



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

HISTORIC PRESERVATION AGENCY

COMPLIANCE EXAMINATION
For the Two Years Ended: June 30, 2010

Release Date: July 14, 2011

Summary of Findings:

Total this audit:	17
Total last audit:	15
Repeated from last audit:	11

SYNOPSIS

- The Agency did not exercise adequate controls over its administration of State grants.
- The Agency did not have adequate controls over donations received at its historic sites.
- The Agency did not maintain adequate controls over artifacts and its concession leases.
- The Agency did not exercise adequate controls over contractual and interagency agreements.
- The Agency did not complete and file its internal control certifications as required.

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

**HISTORIC PRESERVATION AGENCY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010**

EXPENDITURE STATISTICS	2010	2009	2008
Total Expenditures.....	\$ 20,403,402	\$ 25,216,798	\$ 28,038,287
OPERATIONS TOTAL.....	\$ 10,573,220	\$ 11,471,879	\$ 13,285,930
% of Total Expenditures.....	51.8%	45.5%	47.4%
Personal Services.....	9,732,877	7,147,279	8,811,867
Other Payroll Costs (FICA, Retirement).....	838,937	2,132,402	2,204,394
All Other Operating Expenditures.....	1,406	2,192,198	2,269,669
AWARDS AND GRANTS/LUMP SUMS.....	\$ 9,830,182	\$ 13,737,494	\$ 14,655,697
% of Total Expenditures.....	48.2%	54.5%	52.3%
PERMANENT IMPROVEMENTS.....	\$ -	\$ 7,425	\$ 96,660
% of Total Expenditures.....	0.0%	0.0%	0.3%
Total Receipts.....	\$ 8,638,672	\$ 4,519,237	\$ 4,662,486
Average Number of Employees.....	196	207	242

SELECTED ACTIVITY MEASURES (Not Examined)	2010	2009	2008
Visitors to Sites:			
All State-owned Historical Sites	2,190,649	2,075,608	2,206,587
Abraham Lincoln Presidential Library	47,270	65,486	66,647
Abraham Lincoln Museum Attendance	356,009	390,157	388,997
Lincoln's New Salem	415,154	410,839	430,111
Cahokia Mounds	327,371	274,590	311,044
Lincoln's Tomb	299,858	341,220	336,322
Old State Capitol/Lincoln Herndon	182,223	162,788	139,699
IL Vietnam Veterans Memorial	200,701	253,640	213,584
Black Hawk	132,085	98,924	124,974
Galena Complex	102,334	76,003	113,470

AGENCY DIRECTOR
During Examination Period: Janet Grimes
Currently: Janet Grimes

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

NEED TO IMPROVE CONTROLS OVER GRANTS

The Agency did not exercise adequate controls over its administration of State grants.

We noted the following:

Grant agreements did not require unexpended funds to be returned to the State

- Six of 8 (75%) grant agreements tested, totaling \$322,500, did not contain a provision requiring all funds unexpended at the end of the grant agreement period to be returned to the State within 45 days.

Grant agreements did not contain detailed financial budgets

- Seven of 8 (88%) grant agreements tested, totaling \$334,166, did not include detailed financial budgets or other detailed information regarding the use of the grant funds.

Agency paid both the State and local share of a grant

- The Agency paid both the State and local share totaling \$9,672 for a grant to a county for educational brochures related to the county's historic preservation program. Although the original State grant amount and obligation document totaled \$14,000 with a local match totaling \$6,000, documentation showed the Agency notified the county that the award was reduced to \$7,000 due to limited State funding. However, the Agency then paid the entire project costs totaling \$9,672, resulting in an overpayment of \$2,672.

Grant agreements did not require quarterly reports

- Three of 8 (38%) grant agreements tested, totaling \$297,500, did not contain a provision requiring the filing of quarterly reports describing the progress of the program, project, or use and the expenditure of grant funds.

Monthly and completion reports were not provided

- For 3 of 8 (38%) grants agreements tested, totaling \$33,666, the grantees failed to submit required monthly and completion reports. Two of the grantees failed to provide 6 of their monthly reports, and one of the grantees did not provide any monthly reports. In addition, no completion reports were provided by the grantees.

