



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF NATURAL RESOURCES

**Financial Audit of Capital Asset Account
 For the Year Ended June 30, 2014
 Compliance Examination
 For the Two Years Ended June 30, 2014**

Release Date: June 30, 2015

FINDINGS THIS AUDIT: 16	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	2012		14-11, 14-14, 14-15	
Category 2:	9	6	15	2010		14-6	
Category 3:	0	0	0	2008		14-5	
TOTAL	10	6	16	2006		14-4	
FINDINGS LAST AUDIT: 13							

SYNOPSIS

- **(14-1)** The Department did not ensure adequate controls were in place over operations of its World Shooting and Recreation Complex.
- **(14-2)** The Department failed to assess and collect fees for certain environmental consultations performed, resulting in over \$500,000 in lost revenues.
- **(14-3)** The Department did not issue Off-Highway Vehicle Usage Stamps and collect related fees as required.
- **(14-4)** The Department did not monitor and enforce concessionaire lease agreements.
- **(14-5)** Bank reconciliations at Department sites were not properly prepared and reviewed.

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 NATURAL RESOURCES
FINANCIAL AUDIT OF CAPITAL ASSET ACCOUNT for the Year Ended June 30, 2014
COMPLIANCE EXAMINATION for the Two Years Ended June 30, 2014

EXPENDITURE STATISTICS	2014	2013	2012
Total Appropriated Expenditures.....	\$ 265,268,507	\$ 229,927,241	\$ 210,039,314
OPERATIONS TOTAL.....	\$ 200,452,520	\$ 174,194,403	\$ 167,136,077
% of Total Expenditures.....	75.6%	75.8%	79.6%
Personal Services.....	69,748,081	65,412,715	68,095,524
Other Payroll Costs (FICA, Retirement).....	31,105,751	28,067,452	26,570,975
All Other Operating Expenditures.....	99,598,688	80,714,236	72,469,578
AWARDS AND GRANTS.....	\$ 43,439,809	\$ 40,995,785	\$ 33,445,234
% of Total Expenditures.....	16.4%	17.8%	15.9%
HIGHWAY/WATERWAY CONSTRUCTION.....	\$ 7,059,795	\$ 3,694,848	\$ 2,076,529
% of Total Expenditures.....	2.6%	1.6%	1.0%
REFUNDS.....	\$ 266,885	\$ 362,391	\$ 532,619
% of Total Expenditures.....	0.1%	0.2%	0.2%
PERMANENT IMPROVEMENTS.....	\$ 14,049,498	\$ 10,679,814	\$ 6,848,855
% of Total Expenditures.....	5.3%	4.6%	3.3%
Total Non-Appropriated Expenditures.....	\$ 13,532,893	\$ 14,268,155	\$ 13,771,894
Total Receipts.....	\$ 135,504,000	\$ 120,547,000	\$ 132,721,000
Average Number of Employees (not examined)....	1,353	1,234	1,339

SELECTED ACTIVITY MEASURES (Not Examined)	2014	2013	2012
Site Attendance.....	39,511,182	40,058,032	40,603,635
Protected Natural Area Acreage.....	106,741	104,815	99,866
Hunting Licenses Issued.....	197,625	197,085	188,576
Fishing Licenses Issued.....	567,577	530,335	627,201

AGENCY DIRECTOR	
During Examination Period:	Mr. Marc Miller (through 1/19/2015)
Currently:	Mr. Wayne Rosenthal (effective 1/20/2015)

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER WORLD
SHOOTING AND RECREATION COMPLEX
OPERATIONS**

The Department did not exercise adequate controls over operations of its World Shooting and Recreation Complex (WSRC) in Sparta, Illinois. The Department opened the WSRC in 2006, and it consists of over 1,500 acres of land devoted to shooting and outdoor recreation, including 1,000 camp sites, areas for trap, skeet, and sporting clay shooting, a cowboy action/pistol berm, a vendor mall, and an event center. Some of the conditions we noted follow:

No operations manual or procedures to guide operations

- The Department has not established an operations manual, administrative rules, or procedures to govern operations of the WSRC. While certain Department-wide procedures and rules guide some of the WSRC's operations and functions, such as camping and equipment, the Department has not established guidance for the operational areas that are specific to the WSRC, such as event rentals, operations of the various shooting areas, handling of Department-owned firearms, and responsibility and recordkeeping for sponsorships and in-kind items received.

No records maintained for in-kind items received

- The WSRC receives a number of in-kind items, such as certificates for firearms and ammunition, from sponsors for events. These items are then distributed as prizes for participants in certain shooting events. However, there are no records maintained for items received and/or distributed. As such, we could not determine to whom those items were distributed and if any items were lost or stolen.

