

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, 1995**

SYNOPSIS

- The Department circumvented appropriation restrictions by transferring administrative services employees to unrelated divisional appropriations at the end of fiscal year 1994. The Department did not have a consistent methodology for charging costs such as postage, telecommunications, travel, and operations of automobiles among line items.
- The Department did not deposit all federal indirect cost reimbursements to the fund from which the original expenditures were made.
- The Department made unnecessary advance payments for projects under the Fertilizer Research and Education Program without substantive reason.
- The Department did not inspect 22% of weight and measuring devices within the twelve month period of 1994 as required by law.
- The Department's internal controls used to administer locally held funds were inadequate.
- The Department was not charging sufficient fees to cover the costs of holiday, weekend, and overtime inspections of meat and poultry.

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

INTRODUCTION

This audit contains 18 findings of which 14 are repeated from the last audit or previous audits. The repeated findings are substantially the same as, or involve circumstances similar to, those of prior audits. The more significant findings are highlighted below.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CIRCUMVENTION OF APPROPRIATION RESTRICTIONS

The Department circumvented appropriation restrictions by transferring administrative services employees to unrelated divisional appropriations at the end of fiscal year 1994. Twenty seven (27) people working for the Division of Administration were paid \$33,326 from appropriations for the Division of Fairs and Horseracing.

The Department indicated that these transfers were necessary to avoid layoffs due to decreased funding in certain areas.

We recommended the Department better plan future staffing levels and expend funds only for the purposes for which they were appropriated. (Finding #2, page 12) **This finding has been repeated since 1991.**

The Department did not concur with this recommendation, which is not consistent with prior responses. (For previous Agency responses, see Digest Footnote #1.)

We also noted the Department was not following appropriate procedures for charging State costs among line items. The Department did not have a documented methodology or a consistent practice for charging postage, telecommunications, travel, operation of automobile, and personal service expenditures.

The Department indicated that cash flow problems in federal funds and the Department's reorganization were responsible for these problems.

We recommended that the Department develop a cost allocation plan to be used in charging expenditures. (Finding #1, page 11) **This finding has been repeated since 1993.**

The Department did not concur with this finding, which is not consistent with their prior response. (For the previous Agency response, see Digest Footnote #1).

INDIRECT COST REIMBURSEMENTS NOT DEPOSITED INTO PROPER FUND

The Department did not deposit all federal indirect cost reimbursements to the fund from which the original expenditures were made. We noted that \$51,710 of indirect costs for federal EPA grants were deposited into the Agriculture Pesticide Control Act Fund, and \$3,227 of indirect costs for the Brucellosis Program were deposited into the Agriculture Federal Projects Fund. Both these amounts should have been deposited into the General Revenue Fund.

We recommended the Department deposit all future federal indirect cost reimbursements into the fund from which the original expenditures were made. (Finding #4, page 16) **This finding has been repeated since 1991.**

The Department concurred. (For previous Agency responses, see Digest footnote #2.)

UNNECESSARY ADVANCE PAYMENTS OF AWARDS AND GRANTS

The Department made advance payments for all research projects awarded under the Fertilizer Research and Education Program without substantive reason. During the audit period, the Department awarded over \$730,000 to universities for research projects approved by the Fertilizer Research and Education Council. As a result, the recipients had full use of funds before incurring any significant expenditures.

We recommended the Department make advance payments only when necessary and only in accordance with the State Finance Act. (Finding #5, page 18)

The Department did not concur and cited a letter from the University of Illinois which stated that as a matter of policy the University of Illinois requests full funding in advance for research activities. However, we note that as the administrator, the Department is required to comply with all legal provisions applicable to grants and this requirement is not mitigated or eliminated by the stated preferences of any grant recipient.