(Finding 1, pages 12-13) **This finding was first reported in 2008.**

We recommended the Agency implement controls to ensure grant agreements contain provisions necessary to properly administer State grant funds, including, at a minimum, those required by the Illinois Grant Funds Recovery Act. In addition, we recommended the Agency implement controls to ensure Agency grant monitors require grantees to submit required reports timely to ensure grant funds are being expended as intended. We also recommended the Agency obtain reimbursement for the overpayment noted.

Agency concurs with the recommendation

Agency officials concurred with our recommendation and stated they will insure all necessary provisions are included in the Agency's grant agreements and they will stress to grantees the importance of submitting accurate and timely reports. (For the previous Agency responses, see Digest footnote # 1).

NEED TO IMPROVE CONTROLS OVER DONATIONS

The Agency did not have adequate controls over donations received at its historic sites.

According to Agency records, 23 State historic sites maintain locked boxes designated for visitors to make donations. Each site maintains a local bank account for depositing the donated funds.

According to Agency records, the donation boxes collections totaled \$491,503 and \$429,313 in FY10 and FY09, respectively. We reviewed donation procedures at 4 sites throughout the State.

During testing, we noted the following:

- One of 4 (25%) historic sites tested had employees that were not aware of the donation procedures required by the Agency and several deficiencies were noted:
 - Two employees had keys to the donation box, and one of the employees kept their key in a drawer at the front desk of the visitor's center so the seasonal employee could open the box to make change when necessary. The Agency's

Key to donation box was left in a drawer

procedures require keys to be kept in a secured lock box at all times.

Deposits were not made when donations totaled over \$500

- We scanned donation records for two months and noted three instances where deposits were not made when donations totaled over \$500. We noted weekly deposits were made for 3 weeks that totaled \$1,343, \$1,763, and \$2,229.

Duties were not segregated

- Two of 4 (50%) historical sites tested did not maintain an adequate segregation of duties. At both sites that employed more than one person, the same employee counted the cash donations, prepared the deposit, and received and reconciled the bank statement. In addition, at one site, the same employee also delivered the deposit and prepared the check for deposit into the State Treasury.

Donations were not removed and recorded daily

- One of 4 (25%) historic sites tested did not remove the donations from the donation boxes daily and record them as required. The staff generally collected, counted, and recorded the donation box receipts every few days or once a week. We noted 12 instances where weekly instead of daily totals totaling from \$728 to \$3,664 were recorded on the weekly donation form.

Weekly deposits were not made

- One of 4 (25%) historic sites tested did not make weekly deposits as required. The site manager generally made only monthly deposits as there were no instances when donations recorded exceeded \$500.

We recommended the Agency ensure all historic sites are following the Act's and Agency's requirements for donations and maintain a separation of duties when possible. (Finding 2, page 14-15)

We recommended the Agency ensure all historic sites are following the Act's and Agency's requirements for donations and maintain a separation of duties when possible

Agency partially concurs with the recommendation

Agency officials partially concurred with our recommendation and stated they agree that the keys at the site noted should be better secured and that they need to adequately segregate duties; however, it is only suggested, not required, to remove donations daily as per their procedures, and by law funds must only be

forwarded to the Agency weekly on Monday once they exceed \$500.

Auditors' comment

In an auditors' comment, we noted the Agency's written procedures for donations state "Money should be counted daily or, if receipts are small, at least weekly, and corresponding records are to be maintained." The instances we noted where daily records were not maintained included cash totals from \$728 to \$3,664 which we did not consider small. We agree the Act requires transmitting funds to the Agency for deposit in the State Treasurer on Monday of each week if the amount to be deposited exceeds \$500. However, the Agency's written procedures require deposits to be made at least weekly to the local bank accounts. The site noted was generally only making monthly deposits.

NEED TO IMPROVE CONTROLS OVER ARTIFACTS AND CONCESSION LEASES

The Agency did not maintain adequate controls over artifacts and its concession leases.

During site visit testing, we noted the following:

Artifacts could not be located

- Six of 30 (20%) artifacts tested from the artifact inventory listing could not be located during testing.

Concession lease agreements were expired

- Two of 4 (50%) historical sites tested had lease agreements with the Foundations for the sites' concessions operations that had been expired for 6 months and 22 months as of June 30, 2010.