Inadequate controls over contractual employees

- The Department did not exercise appropriate control over contractual employees. Two contractual employees who also operate a shooting event promotion company were permitted to work 112 hours on State time while setting up and conducting a shooting event held at the WSRC that also benefitted their private business. (Finding 1, pages 14-21)

We recommended the Department establish an operations manual for the specific operations of the WSRC. The handbook should specifically address the terms of the Facility Use Agreements, event rentals, operations of the various shooting areas, handling of Department-owned firearms, and responsibility and recordkeeping for sponsorships and in-kind items received. In addition, we recommended the Department strengthen controls over contractual employees and ensure they only work time scheduled or approved by their immediate supervisor. We also recommended the Department ensure

campground hosts are performing their duties as agreed upon with the Department and adequately display signage near campground hosts' campers.

Department agrees with auditors

The Department agreed with the issues noted in the finding and reported they have undertaken efforts to improve the WSRC's management and operations.

FAILURE TO COLLECT ENVIRONMENTAL CONSULTATION FEES

Did not collect \$500 fee for environmental consultations performed

The Department did not assess and collect fees for certain environmental consultations performed as required. The Department of Natural Resources (Conservation) Law (20 ILCS 805/805-555(b)) requires the Department to assess a \$500 fee for consultations conducted pursuant to the Illinois Endangered Species Protection Act (520 ILCS 10/11) and the Illinois Natural Areas Preservation Act (525 ILCS 30/17), effective January 1, 2013.

Over \$500,000 in revenue not billed or collected

We noted the Department did not collect the \$500 fee for consultations of this type performed during the examination period. Between July 5, 2013 and March 17, 2014, the Department performed 1,019 consultations of this type. As a result, the Department did not bill for or collect over \$500,000 in revenue to which it was entitled. (Finding 2, page 22)

We recommended the Department proceed with assessing and collecting fees for environmental consultations as required, or seek legislative remedy.

Department agrees with auditors

The Department agreed with the condition noted and reported they began collecting the consultation fees in October 2014.

FAILURE TO ISSUE OFF-HIGHWAY VEHICLE USAGE STAMPS

Failure to issue Off-Highway Vehicle Usage Stamps

The Department failed to issue Off-Highway Vehicle Usage Stamps and collect related monies as required by the Recreational Trails of Illinois Act (Act).

The Act (20 ILCS 862/26) states no person shall, on or after July 1, 2013, operate any off-highway vehicle within the State unless the off-highway vehicle has attached an Off-Highway Vehicle Usage Stamp purchased and displayed in accordance with the provisions of this Act. The Act further states the Department shall charge a fee per stamp and the proceeds from stamp sales shall be deposited into the Conservation Police Operations Assistance Fund and the Park and Conservation Fund. During testing, we noted the Department failed to begin selling Off-Highway Vehicle Usage Stamps and collecting related monies. (Finding 3, page 23)

We recommended the Department issue Off-Highway Vehicle Usage Stamps and collect the related fee as required by State statute or seek legislative remedy.

Department agrees with auditors

The Department agreed with the condition noted and reported they are working on a State recreation venue for off-highway vehicle usage but they have agreed to not issue Off-Highway Vehicle Usage Stamps until the State provides an off-road park for such vehicles to use.

FAILURE TO ENFORCE CONCESSIONAIRE LEASE AGREEMENTS

Concessionaires located at State parks

The Department failed to monitor and enforce concessionaire lease agreements regarding rental and reserve payments. During the examination period, the Department had approximately 70 concessionaires located at State parks throughout Illinois. The Department's concession coordinators are responsible for negotiating and enforcing lease terms, overseeing the site, approving rates charged, and collecting rental payments. The Department received rental fees from concessionaires totaling \$795,525 and \$799,913 during Fiscal Years 2014 and 2013, respectively.

Rental payments remitted late

During our sample testing of 10 concession and lease agreements, we noted 20 (54%) rental payments were remitted to the Department in an untimely manner, ranging from 1 to 145 days late.

In addition, for the largest four concessionaires as measured by rental payments/deposits, we noted all four did not properly adhere to the terms and conditions stated in their lease agreement. Some of the noncompliance issues we noted follow:

Concessionaire reserve deposit slips remitted late

- Three of the four concessionaires did not submit reserve deposit slips in a timely manner, ranging from 1 to 211 days late.
- Three of the four concessionaires' reserve deposit slips did not have a date stamp. As a result, we were unable to determine if the reserve deposit slips were remitted timely.