ALL WEIGHTS AND MEASURES NOT INSPECTED ANNUALLY

Weights and measuring devices are not being inspected every twelve months as required by law. Over 22% (21,723) of the 98,038 weights and measuring devices used in trade or business were not inspected within the required twelve month period during calendar year 1994. These devices included, but were not limited to: gas pumps, grocery store scales, hardware store scales, feed and grain scales, drug measuring scales, vehicle scales, and State Police scales.

The Department cited insufficient staffing and funding levels as the cause. Revenues derived from the program in fiscal years 1994 and 1995, \$621,605 and \$808,658 respectively, did not cover its direct costs of approximately \$1.4 million. The Department established a Weights and Measures Fund in which inspection fees were deposited starting in October, 1994. In fiscal year 1996, appropriations will be obtained from this new fund to finance the operations of the program. The Department also hopes to increase inspection fees to help off-set program costs.

We recommended the Department allocate sufficient resources to inspect all weights and measuring devices annually as required by statute. (Finding #9, page 23) **This finding has been repeated since 1987.**

The Department concurred, stating it will attempt to implement the recommendation by seeking additional resources. (For previous Agency responses, see Digest footnote #3.)

INADEQUATE CONTROLS OVER LOCALLY HELD FUNDS

Internal controls used to administer locally held funds were not adequate. These included:

- **THE CARCASS EVALUATION FUND.** This fund was created to assist in controlling the sale of steer and burrow carcasses at the Illinois State Fair. After carcasses are judged, they are sold to a packing plant. Sale proceeds are deposited into the fund and distributed to carcass owners. About \$152,000 and \$142,000 was expended from the fund in fiscal years 1995 and 1994, respectively.

We noted inadequate segregation of duties in the administration and processing of fiscal transaction through the fund. The fund's accountant performed incompatible duties including processing and recording all receipts and disbursements and reconciling bank accounts. The accountant also had access to the check signature stamp. We further noted that bank reconciliations were not documented. The cash balance at June 30, 1995 did not reconcile to the bank balance by \$1,338.

- **ILLINOIS COLT STAKES FUND.** This fund is used to pay purses for harness races promoted by the Department. Revenues of about \$575,000 and \$705,000 in fiscal years 1994 and 1995, respectively, were generated through non-refundable nominating, sustaining, and starting fees for these races.

The savings account bank balances of the Fund were \$199,829 and \$167,943 at June 30, 1994 and 1995, respectively. This was in excess of FDIC coverage of \$100,000, which is a violation of the State Officers and Employees Money Disposition Act.

We recommended the Department establish controls to ensure adequate segregation of duties for locally held funds and develop procedures to ensure these funds are properly collateralized. (Finding #13, page 29)

The Department concurred, stating it had placed the Illinois Colts Stake Fund in the Illinois Public Treasures Investment Pool and is studying methods to implement the recommendation concerning the Carcass Evaluation Fund.

CERTAIN MEAT INSPECTION COSTS NOT CHARGED

The Department is not charging meat and poultry processing establishments a fee sufficient to cover costs incurred for holiday, weekend and overtime inspections. Department administrative rules specify hourly fees of \$4 to \$6 per hour less than direct labor costs. Over the audit period, this amounted to approximately \$6,600.

We recommended the Department amend its administrative rules to charge sufficient fees for meat inspections on holidays, weekends, and overtime. (Finding #16, page 34)

The Department concurred, stating it is in the process of increasing fees.

OTHER FINDINGS

The remaining findings are less significant and are being addressed 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 Director Doyle.

AUDITORS' OPINION

Our auditors state the June 30, 1994 and 1995 financial statements of the Department are fairly presented.

_____ WILLIAM G. HOLLAND, Auditor General

WGH:KMC:pp

SUMMARY OF FINDINGS

Number of This Audit Prior Audit

Audit Findings 1822

Repeated Audit Findings 1410

Recommendations Implemented
or not repeated 8 3

SPECIAL ASSISTANT AUDITORS

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

DIGEST FOOTNOTES

#1: CIRCUMVENTION OF APPROPRIATION RESTRICTIONS-PREVIOUS AGENCY RESPONSES.