Donation reports and insurance binder were not provided

- One of 4 (25%) historical sites tested was unable to provide documentation required by the concession lease. The quarterly donation reports and a copy of the insurance binder were not provided to the auditors for review. (Finding 3, pages 16-17)

We recommended the Agency implement controls to ensure its artifact inventory records are accurate. We also recommended the Agency ensure all concession leases are current and ensure documentation is maintained of all required reports and insurance.

Agency concurs with the recommendation

Agency officials concurred with our recommendation and stated they will reinforce procedures related to artifact inventories and they will bring all of their lease agreements current as soon as possible.

NEED TO IMPROVE CONTROLS OVER CONTRACTUAL AGREEMENTS

The Agency did not exercise adequate controls over contractual and interagency agreements.

During testing, we noted the following:

Contracts did not contain ethical certifications

- Seven of 10 (70%) contracts tested did not contain the ethical certifications regarding compliance with the Environmental Protection Act and the required registration with the State Board of Elections.

Incorrect award code information

- The associated Contract Obligation Documents (CODs) for 3 of 10 (30%) contracts tested contained incorrect award code information. Two CODs were coded as small purchases and one COD was coded as a sole source procurement when the contracts were competitively bid. In addition, the beginning date for services on one of the CODs did not agree to the contract execution date.

Award notice information inaccurate

- The Agency failed to ensure accurate contract award notice information was posted on the Illinois Procurement Bulletin (IPB). For 4 of 10 (40%) contracts we tested, we noted the following:

Inception dates did not agree to the contracts

- Contract inception dates published in the IPB did not agree to the inception dates on the corresponding contracts for 3 of 10 (30%) contracts tested totaling \$256,150. The differences noted were from 1 to 35 days.

Termination date did not agree to the contract

- The contract termination date published in the IPB did not agree to the termination date on the corresponding contract for a contract totaling \$500,000.

Awarded amount overstated by \$302,400

- The total amount of an awarded contract published in the IPB was overstated by \$302,400.

Interagency agreements not signed prior to performance of services

- Two of 5 (40%) interagency agreements tested were not signed by all parties prior to the performance of services under the associated contract. Signatures were obtained from 13 to 29 days after the inception of the associated contract. (Finding 9, page 26-27)

We recommended the Agency strengthen controls to ensure contractual agreements contain all required disclosures and certifications. We also recommended the Agency ensure CODs are correctly completed and accurate contract information is published in the Illinois Procurement Bulletin. Further, we recommended the Agency ensure all interagency agreements are timely signed.

Agency concurs with the recommendation

Agency officials concurred with our recommendation and stated they will insure contract certifications are updated and that COD's are accurate and complete. They also stated they will seek to have all interagency agreements signed in a timely manner.

FAILURE TO TIMELY FILE INTERNAL CONTROL CERTIFICATIONS

The Agency did not complete and file its internal control certifications as required.

Internal control evaluations not completed and filed timely

We noted the Agency did not complete an evaluation of internal controls or file a certification in FY09. In addition, the FY10 certification was filed 46 days late. (Finding 12, page 31)

We recommended the Agency complete the internal control evaluations and timely file the certifications as required.

Agency concurs with the recommendation

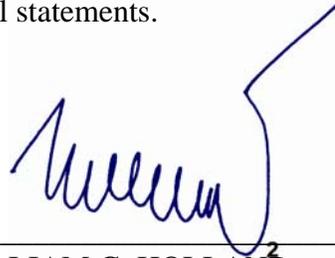
Agency officials concurred with the recommendation and stated they will try to meet required filing deadlines.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Agency. We will review the Agency's progress towards the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

We conducted a compliance examination of the Historic Preservation Agency as required by the Illinois State Auditing Act. We have not audited any financial statements of the Agency for the purpose of expressing an opinion because the Agency does not, nor is required to, prepare financial statements.

A handwritten signature in blue ink, appearing to read 'William G. Holland', is written above a horizontal line. A long, thin arrow-like stroke extends from the right side of the signature upwards and to the right.

WILLIAM G. HOLLAND
Auditor General

WGH:PH:pp

AUDITORS ASSIGNED

The compliance examination was performed by the Office of the Auditor General's staff.

DIGEST FOOTNOTE

1 INADEQUATE CONTROL OVER GRANT MONITORING

2008: We concur. The omitted provision in the agreement pertaining to unspent funds was an oversight. In addition, the Agency will reinforce the various reporting requirements with grantees and stress with staff the importance of closely monitoring the grants.