

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Agriculture
Two Years Ended June 30, 2019

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REVIEW: 4506
DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2019

FINDINGS/RECOMMENDATIONS - 21

IMPLEMENTED - 5
ACCEPTED AND PARTIALLY IMPLEMENTED - 16

REPEATED RECOMMENDATIONS - 13

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 22

This review summarizes the auditors' report on the Department of Agriculture (Ag) for the two years ended June 30, 2019, filed with the Legislative Audit Commission on March 3, 2020. The auditors conducted a compliance examination in accordance with State law and *Government Auditing Standards*.

The Department's mission is to advocate for Illinois' agricultural industry; provide necessary regulatory functions to benefit consumers, agricultural industry, and natural resources; and promote agri-business in Illinois and throughout the world. The Department is organized into four divisions: Food Safety and Animal Protection, Natural Resources, Agriculture Industry Regulation, Administrative Services and the Executive Office.

Jerry Costello is the current Director of the Department of Agriculture and has served in that capacity since February 28, 2020. Prior to Mr. Costello's appointment, Jeremy Flynn served as Director from January 2020 through February 2020. Prior Ag Directors include Raymond Poe (through Dec 31, 2018), Warren Goetsch (Jan 19 and 20, 2019), and John Sullivan (Jan 21, 2019—Jan 12, 2020). Prior to his appointment as Director, Mr. Costello was a State Legislator, representing a district in the Metro East, and served as Director of DNR Conservation Police. He was also a businessman and farmer prior to serving in the General Assembly.

The average number of full-time employees, by division, during the years indicated was:

Division	FY17	FY18	FY19
Administrative Services	57	50	55
Fair and Non-fair	15	18	16
Food Safety and Animal Protection	124	125	121
Natural Resources	59	62	59
Agriculture Industry Regulation	75	75	72
Total Employees	330	330	323

Appendix A summarizes the Department's services and activities.

Appropriations and Expenditures

According to Appendix B, the General Assembly appropriated a total of \$109.1 million to the Department in FY19. Whereas, total expenditures from appropriated funds were \$92 million in FY19 compared to \$110.5 million in FY18, which is a decrease of \$18.5 million, or 16.7%. Of total expenditures, \$15.4 million was from GRF, \$24.9 million from the Agricultural Premium Fund, \$11.4 million from the Partners for Conservation Fund, and the remaining \$40.3 million from 22 other funds in FY19. Lapse period expenditures for FY19 were \$12.6 million, or 13.7%. The Department's non-appropriated expenditures totaled about \$2.26 million with about \$2.22 million transferred from the State Cooperative Extension Service Trust Fund to the University of Illinois to support the cooperative extension programs.

Appendix C shows expenditures by Division and Bureau. The three Ag Divisions in size from largest to smallest are Administrative Services, County Fairs and Horseracing and Ag Industry Regulation, respectively. Of the 11 Bureaus under Ag, the three largest in size are Buildings & Grounds—Springfield Fairgrounds, Meat & Poultry Inspection and Land and Water Resources.

The Department of Ag lacked sufficient expenditure authority from either court-ordered expenditures or enacted appropriations to cover its FY16 and FY17 costs from GRF and the Ag Premium Fund. During FY18, Ag processed vouchers for prior year expenditures totaling \$361,274.

Cash Receipts

Appendix D provides a summary of cash receipts for FY17-FY19. Total cash receipts changed from \$41.6 million in FY17 to \$51.3 million in FY18 to \$54.2 million in FY19. The Illinois State Fair receipts increased by over \$2.1 million due to an increase in attendance, gate and parking fees, and space rental revenues. Also in FY19, receipts to the State Cooperative Extension Service Trust Fund increased over \$2.5 million due to increased transfers and funding levels from the University of Illinois related to extension services.

The State Cooperative Extension Service Trust Fund decreased \$3.4 million due to no appropriations and no funding from the Agricultural Premium Fund in FY16. FY19 was the first year for the Industrial Hemp Regulatory Fund that received \$539,000.

Property and Equipment

Appendix E contains a summary of property and equipment for which the Department of Agriculture was accountable during the period under review. The beginning balance was almost \$215.3 million at July 1, 2016 compared to an ending balance of \$204.4 million at June 30, 2018. The reason for the overall reduction is attributed to decreases in Buildings

(6.9 million), Equipment (\$4.5 million) and Construction in Progress (\$1.9 million). The only area that saw an increase was in Land Value that increased (\$3.2 million).

Accountants' Findings and Recommendations

Condensed below are the 21 findings and recommendations included in the audit report. Of these, 13 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by the Department of Agriculture, via electronic mail received March 3, 2020.

Recommendations

- 1. The Director of the Department should appoint a chief internal auditor and ensure a full-time program of internal auditing is in place and functioning.**
 - If another agency is to be relied upon to supplement internal audit functions, obtain the written approval of the Governor for these services and ensure such services are provided in accordance with the Act's requirements.**
 - Implement policies and procedures to track internal audit costs, maintain documentation which adequately documents the costs of the Department's internal audit function, and ensure other agencies providing services are only reimbursed for allowable costs.**
 - Finally, do not grant another agency the authority to process payroll against Department appropriations unnecessarily or without implementing and documenting proper controls.**

Finding: The Department failed to adhere to provisions in the Fiscal Control and Internal Auditing Act (Act) that requires each designated state agency to maintain a full-time program of internal auditing (30 ILCS 10/2001(a), and also allows agencies which do not have full-time internal audit programs may have internal audits performed by the Department of Central Management Services (30 ILCS 10/2001 (b)).