Concessionaire financial information remitted late

- One concessionaire's file was missing various deliverables required to be submitted to the Department, such as schedules of gross revenue and reconciliations of gross revenues to revenue reports. In addition, this concessionaire submitted other deliverables, such as profit and loss statements, budgeting documents, marketing plans, and cash flow analysis, untimely. (Finding 4, pages 24-26) **This finding has been repeated since 2006.**

We recommended the Department ensure adequate controls are in place to ensure concessionaires are in compliance with contracts and lease agreements.

Department agrees with auditors

The Department agreed with the finding and reported they are implementing follow up procedures to ensure lessees provide all required information. *(For the previous Department response, see Digest Footnote #1.)*

INADEQUATE CONTROLS OVER BANK RECONCILIATIONS

The Department did not properly prepare and review bank reconciliations at Department sites selected for testing. Some of the issues we noted follow:

Bank reconciliations not performed

- 36 of 169 (21%) monthly bank reconciliations were not performed.

Bank reconciliations not reviewed

- 24 of 169 (14%) monthly bank reconciliations did not include a signature indicating review and approval by a second individual.

No check register maintained

- One of eight (13%) sites tested did not maintain a check register for its local revenue account; therefore, we could not trace the book balance used on the reconciliation to any supporting documentation.

Bank reconciliations could not be located

- Bank statements could not be located for 7 of 169 (4%) monthly bank reconciliations; therefore, accuracy of the bank reconciliations could not be verified. (Finding 5, pages 27-29) **This finding has been repeated since 2008.**

We recommended the Department review its existing policies and procedures to ensure all reconciliations are performed timely and properly while maintaining an adequate segregation of duties. Further, we recommended the Department ensure sites are following Department policy and remitting revenue to Central Office on a timely basis.

Department agrees with auditors

The Department agreed with the finding and reported they have issued updated procedures addressing local revenue and petty cash accounts, as well as revenue transmittal and deposits, including their timing. *(For the previous Department response, see Digest Footnote #2.)*

OTHER FINDINGS

We noted other findings during our examination pertaining to 1) inadequate controls over equipment and fuel reconciliations, 2) internal audit deficiencies, 3) inadequate controls over the purchase, recording and reporting of State

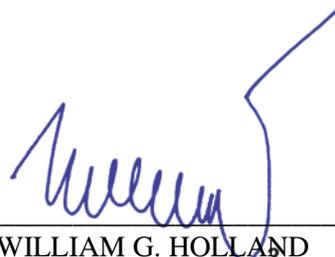
property, 4) weaknesses in accounts receivable and related reporting, 5) untimely voucher approvals, 6) noncompliance with mandated duties, 7) inadequate control over employee attendance records and personnel functions, 8) inadequate control over employees' accrual and use of overtime, 9) lack of contingency planning or testing to ensure recovery of computer systems, 10) weaknesses regarding the security and control of confidential information, and 11) inaccurate GAAP reporting. We will review the Department's progress toward implementation of our recommendations during our next regularly scheduled compliance examination.

AUDITOR'S OPINION

Our auditors stated at June 30, 2014, the Department of Natural Resources' Schedule of Capital Assets was fairly presented.

ACCOUNTANT'S OPINION

The auditors conducted a State compliance examination of the Department for the two years ended June 30, 2014, as required by the Illinois State Auditing Act. The accountant's report does not contain any scope limitations or disclaimers, but does contain a qualified opinion on compliance and material weaknesses over internal control

A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line. The signature is stylized and extends upwards and to the right.

WILLIAM G. HOLLAND
Auditor General

WGH:cmd

AUDITORS ASSIGNED

This audit was performed by the Office of the Auditor General's staff.

DIGEST FOOTNOTES

#1 – Failure to enforce concessionaire lease agreements – Previous Agency Response

2012 – The Agency agrees that Concession practices can be tightened. The Agency is taking administrative steps toward a more focused response to late payments by concessionaires and other lessees. A revised policy will simplify and increase the efficiency of the process for collection of outstanding payments and other deliverables by establishing clear threshold time frames for a several step process designed to subject non-paying lessees to legal processes for collection and eviction. The Agency will also review boilerplate lease agreement language for revisions requiring additional penalties if payments are late. However, the decision whether to seek termination remains with the Agency as it balances the need to provide uninterrupted services to the public and ensure reliable entities are lessees of Agency property and facilities.

#2 – Inadequate controls over bank reconciliations – Previous Agency Response

2012 – The Agency agrees that bank reconciliation for State Park accounts have inadequate controls. The Office of Land Management is in the process of employing an account technician for the purpose of maintaining all aspects of the camping program including reconciliations of revenue and petty cash accounts, deposits and permits; as well as monitoring completion of sold permit forms.