

REPORT DIGEST

**DEPARTMENT OF COMMERCE AND COMMUNITY AFFAIRS
FINANCIAL AND COMPLIANCE AUDIT
(In Accordance with the Federal Single Audit Act of
1984 and OMB Circular A-128)
FOR THE TWO YEARS ENDED JUNE 30, 1992**

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE MANDATES

Various State mandates have not been fully addressed by the Department, causing noncompliance with State laws and reporting requirements. We selected a sample of the State mandated duties and responsibilities applicable to the Department to test for compliance. Although in certain instances the Department has made efforts to implement some of the statutory requirements, the Department has not complied with many of its State mandates.

We noted compliance deficiencies in each of the following mandates:

- The requirement for the Department to study housing needs and distribute information related to housing.
- The Department's mandate to establish an Office of Coal Commerce to assist potential developers and purchasers of Illinois coal.
- The Department's duty to administer a program designating qualified enterprises as "centennial businesses".
- The requirement for the Department to administer an Illinois Network for Opportunity Program and to publish a list of new patents issued to Illinois residents.
- The duty to help recruit volunteers to provide training and assistance for the management and operation of public housing.

We recommended that the Department take the necessary steps, such as reallocating resources, to comply with statutory mandates or request that the mandates be rescinded or reassigned to another more appropriate State agency. (Finding 2, page 10)

Department officials agreed with our finding and stated that on several occasions they have tried to recommend legislation to either fund or rescind various statutory provisions but have been unsuccessful. They further responded that where funding is the issue, the funds necessary are far in excess of any possible amount they can reallocate from other areas.

TOURISM AWARDS INADEQUATELY MONITORED

The Department did not adequately monitor State funds awarded through the Tourism Attraction Loan and Grant Program (Program). Under this Program loans and grants are awarded to municipalities, not-for-profit local promotion groups, and for-profit businesses to develop and improve Illinois tourist attractions. During fiscal years 1991 and 1992, \$768,175 and \$571,868, respectively, of Program funds were awarded. None of the six recipient files we examined contained evidence documenting either the performance of on-site project reviews by the Department or the submission of any type of project performance or financial report by the recipients. The lack of monitoring appears to be due to insufficient allocation of staff and

resources to this process. Good internal controls require the Department to periodically monitor all funded projects to ensure State funds are being properly spent. (Finding 5, page 15)

Department officials agreed with our recommendation to develop monitoring procedures. They stated that Program grant agreements now require quarterly performance and fiscal reports and that on-site monitoring is required upon project completion.

OTHER FINDINGS

The remaining findings are less significant and have been given appropriate attention by the Department. We will review progress towards the implementation of our recommendations in our next audit.

Ms. Nancy Hilger, Chief Internal Auditor, provided the Department's responses.

AUDITORS' OPINION

Our auditors state the Department's financial statements as of June 30, 1992 and 1991 are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:KMA:pp

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	10	16
Repeated audit findings	3	5
Prior recommendations implemented or not repeated	13	28

SPECIAL ASSISTANT AUDITORS

KPMG Peat Marwick were our special assistant auditors for this audit.