In 2019, the Attorney General issued an opinion that multiple designated state agencies may not appoint the same individual as their chief internal auditor through an intergovernmental agreement. Further, state agencies seeking to consolidate or combine internal audit functions must either obtain authorization from the General Assembly or follow the process for reassigning functions among executive agencies as established by article V, section 11, of the Illinois Constitution of 1970 and the Executive Reorganization Implementation Act (15 ILCS 15).

On January 15, 2018, the Department entered into an agreement with CMS' Bureau of Internal Audit to provide the Department with internal auditing services.

During testing, OAG noted the following:

Accepted or Implemented – continued

Ag's Director has not appointed an individual to fill the chief internal auditor position. This position was vacated on October 17, 2017, 622 days prior to the end of the examination period on June 30, 2019.

The Act (30 ILCS 10/3001)) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; and (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Failure to establish a full-time internal audit program in accordance with the requirements of the Act – where the chief internal auditor develops a deep understanding of Ag's functions and processes, oversees, and performs audits of the major systems of internal accounting and administrative controls on a periodic basis, and oversees and reviews major new and modifications to information systems prior to implementation – weakens Ag's ability to assess its overall internal control environment and represents noncompliance with state law. Further, the establishment of the Department's internal audit function by interagency agreement hinders the operational autonomy intended by the General Assembly for internal auditors. Ag management cannot terminate an appointed chief internal auditor prior to the conclusion of their term without cause and a hearing before the Executive Ethics Commission, but management can terminate the interagency agreement with CMS at any time for any reason. Failure to obtain the approval of the Governor for expanding the professional services provided to the Department by DCMS limits governmental oversight and represents noncompliance with the Code. Failure to adequately track internal audit costs and be able to provide the auditors with adequate cost support related to the Department's internal audit function results in the auditors being unable to determine the Department's compliance with the Act. Finally, granting CMS authorization to expend the Department's payroll appropriations weakens the Department's overall internal control environment and represents noncompliance with state law.

Response: Accepted. The Department intends to initiate the process of hiring a chief internal auditor and to come in full compliance with the Internal Auditing Act.

Updated Response: Partially Implemented – Ag is working with CMS classifications to establish the position and will work with our CMS hiring lead to get this posted as soon as possible. Additionally, the Department has completed 17 audits and has 4 in progress from the audit period to present.

- 2. Strengthen internal controls over system changes to ensure documentation is maintained and available to support changes made on the system and to provide support for the population of system changes. (Repeated-2015)**

Finding: Ag was not able to provide the complete population of system changes or supporting documentation for changes. Ag processed and maintained critical, confidential, and sensitive information on its computer systems.

OAG was unable to conclude if Ag's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C §330, AU-C §530, AT-C §205).

During the prior engagement period, Ag personnel stated that with the limited resources and a newly-hired staff, it was a challenge to have completed the desired documentation of change control procedures. Ag stated the current period's condition resulted from staff shortage.

Response: Accepted. Change controls were not properly in place in the past but have been updated and documented over the past 2 years and are currently in place. Due to the high number of programs in use by the Department (over 50) and the low number of Department of Innovation and Technology staff at the Department (4) to access and provide change logs, the Department was unable to accommodate that request.

Updated Response: Partially Implemented – The Department is continuing to work on change control procedures for all applications. However, we have one programmer, so we are limited with our resources. As applications are updated, we ensure that change control and change logs are part of the application.

3. Strengthen procedures over property and equipment to ensure accurate and timely recordkeeping and accountability for all state assets. Also, incorporate internal review procedures within the fixed assets reporting function to ensure the capital asset information is complete and properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Illinois Office of the Comptroller. (Repeated-2007)

Finding: Ag did not exercise adequate controls over State property.

The following exceptions were identified from our detailed testing of the Department's state property:

- During our list to floor testing of 60 Department property items, we noted the following:
 - Twelve (20%) items, totaling \$135,285, were not located. The items that could not be located were: two laptop computers, two golf carts, one switch port, one identification card printer, one piano, one computer printer, one chemical analyzer, one gas chromatograph, one spectrophotometer, and one microplate washer.
 - Eight (13%) items, totaling \$94,179, were not tagged.

Accepted or Implemented – continued

- Three (5%) items, totaling \$14,445, appeared obsolete, but remained on the inventory listing and approval had not been requested to dispose of the items.
 - One (2%) item, amounting to \$94,500, was not functional, but remained on the inventory listing and approval had not been requested to dispose of it.
- During our floor to list testing of 60 property items, we noted the following:
 - Fourteen (23%) items of undetermined value were physically identified, but not included in the inventory listing.
 - Four (7%) items of undetermined value were not properly tagged.
 - Three (5%) items, totaling \$16,496, were not functional or have been under repair for an extended period of time, and approval had not been requested to dispose of the items.
 - One (2%) item, amounting to \$4,938, appeared obsolete, but remained on the inventory listing and approval had not been requested to dispose of it.
- During our testing of 60 property additions, we noted the following:
 - Four (7%) items, totaling \$155,121, were recorded in Ag's property records more than 90 days after acquisition, ranging from 40 to 323 days late.
 - Three (5%) items were not recorded at original cost when acquired, resulting in an understatement of \$147,285.
 - One (2%) item, amounting to \$1,000, did not indicate the date of when Ag received the item; therefore, OAG were unable to determine the timeliness of updating property records.
- During our testing of 60 property deletions, we noted the following:
 - Twenty-five (42%) items, totaling \$252,354, were removed from agency records more than 90 days after deletion, ranging from 14 to 174 days late.
 - Ten (17%) items, totaling \$158,636, were removed from inventory records more than 90 days before the asset was physically transferred to the receiving agency, ranging from 331 to 3,396 days early.
 - Two (3%) items, totaling \$38,495, were missing supporting documentation; therefore, we were unable to test timeliness of deletion.
 - Two (3%) items, totaling \$22,132, were missing CMS Surplus Property Delivery Forms; therefore, OAG were unable to verify if CMS received the items.
- During our testing of the Agency Report of State Property (Form C-15), we noted the following:
 - Four equipment items were incorrectly valued, resulting in an understatement of \$770.
 - Three of 8 (38%) Form C-15s were not submitted timely, ranging from 1 to 3 days late.

