



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

HISTORIC PRESERVATION AGENCY

Compliance Examination
 For the Two Years Ended June 30, 2016

Release Date: April 20, 2017

FINDINGS THIS AUDIT: 20				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	5	5	2014	16-1, 16-2, 16-4, 16-5	16-11, 16-13, 16-14, 16-15, 16-16, 16-19	
Category 2:	4	11	15	2012		16-8, 16-12, 16-18	
Category 3:	0	0	0	2010		16-9	
TOTAL	4	16	20	2008	16-3	16-17	
FINDINGS LAST AUDIT: 19							

SYNOPSIS

- (16-1) The Agency did not maintain adequate controls over monthly appropriation, cash receipt, and cash balance reconciliations.
- (16-2) The Agency did not maintain adequate internal controls over receipts and refunds.
- (16-3) The Agency did not maintain sufficient controls over its property and related fiscal records.
- (16-10) The Agency did not maintain adequate internal controls over payroll expenditures and time reporting.
- (16-20) The Agency did not comply with the State Employee Housing Act and Internal Revenue Service regulations.

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.}

**HISTORIC PRESERVATION AGENCY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

EXPENDITURE STATISTICS	2016	2015	2014
Total Expenditures.....	\$ 17,204,931	\$ 22,156,007	\$ 24,023,563
OPERATIONS TOTAL.....	\$ 17,193,162	\$ 21,887,625	\$ 23,617,357
% of Total Expenditures.....	99.9%	98.8%	98.3%
Personal Services.....	833,666	5,859,899	7,137,223
Other Payroll Costs (FICA, Retirement).....	591,963	831,784	912,662
All Other Operating Expenditures.....	15,767,533	15,195,942	15,567,472
AWARDS AND GRANTS.....	\$ 5,219	\$ 237,125	\$ 359,327
% of Total Expenditures.....	0.0%	1.1%	1.5%
PERMANENT IMPROVEMENTS.....	\$ 6,550	\$ 31,257	\$ 46,879
% of Total Expenditures.....	0.0%	0.1%	0.2%
Total Receipts.....	\$ 4,054,815	\$ 4,310,999	\$ 4,722,337
Average Number of Employees.....	174	201	167

SELECTED ACTIVITY MEASURES (Not Examined)	2016	2015	2014
Abraham Lincoln Presidential Library and Museum:			
Library Users.....	39,377	47,665	46,770
Conservation Treatments Performed.....	2,260	2,500	2,637
Museum Attendance.....	280,937	302,054	290,837
Preservation Services:			
Number of Certified Local Governments.....	80	79	78
Historic Sites:			
Site Attendance (In Thousands).....	1,671	2,100	1,910
Economic Impact of Historic Sites (In Millions).....	\$ 155.9	\$ 145.6	\$ 157.1

AGENCY DIRECTOR
During Examination Period: Heidi Brown McCreery (effective 3/1/16), Garth Madison (Acting) (11/3/15-2/29/16) Amy Martin (through 11/2/15)
Currently: Heidi Brown-McCreery

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

LACK OF CONTROLS OVER MONTHLY RECONCILIATIONS

The Agency did not maintain adequate controls over monthly appropriation, cash receipt, and cash balance reconciliations.

Some of the conditions noted during our testing follow:

Reconciliations were not performed during the examination period

- Monthly Revenue Status Report reconciliations were not performed during the examination period. Auditors reconciled the June 30 reports for each Fiscal Year and found differences totaling \$268 and \$7,134 for Fiscal Years 2015 and 2016, respectively.

Reconciliations included no evidence of independent review

- Four of eight (50%) Monthly Appropriation Status Report reconciliations were performed two to seven months late. Eight of eight (100%) reconciliations included no evidence of an independent review.
- Four of four (100%) Monthly Cash Report reconciliations tested for Fiscal Year 2015 lacked documentation of supervisory review and four of four (100%) reconciliations that the Auditors attempted to test in Fiscal Year 2016 were never properly completed. (Finding 1, pages 13-14)

We recommended the Agency ensure appropriation, cash receipt, and cash balance reconciliations are promptly and properly performed and reviewed and the responsibility for those functions be appropriately segregated. We also recommended the Agency correct its records when necessary.

Agency agrees with auditors

Agency management agreed with the finding and recommendation and stated reconciliations are being done on a monthly basis.

INADEQUATE CONTROLS OVER RECEIPTS AND REFUNDS

The Agency did not maintain adequate internal controls over receipts and refunds.

Some of the conditions noted during our testing follow:

Segregation of duties over receipts and refunds was not maintained

- Proper segregation of duties was not maintained.
- 37 of 59 (63%) Receipt Deposit Transmittals (RDTs) were not independently reviewed and approved.

Supporting documentation not maintained

- 4 of 59 (7%) RDTs and 2 of 6 (33%) refunds did not include supporting documentation for the receipts or refunds. (Finding 2, pages 15-16)

We recommended the Agency establish proper segregation of duties over the receipts process, perform supervisory review over all reporting and transaction processing, and maintain accurate documentation to support receipt and refund activities and the related reviews performed.

