass Evaluation Fund. The fund's accountant performs incompatible duties including processing and recording all receipts and disbursements, reconciling the bank account and having access to the signature stamp to sign checks.

The Carcass Evaluation Fund was created to assist in controlling the sale of steer and burrow carcasses at the Illinois State Fair. After carcasses are judged at the Fair, they are sold at market price to a packing plant. The sale proceeds are deposited into the fund and distributed among carcass owners. The Department expended approximately \$150,000 from this fund both in fiscal year 1992 and 1993.

-Untimely posting of receipts and disbursements in the Department's accounting records for the Surety Bond Fund. We also noted errors in the quarterly reports which were filed with the Comptroller's Office.

The Surety Bond Fund is used to protect individuals who do not receive payment for their sales to livestock dealers, auctions or meat packers by collecting bond settlements through bonding agents and distributing them to claimants. The Department disbursed approximately \$530,000 and \$212,000 during fiscal year 1992 and 1993, respectively.

Department personnel stated these weaknesses were due to a lack of adequate staffing and training, as well as a failure to emphasize the importance of good record keeping practices.

We recommended the Department establish controls to ensure locally held funds and records are properly maintained and develop procedures to ensure an adequate segregation of duties. (Finding 15, pages 28 & 29)

Department officials concurred with our recommendation and stated a training program for custodians of locally held funds will be conducted in the near future.

OTHER FINDINGS

The remaining findings are less significant and are being given attention by the Department. We will review the Department's progress toward implementing our recommendations in our next audit. Responses to our findings and recommendations were provided by Mr. Michael Baise, Assistant Director.

AUDITORS' OPINION

Our auditors state that the June 30, 1993 and 1992 financial statements of the Department are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:BLB:jr

SUMMARY OF FINDINGS

Number of This Audit Prior Audit

Audit Findings 2213
Repeated Audit Findings 10 4
Recommendations Implemented
or not Repeated 3 6

SPECIAL ASSISTANT AUDITORS

Sikich, Gardner & Co. were our special assistant auditors for this audit.

ILLINOIS DEPARTMENT OF AGRICULTURE
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1993

EXPENDITURE STATISTICS	FY 1993	FY 1992	FY 1991
●Total Expenditures (All Funds)	\$52,759,286	\$55,008,635	\$58,348,860
<u>OPERATIONS TOTAL</u>	\$35,098,598	\$36,650,531	\$37,812,151
% of Total Expenditures	67%	67%	65%
Personal Services	\$17,382,345	\$18,877,304	\$19,309,635
% of Operations Expenditures	50%	51%	51%
Average No. of Employees	621	661	692
Other Payroll Costs (FICA, Retirement)			
% of Operations Expenditures	\$2,597,352 7%	\$2,404,497 7%	\$2,128,885 6%
Contractual Services	\$3,998,466	\$5,162,553	\$5,566,621
% of Operations Expenditures	11%	14%	15%
All Other Operations Items	\$11,120,435	\$10,206,177	\$10,807,010
% of Operations Expenditures	32%	28%	28%
<u>AWARDS & GRANTS, PERMANENT IMPROVEMENTS, & REFUNDS TOTAL</u>			
% of Total Expenditures	\$17,660,688 33%	\$18,358,104 33%	\$20,536,709 35%
●Cost of Property and Equipment	\$90,762,893	\$82,302,193	\$59,873,838

SELECTED ACTIVITY MEASURES	FY 1993	FY 1992	FY 1991
●Consumer Complaints Motor Fuel			
- Number of Complaints	65	90	Not Available
- Number of Valid Complaints	15	26	Not Available
SELECTED ACTIVITY MEASURES	CALENDAR 1993	CALENDAR 1992	CALENDAR 1991
●Consumer Complaints Weights & Measures			
- Number of Complaints	197*	141*	103
- Number of Valid Complaints	15*	26	10

* (through 10/22/93)

AGENCY DIRECTOR(S)
During Audit Period: Ms. Becky Doyle Currently: Ms. Becky Doyle