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- During our testing of obsolete and unused property, we noted 23 of 44 (52%) surplus/obsolete items found in Ag's storage room that could not be traced to the agency's Master Property List or any monitoring list for surplus/obsolete items. Therefore, we are unable to determine the value of surplus/obsolete items missing from agency records.
- During OAG testing of 47 vouchers relating to equipment, totaling \$347,438, OAG noted 6 (13%) vouchers, totaling \$29,862, could not be traced to the annual inventory report filed with CMS.
- During our testing of 4 equipment vouchers relating to the purchase of new furniture, totaling \$3,167, we noted the following exceptions:
 - Two (50%) vouchers totaling \$2,108, were missing the State Property Surplus - New Furniture Affidavit filed with the surplus administrator.
 - Two (50%) vouchers totaling \$1,059, were improperly classified as furniture.

The State Property Control Act (Act) (30 ILCS 605/6.02) requires each responsible officer to maintain a permanent record of all items of property under his jurisdiction and control. The Act (30 ILCS 605/6.03) also requires the record for each item of property to contain such information as will in the discretion of the administrator provide for the proper identification thereof. Further, the Act (30 ILCS 605/4) requires every responsible officer of state government to be accountable for the supervision, control, and inventory of all items under their jurisdiction.

In addition, the Act (30 ILCS 605/7a) further requires agencies that desire to purchase new furniture of \$500 or more to first check with the administrator if any of the surplus furniture under the administrator's control can be used in place of new furniture. If an agency finds that it is unable to use the surplus property, the agency shall file an affidavit with the administrator prior to any purchase, specifying the types of new furniture to be bought, the quantities of each type of new furniture, the cost per type, and the total cost per category. The affidavit shall also clearly state why the furniture must be purchased new as opposed to obtained from the administrator's surplus. The affidavits shall be made available by the administrator for public inspection and copying.

The State Records Act (5 ILCS 160/8) requires the head of each agency to make and preserve records containing adequate and proper documentation of essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

The Comptroller's Statewide Accounting Management System (SAMS) Manual (Procedure 29.10.10) provides agencies with guidance on how to maintain such records and states that detailed records are to be organized by major asset category and include certain information for each asset to include: cost (or other value); function and activity; reference to acquisition source document; location; and date, method and authorization

Accepted or Implemented – continued

of disposition. The procedure also states this list is not exhaustive, and an agency may include additional information for its own needs. The SAMS Manual (Procedure 11.10.50) states the purpose of assigning a correct detail object code is to report expenditure information at a more refined level within a common object.

In addition, the SAMS Manual (Procedure 29.20.10) requires the Form C-15 to be filed on a quarterly basis and submitted to the Office of the Comptroller no later than the last day of the month following the last day of the quarter.

The Illinois Administrative Code (Code) (44 Illinois Administrative Code 5010.400) requires state agencies to adjust property records within 90 days after acquisition, change or deletion of equipment items. The Code (44 Ill. Adm. Code 5010.210) also requires agencies to mark each piece of state-owned equipment in their possession with a unique six digit identification number. Furthermore, the Code (44 Ill. Adm. Code 5010.230) requires agencies to maintain records including identification number, location code number, description, date of purchase, purchase price, object code, and voucher number.

During the prior engagement period, Ag stated the exceptions were due to lack of proper transition during staff turnover and stated the current period's condition resulted from competing priorities, lack of staffing, and employee oversight.

Failure to maintain adequate property records and inaccurate reporting of property items increases the risk of equipment theft or loss occurring without detection, and resulted in inaccurate property reporting. Improper service or maintenance of property items increases the risk of hazards to employees and increases the risk of damage to commodities and equipment, and may cause disruption in operations.

Response: Accepted. Ag will establish formalized policies and procedures to ensure reports are filed in accordance with the State Property Control Act as necessary.

Updated Response: Partially Implemented. Ag's Property Control Officer position is vacant; however, various property duties have been temporarily assigned to another individual until that vacancy is filled. Ag is utilizing a State master contract to engage with an external accounting firm to assist with property clean up, improve processes for tracking and monitoring of equipment as well as develop written procedures. This has been a long-term issue and will take time to completely resolve. Additionally, the Department has successfully submitted the Agency Report of State Property (Form C-15) timely for the last five quarters.

- 4. Perform, review, and approve monthly reconciliation with Comptroller's reports. Also, notify the Comptroller and resolve all differences noted during the reconciliation process. (Repeated-2017)**

Finding: Ag did not perform required reconciliations in a timely manner. In addition, for the monthly reconciliations performed, Ag failed to notify the Office of the Comptroller (Comptroller) and resolve the differences noted.