Agency agrees with auditors

Agency management agreed with the finding and recommendation and stated segregation of duties is necessary and they will adjust staff roles to address the issue.

PROPERTY CONTROL WEAKNESSES

The Agency did not maintain sufficient controls over its property and related fiscal records.

Some of the exceptions we noted are as follows:

Agency's property listing did not agree with Agency Reports of State Property

- Total property value per the Agency's detailed property listing exceeded the amount reported on the Agency Reports of State Property (Form C-15) by \$22,640 and \$22,639 at June 30, 2015 and 2016, respectively.
- The June 30, 2016 Capital Development Board turnover of \$30,805 was not reported on the June 30, 2016 Form C-15.

Unable to provide supporting documentation

- The Agency was unable to provide supporting documentation for 13 of 47 (28%) equipment additions tested, totaling \$8,930. For all 47 (100%) equipment additions tested, totaling \$83,203, the Agency could not provide documentation to determine whether the Agency's detailed property listing was updated timely.
- The Agency was unable to provide supporting documentation for five of five (100%) equipment deletions tested, totaling \$5,472. The Agency was also unable to provide documentation to determine whether their detailed property listing was updated timely.
- The Agency's property inventory certification submitted to the Department of Central Management Services noted 172 items, totaling \$131,003, could not be located by the Agency. (Finding 3, pages 17-18) **This finding has been repeated since 2008**

We recommended the Agency strengthen controls over property and equipment to comply with applicable laws and regulations and to include a supervisory review process in its procedures to ensure clerical, technical, and other errors are promptly detected and corrected.

Agency agrees with auditors

Agency management agreed with the finding and recommendation and stated a complete physical inventory of each location is in progress. *(For the previous Department response, see Digest Footnote #1.)*

INADEQUATE CONTROLS OVER PAYROLL AND TIME REPORTING

The Agency did not maintain adequate internal controls over payroll expenditures and time reporting.

During testing, we noted the following:

Employee's gross pay did not agree with contract

- For 1 of 40 (3%) employees tested, the gross pay entered on the payroll voucher did not agree with the contractual employee's contract. The employee's pay was reduced from \$2,250 per pay period to \$247 per pay period for the final five pay periods during calendar year 2015. The Agency later processed back pay totaling \$9,195 in calendar year 2016, but it was subsequently returned to the Agency.

Employee's time sheet did not agree with auditor observation

- For 1 of 40 (3%) of employees tested, the employee's time sheet did not agree to the auditors' observation of the hours worked by the employee. The employee was absent at the time the auditors visited the historic site where the employee works, however, the time sheet submitted and approved by the supervisor did not reflect that absence. The employee was paid as if the employee was present. (Finding 10, pages 31-32)

We recommended the Agency improve its procedures to ensure that accurate time reporting is maintained in accordance with the State Officials and Employees Ethics Act and that payroll expenditures are properly determined, paid, and attributed to the correct calendar year. Further, we recommended the Agency determine if they have a legal obligation to pay the former contractual employee additional compensation.

Agency agrees with auditors

Agency management agreed with the finding and recommendation and stated they are in the process of updating the Employee Manual. They also stated that disciplinary action was taken with the employee and the supervisor for the noted incident.

FAILURE TO COMPLY WITH THE STATE EMPLOYEE HOUSING ACT AND INTERNAL REVENUE SERVICE REGULATIONS

The Agency did not comply with the State Employee Housing Act (Act) and Internal Revenue Service (IRS) regulations.

Agency did not report value of housing not paid by employees as income to the IRS

The Agency owns 14 houses located at 10 of the historic sites throughout the State. During Fiscal Years 2015 and 2016, the Agency provided housing for six employees at those residences. The Agency pays the utilities and collects from \$40 to \$156 per month from the employees to defray the costs. The Agency could not provide support for five of six (83%) employees that Agency lodging was a condition of employment.

No application form or written criteria for employee tenants of State-owned housing

We noted the Agency did not develop an application form for State-owned housing or written criteria for selecting employee tenants. We also noted the Agency did not properly maintain records supporting decisions made for employees selected to receive State-owned housing. Lastly, we noted the value of the housing provided to employee tenants was not included in the employees' income, reported to the IRS, or subjected to applicable payroll taxes. (Finding 20, pages 45-46).

We recommended the Agency develop an application form for State-owned housing and written criteria for selecting tenants. We further recommended the Agency report State housing benefits in accordance with Federal and State regulations.

Agency agrees with auditors

Agency management agreed with the finding and recommendation and stated they have taken corrective action by having a housing policy adopted by the Board of Trustees.

OTHER FINDINGS

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

ACCOUNTANT'S OPINION

Accountants qualified their report

The accountants conducted a compliance examination of the Agency for the two years ended June 30, 2016, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2016-001 through 2016-005. Except for the noncompliance described in these findings, the accountants stated the Agency complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Borschnack, Pelletier & Co.

SIGNED ORIGINAL ON FILE

BRUCE L. BULLARD
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:ljk

DIGEST FOOTNOTES

#1 – Property Control Weaknesses – Previous Department Response:

2014: We concur with the recommendation that controls should be strengthened in regards to property control and reporting, and will request sufficient staffing to implement the recommendation.