Administrative Transfers

1993:"The Department will implement the recommendation."

1991:"The Department will comply with the recommendation. However, it should be noted that these personnel transfers were within the purposes of the appropriations involved."

Allocation Plan

1993:"The Department will implement the recommendation. Over the past two fiscal years, the agency has undergone a major reorganization. Various organization units were moved or combined with other units which did not match the structure in the appropriations passed by the General Assembly. In addition, personnel were physically moved, which created difficulty in tracking telephones, vehicles, and other support costs to the proper appropriations. The current budget request is structured to match the new organization chart."

#2: INDIRECT COST REIMBURSEMENTS NOT DEPOSITED INTO PROPER FUND - PREVIOUS AGENCY RESPONSES.

1993:"The Department concurs and will implement this recommendation in the future. However, past deposits were made to partially recover less than 100% reimbursement of direct cost. Retroactive reimbursement is therefore 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 costs have been recovered."

1991: "The Department has implemented the recommendation."

#3: ALL WEIGHTS AND MEASURES NOT INSPECTED ANNUALLY - Previous Agency Responses.

1993:"The Department concurs and will attempt to implement this recommendation. Additional inspection personnel have been requested but the Department has been unable to obtain funding from the General Assembly. Efforts to obtain necessary funding will continue."

1991:"The Department has requested additional inspection personnel, but has been unable to obtain funding from the General Assembly. The statute is currently being reviewed to determine whether or not the twelve month requirement can be changed."

1989:"The Department has requested adequate personnel to perform the required inspections in each annual budget cycle. Where practical, geographic reassignments are being done on a temporary basis."

1987:"The Division's ability to meet its mandate of inspecting all weighing and measuring devices every twelve months has been hampered by a reduction of 28% of its manpower over the past eight years. Productivity gains have been more that offset by this loss of headcount. The Division has and will continue to temporarily assign inspectors outside their geographical area to meet the statutory mandate. However, a shortage of travel budget limits how much reassigning can be done."

**DEPARTMENT OF AGRICULTURE
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1995**

EXPENDITURE STATISTICS	FY 1995	FY 1994	FY 1993
●Total Expenditures (All Funds)	\$58,787,959	\$54,415,186	\$52,759,285
<u>OPERATIONS TOTAL</u> % of Total Expenditures	\$40,386,172 69%	\$36,630,436 67%	\$35,098,598 67%
Personal Services % of Operations Expenditures Average No. of Employees	\$19,665,392 49% 629	\$18,768,827 51% 617	\$17,382,345 50% 621
Other Payroll Costs (FICA, Retirement) % of Operations Expenditures	\$3,472,688 8%	\$3,184,193 9%	\$3,005,325 9%
Contractual Services % of Operations Expenditures	\$3,900,159 10%	\$4,045,582 11%	\$3,998,465 11%
Lump Sums & Other Purposes % of Operations Expenditures	\$10,363,458 26%	\$7,928,202 22%	\$8,251,291 23%
All Other Operations Items % of Operations Expenditures	\$2,984,475 7%	\$2,703,632 7%	\$2,461,172 7%
<u>GRANTS, PERMANENT IMPROVEMENTS, REFUNDS - TOTAL</u> % of Total Expenditures	\$18,401,787 31%	\$17,784,750 33%	\$17,660,687 33%
●Cost of Property and Equipment	\$113,727,720	\$105,735,564	\$90,762,893
SELECTED ACTIVITY MEASURES	Calendar 1995	Calendar 1994	Calendar 1993
●Consumer Complaints - Weights & Measures			
Number of complaints	105*	114	197
Number of valid complaints	8*	10	15
* (through 11/8/95)			
	FY 1995	FY 1994	FY 1993
●Consumer Complaints - Motor Fuel			
Number of complaints	137	144	65
Number of valid complaints	20	18	15
AGENCY DIRECTOR(S)			
During Audit Period: Ms. Becky Doyle Currently: Ms. Becky Doyle			