We noted the following exceptions:

- Ag failed to perform FY 2018 and 2019 monthly reconciliations with the Comptroller's Monthly Appropriation Transfer Report (Report SB03).
- Ag failed to perform FY 2018 and 2019 monthly reconciliations with the Comptroller's Monthly Object Expense/Expenditures by Quarter Report (Report SA02).
- Ag failed to complete monthly reconciliations with the Comptroller's Monthly Revenue Status Report (Report SB04) during FY 2018 from January 2018 through June 2018 for all 23 funds with revenue status. The reconciliations completed for the funds stated above have not been reviewed and approved. The incomplete reconciliations for these funds contained irreconcilable differences ranging from \$950 to \$4,698,260.

In addition, for FY 2019, Ag failed to review and approve monthly reconciliations with the Comptroller's Monthly Revenue Status Report (Report SB04) for all 23 funds with revenue status. The reconciliations for these funds contained irreconcilable differences of \$631.

- Ag failed to perform monthly contract and obligation reconciliations with the Comptroller's Agency Contract Report (Report SC14) and the Obligations Activity Report (Report SC15) for both FY 2018 and 2019.
- Ag failed to perform monthly reconciliations with the Comptroller's Monthly Appropriation Status Report (Report SB01) during FY 2018 for July 2017 through December 2017. Furthermore, Ag failed to perform monthly reconciliations for 6 months, from January 2018 through June 2018.

For FY 2019, Ag performed a one-time reconciliation with the Comptroller's Monthly Appropriation Status Report (Report SB01) after fiscal year end, instead of performing monthly reconciliations throughout the fiscal year.

Ag failed to perform monthly reconciliations with the Comptroller's Cash Report (Report SB05) during FY 2018, from January 2018 through June 2018 for 5 of 26 (19%) funds with Report SB05s. In addition, Ag failed to perform monthly reconciliations from December 2017 through June 2018 for 21 of 26 (81%) funds with Report SB05s. The reconciliations performed have not been reviewed and approved. The incomplete reconciliations for these funds contained irreconcilable differences ranging from \$59 to \$1,735,915.

Accepted or Implemented – continued

In addition, for FY 2019, Ag failed to perform any monthly reconciliations with the Comptroller's Cash Report (Report SB05) of ending cash available balances for all funds under the agency.

The Statewide Accounting Management System (SAMS) Manual (Procedures 07.30.20, 07.30.24, 07.30.21, 25.40.20, 15.30.30, 11.40.20, and 09.40.30) requires Ag to perform a monthly reconciliation of its records to specific Comptroller reports (SB03, SA02, SB04, SC14, SC15, SB01, and SB05) to ensure timely detection and correction of any irreconcilable differences so corrective action can be taken to locate the differences and correct the accounting records. The SAMS procedures identify "timely" as within 60 days of month end.

The Statewide Accounting Management System (SAMS) Manual (Procedure 07.30.20) states the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that ensures these requirements are being satisfied. Further, SAMS Manual (Procedure 02.50.10) requires supervisors to review and approve the assigned work of their staff to minimize errors.

During the prior engagement period, Ag stated the exceptions were due to lack of staff. The Department stated the current period's conditions were due to competing priorities to meet operational needs due to significant staff shortages and high turnover.

Failure to ensure reconciliations are timely and accurately prepared, and noted differences are appropriately addressed could result in errors or other irregularities going undetected for a significant period of time and represents noncompliance with SAMS.

Response: Accepted. The Department has implemented revised processes for required reconciliations and is working to address staffing shortages to ensure reconciliations are completed properly, timely, and in a consistent manner.

Updated Response: Partially Implemented - Ag is performing monthly reconciliations with the Comptroller's Monthly Appropriation Status Report (Report SB01) and the Comptroller's Monthly Revenue Status Report (Report SB04). Ag is actively developing new processes to complete all other required monthly reconciliations accurately and timely.

- 5. Complete and file with the Comptroller's Office the required forms for Petty Cash Funds, ensure the proper replenishment process is followed based on SAMS procedures, and properly review reconciliations performed. (Repeated-2017)**

Finding: Ag did not maintain adequate controls over petty cash funds.

During testing of 8 petty cash funds, OAG noted the following:

- Eight (100%) Petty Cash Fund Usage Reports (C-18) due in FY 2018 were not filed with the Comptroller.
- The custodian of one (13%) petty cash fund personally funded \$400 into the petty cash fund, and subsequently wrote a check back to the custodian for the same amount.
- One (13%) petty cash fund reconciliation was performed by the custodian and not reviewed.

The Statewide Accounting Management System (SAMS) Manual (Procedure 09.10.40) requires “the Petty Cash Fund Usage Report” (Form C-18) be completed for those petty cash funds exceeding \$100 and filed with the Comptroller’s Office no later than January 31 for the preceding calendar year.

The SAMS Manual (Procedure 09.10.40) further states that reimbursement to the Petty Cash Fund should only be made when either 50% of the fund has been exhausted, or a sufficient number of payment entries are available to fill a complete invoice voucher, or a large number of invoice tickets are on hand or immediately prior to dissolving the Petty Cash Fund. These processing guidelines should insure the fund will not be depleted prior to receipt of the reimbursement warrant.

During the prior engagement period, Ag stated the exceptions were due to insufficient staff. The Department stated the current period’s condition was due to employee turnover and staff shortage.

Failure to maintain adequate internal control over petty cash funds may lead to questioned costs and could cause an inability to monitor operations appropriately.

Response: Accepted. The Department has implemented the necessary controls to ensure timely filing with the Illinois Office of the Comptroller, compliance with SAMS procedures and proper reviews and issued the C-18 Reports timely in FY 2019.

Updated Response: Partially Implemented - The Bureau of Budget and Fiscal Services (Bureau) is actively drafting an overall agency policy regarding the operation and reporting requirements of petty cash funds. Updated procedures require all Petty Cash Fund Usage Reports (C-18) be submitted to the Bureau for review prior to submission to the Illinois Office of the Comptroller to ensure accuracy and timeliness of report submissions.

- 6. Ensure contracts are signed by all parties prior to the beginning of services and ensure contracts include all required disclosures. Further, ensure emergency purchases are filed with the OAG in accordance with statute.**

Accepted or Implemented – continued

Finding: Ag did not exercise adequate controls over contractual agreements. OAG noted the following:

During the detailed testing of contractual agreements, 2 of 40 (5%) contractual agreements were not approved in a timely manner, ranging from 61 to 120 days after commencement of agreement.

Prudent business practice and effective internal control requires contracts to be reviewed and approved prior to their inception to be binding and enforceable on both parties. Contractual agreements should be signed/executed by all required parties prior to the beginning of the contractual agreement term. This would necessitate their filing with the Comptroller near the beginning of their term thereby making the information readily available to the General Assembly and unsuccessful proposers as well as the general public. Further, all contracts entered into must be approved by all parties prior to the beginning of the services.

During the required clause testing of contractual agreements, OAG noted 2 of 40 (5%) contractual agreements did not include a clause for conflict of interest. Furthermore, 1 of 40 (3%) contractual agreements did not include a clause for subcontractor utilization and the contractor's federal taxpayer identification number and legal status.

The Statewide Accounting Management System Manual (Procedure 15.20.20) requires state contracts to include the following clauses: subcontractor utilization statement, vendor's Federal Taxpayer Identification Number and legal status disclosure certification.

During the review of emergency purchases, 1 of 3 (33%) emergency purchases was filed 84 days late to the Office of the Auditor General.

The Illinois Procurement Code (Code) (30 ILCS 500/20-30(c)) states the chief procurement officer shall file emergency purchase affidavits with the Procurement Policy Board and the Auditor General within 10 calendar days after the procurement setting forth the amount expended, the name of the contractor involved, and the conditions and circumstances requiring the emergency procurement.

Ag management stated the exceptions were due to staff turnover and employee oversight.

Failure to have the contract agreements signed before the beginning of the contract period does not bind the service provider for compliance with the applicable laws, regulations and rules. A lack of required disclosures may increase legal and financial risk to the Department. In addition, failure to follow emergency purchase requirements results in noncompliance with state statutes and regulations.

Response: Accepted. Ag has created a corrective action plan including holding an agency-wide procurement training in January. Further training will be conducted as needed to teach staff new Procurement Code policies and procedures. Ag Procurement office will be proactive in its responsibility for updating such staff of future changes and holding additional training, and conducting quarterly internal reviews for compliance.

Updated Response: Ag accepts this finding and has created a corrective action plan including holding an agency-wide procurement training in January. Further training will be conducted as needed to teach staff new Procurement Code policies and procedures. Ag Procurement office will be proactive in its responsibility for updating such staff of future changes and holding additional training, and conducting quarterly internal reviews for compliance.

7. Strengthen controls over revenue and cash receipts to ensure fees are collected, deposited, properly approved, and adequately supported in accordance with statutes. Make deposits on a timely basis to maximize interest earned. (Repeated-2017)

Finding: Ag did not have adequate controls over its revenue and receipts.

During the detail testing of receipts and refunds, the following exceptions were noted:

- Seven of 60 (12%) receipts, totaling \$345,529, were not deposited timely, ranging from 1 to 2 days late.
- One of 9 (11%) refunds, totaling \$1,420, was deposited 11 days late. In addition, for 1 of 9 (11%) refunds, totaling \$265, Ag could not provide a corresponding deposit slip. Therefore, OAG was unable to test timeliness of deposit.

The State Officers' and Employees' Money Disposition Act (30 ILCS 230/2(a)) requires each State agency to deposit into the State Treasury individual receipts or refunds exceeding \$10,000 in the same day received, an accumulation of receipts of \$10,000 or more within 24 hours, receipts valued between \$500 and \$10,000 within 48 hours, and cumulative receipts valued up to \$500 on the next first or fifteenth day of the month after receipt.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property and other assets be safeguarded against waste, loss, unauthorized use, and misappropriation. Effective internal controls should include procedures to ensure statutory requirements are followed and checks are timely deposited.

In addition, during testing of statutory mandates regarding the sale of farm signs designating centennial farms, bicentennial farms, and sesquicentennial farms, OAG noted 20 of 40 (50%) receipts were not properly approved.

Accepted or Implemented – continued

Based on Ag's internal operating procedures over the Centennial Farm Signs Fund, receipts for the purpose of signage are to be received by the administrative assistant and approved by the Bureau Chief of Marketing, Promotion, and Grants.

During the prior engagement period, Ag stated the exceptions were due to insufficient staff allocated to this area and the current period's condition resulted from a lack of effective policy and from insufficient staffing in the prior engagement period which contributed to insufficient communication. In addition, the employee responsible for approving the receipts related to farm signs was on leave.

Failure to deposit collections in a timely manner may result in lost interest revenue and increases the risk of misappropriation of funds. In addition, failure to maintain deposit slips and supporting documentation can lead to inaccurate records. Failure to obtain proper approval for farm signage may subject the Department to legal or financial risk.

Response: Accepted. Ag is in the process of revising procedures over revenues and receipts to ensure timely deposit, including business needs that may require seeking extension approval from the Illinois Office of the Comptroller and Illinois State Treasurer.

Updated Response: Partially Implemented - Ag has experienced challenges related to receipt processing due to COVID-19. During the pandemic, it has not always been possible to have all necessary staff members physically in the office to process and ensure receipts are deposited timely. Ag has reinforced its policy for timely deposits and is actively reviewing processes to determine further need to seek deposit extension approval from the Office of the Illinois Comptroller and Illinois State Treasurer.

8. Implement controls to ensure all reporting requirements are adhered to and ensure grantor agreements with the grantee are adequately documented and maintained.

Finding: Ag did not exercise adequate controls over and sufficiently monitor grant agreements during the examination period.

During detailed testing of the administration of grant agreements, OAG noted the following:

- 51 grant agreements required the submission of an annual budget. Ag did not receive an annual budget from 19 (37%) grantees and did not date stamp 25 (55%) of the annual budgets received and therefore could not verify if the annual budgets were received timely. Lastly, 1 (2%) annual budget was submitted 151 days late.
- 51 grant agreements required the submission of quarterly financial reports. Ag did not receive quarterly financial reports from 11 (22%) grantees and did not date stamp 37 (73%) of the quarterly financial reports received and therefore could not verify if the quarterly financial reports were received timely.

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- 48 grant agreements required access to a Resource Conservationist. Ag did not assign a Resource Conservationist for 10 (21%) agreements.
- 24 grant agreements required the submission of close-out performance reports. Ag did not receive close-out performance reports from 11 (46%) grantees and did not date stamp 5 (21%) of the close-out performance reports received and therefore OAG could not verify if the close-out performance reports were received timely.
- 24 grant agreements required the submission of close-out financial reports. Ag did not receive close-out financial reports from 7 (29%) grantees and did not date stamp 16 (67%) of the close-out financial reports received and therefore could not verify if the close-out financial reports were received timely.
- 24 grant agreements required the submission of annual financial reports. Ag did not receive annual financial reports from 7 (29%) grantees and did not date stamp 16 (67%) of the annual financial reports received and therefore could not verify if the annual financial reports were received timely.
- 24 grant agreements required submission of annual performance reports. Ag did not date stamp 5 (21%) of the annual performance reports received and therefore could not verify if the annual performance reports were received timely. In addition, 3 (13%) annual performance reports were submitted from 4 to 8 days late.

In order to preclude the possibility of the delay or suspension of funding, the grantees were required by the grant agreements to timely file all required reports. Reports included, but were not limited to, quarterly fiscal reports, quarterly progress reports, and all reports included in the closeout materials. The quarterly fiscal and progress reports were due no later than 30 calendar days following the three-month period covered by the report.

According to the grant agreements, the final date of submission for all of the close-out financial and performance reports was 60 days after the end of the term. Failure to meet the reporting dates established for the particular reports should have resulted in a delay or suspension of funding. In addition, the annual budget for grant agreements was to be provided by September 27, 2017 for Fiscal Year 2018, and November 12, 2018 for Fiscal Year 2019.

The State Records Act (5 ILCS 160/8) requires state agencies to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to protect the legal and financial rights of the state and of persons directly affected by the agency's activities.

Ag management stated the exceptions were due to competing priorities and insufficient staffing in order to monitor grant agreements adequately.

Accepted or Implemented – continued

Failure to maintain documentation, adequately monitor and ensure adherence to the conditions contained within the grant agreement could jeopardize grant funding, result in grantee reporting inaccuracies, and pose legal and financial risks to the Department.

Response: Accepted. Ag is in the process of implementing controls to ensure all reporting requirements are adhered to and to ensure grantor agreements with the grantee are adequately documented and maintained.

Updated Response: Partially Implemented – Ag’s Bureau of Budget and Fiscal Services has established a Grant Administrator position who is responsible for ensuring the grant requirements are met Agency wide; however, this position is currently vacant and the Department anticipates to fill this position by the end of Fiscal Year 2021. Currently, program managers within the various Ag Bureaus are responsible for monitoring and ensuring all reporting requirements are adhered to and to grantor agreements with the grantee are adequately documented and maintained.

9. Provide the required grant information to the Chief Information Officer of the State as required by law. (Repeated-2017)

Finding: Ag did not comply with the Grant Information Collection Act.

During testing of the administration of 51 grant agreements, OAG noted Ag did not provide required grant information to the Chief Information Officer of the State for publication at data.Illinois.gov.

The Grant Information Collection Act (Act) (30 ILCS 707/10) requires each grantor agency that is authorized to award grant funds to an entity other than the State of Illinois to coordinate with the Chief Information Officer of the State, to provide for the publication, at data.illinois.gov or any other publicly assessable website designated by the Chief Information Officer, of data sets containing information regarding awards of grant funds that the grantor has made during the fiscal year.

During the prior engagement period, Ag stated the exceptions were due to not being aware of this requirement. Ag stated the current period’s condition resulted from competing priorities and inadequate staffing in order to comply with the Act.

Failure to provide required grant information to the Chief Information Officer of the State results in a lack of transparency of state awarded grants and may reduce the effectiveness of governmental oversight.

Response: Accepted. Ag recently filled a Grant Administrator position. The Grant Administrator will review the grants and communicate with the State’s Chief Information

Officer to ensure the Administrator is aware of the process for submitting the requisite data for publication.

Updated Response: Partially Implemented – Ag’s Bureau of Budget and Fiscal Services (Bureau) has established a Grant Administrator position who is responsible for ensuring the grant requirements are met Agency wide; however, that position is currently vacant and the Department anticipates to fill this position by the end of FY 2021. Prior to the position being vacated, the previous Grant Administrator developed procedures to submit the required data to DoIT to publish on data.illinois.gov site. Ag reassigned these duties and has contacted the GOMB to gain access to Grant Accountability and Transparency portal to obtain the report submission template.

- 10. At least annually, assess each program accepting credit card payments and match the payment method to the appropriate SAQ; complete the appropriate SAQ(s) for the environment and maintain documentation supporting validation efforts; maintain contact with service providers and the Treasurer’s Office to ensure sufficient knowledge and awareness of PCI Compliance status, issues, and guidance; in addition, develop policy and procedures and formally assign responsibility for accepting, tracking, and monitoring credit card transactions. (Repeated-2017)**

Finding: Ag had not completed all requirements to demonstrate full compliance with the Payment Card Industry Data Security Standards (PCI DSS).

Ag accepted credit card payments for transactions such as license fees, license renewals, inspections, testing, and fines.

During the prior engagement period, Ag stated they had no awareness of the requirements and the need for compliance. The Department stated the current period’s condition resulted from management oversight.

Failure to establish and maintain adequate procedures to handle and protect confidential and personally identifiable information could result in identity theft or other unintended use.

Response: Accepted. While the Department does not directly accept credit card payments, and therefore is not storing, processing, transmitting, or receiving cardholder data, the Department will request access to the Illinois State Treasurer’s PCI Compliance portal. This access will allow for the Department to, on an annual basis, complete a formal assessment of programs, obtain documentation of the compliance of third-party processors, and work with Department of Innovation and Technology in the determination and completion of the appropriate SAQ as necessary. The Department’s Bureau of Budget and Fiscal will work with the Department’s legal team to draft any needed written policies regarding credit card transactions and ensure that any agreements are completed.

Accepted or Implemented – continued

Updated Response: Implemented - Ag received access to the Trustwave SecureTrust portal in November 2020 from the Illinois State Treasurer. Additionally, staff members of the Bureau of Budget and Fiscal Services attended a training webinar provided by Trustwave on PCI DSS and usage of the SecureTrust system to assist the Department in identifying steps necessary to ensure compliance and maintaining proper levels of documentation. Ag intends to leverage these tools to establish policy and baseline internal controls relevant to PCI DSS and commit to performing annual assessments of compliance.

11. Maintain adequate controls over the issuance and revocation of telecommunication devices, including timely approval of issuance and maintenance required.

Finding: Ag did not maintain adequate controls for the issuance and revocation of telecommunication devices.

Department management stated the exceptions were due to employee oversight.

Failure to maintain adequate controls over issuance and revocation of telecommunication devices may result in unauthorized or questionable transactions.

Response: Accepted. Due to the transfer of duties during the audit period, Ag was not able to determine the previous telecom coordinator's approval process during a period of the audit and Ag has already implemented a process that requires Bureau Chief or Division Manager approval before any telecom orders are filled. This entire process is documented by Ag.

Updated Response: Implemented - requestors send approval through email before a wireless device is ordered (example below). Once approved a Telephone Service Request (TSR) is sent to DoIT Provisioning to order the device. FSAP has gone a step further and includes their fiscal officer for funding approval.

A new order form has been created for wireless devices. It is currently on the intranet under general forms. The telecom coordinator will have all the required approvals before a wireless device is order.

12. File the annual reports timely or seek legislative remedy to adjust submission date of reports.

Finding: Ag did not comply with the Bees and Apiaries Act.

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Untimely reporting to the Governor and Illinois State Beekeepers' Association results in the inability to demonstrate accountability and could lead to late and inefficient operations.

Response: Accepted. The fiscal year falls in the middle of the apiary inspection season, which impacts the content and accuracy of the annual report. The Department will work with the Beekeepers' Association to determine whether a fiscal year report or annual report would be more valuable, and will seek legislative remedy if needed.

Updated Response: Implemented - The Bureau has filed the annual Apiary Report on time as per the Bees and Apiaries Act.

13. Implement internal controls and sufficient oversight to properly maintain State vehicles. (Repeated-2011)

Finding: Ag demonstrated weaknesses in the maintenance of State vehicles.

During our testing of 40 vehicles for proper vehicle maintenance, we noted the following:

- For 33 of 40 (83%) vehicles tested, we noted 105 instances where the vehicle did not have oil changes performed in accordance with the Department of Central Management Services (DCMS) guidelines. Of the 105 instances of vehicles having untimely oil changes, 100 (95%) instances were untimely based on the number of miles driven from the previous oil change and 5 (5%) instances were untimely regarding both miles driven and months passed. The number of miles that oil changes were overdue ranged from 516 to 20,618 miles, while the amount of time oil changes were overdue ranged from 11 to 19 months.
- For 21 of 40 (52%) vehicles tested, we noted 35 instances where the vehicles were not brought in for a tire rotation at the time interval required by DCMS.
- For 25 of 40 (63%) vehicles tested, we noted 26 instances where vehicles were not brought in for an annual inspection as required by DCMS.

During the prior engagement period, Ag stated the exceptions were due to competing priorities and Bureau automotive liaisons not being able to monitor compliance more closely. Ag stated the current period's condition resulted from competing priorities and a lack of supervisory review.

Failure to adequately maintain vehicles can cost the State significant amounts in future years through additional repair bills and shortened useful lives of the vehicles.

Response: Accepted. Ag has replaced an outdated vehicle tracking system with DoIT's Fleet Management System (FMS) that requires the most practical end-users (e.g. drivers, preparers, etc.) to perform the proper maintenance. FMS sends out two reminders prior to the required services. It also sends daily past-due reminders when the services have not been timely completed. Ag has also implemented daily downloads and reconciliation verifying the accuracy and legitimacy of all receipts/invoices.

Accepted or Implemented – continued

Updated Response: Partially Implemented - The Fleet Management System (FMS) allows the drivers and bureau liaisons to view the maintenance schedules requirements and specifics such as number of days for inspections, oil changes, tires rotations in the configurations table. If maintenance is missed it means that drivers are clearly missing multiple reminders. Ag are currently working with DoIT to add a function where FMS will “Red Flag” someone so their entire screen is red when they log on if they are ignoring things.

14. Accurately and consistently prepare quarterly Form C-17s based on balances reported on accounting records. Also, ensure reconciliations for imprest accounts are performed and submitted in a timely manner and establish controls to ensure an adequate segregation of duties for locally-held funds. (Repeated-2011)

Finding: Ag had weaknesses in its administration of the locally-held funds.

During our detailed testing of 8 quarterly Reports of Receipts and Disbursements for Locally-Held Funds (Form C-17) submitted to the Illinois Office of the Comptroller for Fiscal Years 2018 and 2019 for all 12 of the Department’s locally-held funds, we noted the Department’s Form C-17 receipt detail did not agree with the supporting documentation for 2 of 12 (17%) locally-held funds. For the Centennial Farm Signs Fund (1112), there was a discrepancy of \$6,980 for Fiscal Year 2019, and for the Agricultural Products Promotional Fund (Fund 1114), there were discrepancies of \$99,492 for Fiscal Year 2018, and \$101,304 for Fiscal Year 2019.

In addition, we determined there was an inadequate segregation of duties for the Agricultural Products Promotional Fund (Fund 1114) and the Research Farms Checking Account Fund (Fund 1335). Instances consisted of one individual performing two or more of the following functions: opens the mail, enters financial information, makes deposits and performs bank reconciliations.

We reviewed the bank reconciliations of all 12 Locally-Held Funds for Fiscal Years 2018 and 2019, and noted the following exceptions:

- Two (17%) Locally-Held Funds tested had no evidence of review of bank reconciliation reports for the Illinois Colt Stakes/Championship Purse Fund (Fund 1113) and the Carcass Evaluation Fund (Fund 1218) for Fiscal Years 2018 and 2019.
- Two (17%) Locally-Held Funds tested did not have bank reconciliations performed for the Centennial Farm Signs Fund (Fund 1112) and the Agricultural Products Promotional Fund (Fund 1114) for the 4th Quarter of Fiscal Year 2019.
- Two (17%) Locally-Held Funds tested had incomplete bank reconciliation reports. The Research Farms Checking Account Fund (Fund 1335) did not have bank

reconciliation reports from January to June of 2019, and the Research Farms Investment Account Fund (Fund 1351) had no bank reconciliation reports from July to September of 2017 and January to June of 2019.

- One of 12 (8%) Locally-Held Fund tested, did not agree with the reconciled bank and ending book balance, resulting in a difference of \$6,794 for the Illinois Colt Stakes/Championship Purse Fund (Fund 1113) in Quarter 4 of Fiscal Year 2019.

During the prior engagement period, the Department stated the exceptions were due to staff turnover. The Department stated the current period's condition resulted from inadequate staff training and oversight.

Failure to provide accurate quarterly reports prevents the Comptroller from maintaining accurate year-to-date records of receipts and disbursements of locally-held funds. Failure to timely submit reconciliations for imprest accounts is noncompliance with SAMS. Additionally, the failure to segregate duties could prevent the early detection and correction of errors and increases the chance for theft or misappropriation of receipts.

Response: Accepted. The Department is in the process of revising procedures and providing training to staff and implementing a greater level of internal controls that will ensure accurate and timely reporting.

Updated Response: Partially Implemented - The Bureau of Budget and Fiscal Services (Bureau) has drafted a policy outline for the purpose of providing overall Ag policy regarding the establishment and operation of locally-held funds, including setting a minimum level of internal controls to ensure accurate reporting and safeguarding Ag assets. The Bureau will provide training on policy and assist in development of procedures to help standardize processes across multiple locally-held funds while maintaining adherence to the programmatic missions of the funds authorizing statutes.

15. Ensure the Agency Fee Imposition Report is accurate and timely submitted to the Comptroller. (Repeated-2015)

Finding: Ag submitted its FY 2018 Agency Fee Imposition Report untimely to the Illinois Office of the Comptroller (Comptroller). OAG further noted inaccuracies between the information reported and Department records.

The Statewide Accounting Management System Manual (Procedure 33.16.20) states the annual fee data must be submitted to the Comptroller's Office by August 1 of each year.

During the prior engagement period, Ag stated the exceptions were due to significant staff shortages and the inability to replace staff due to a hiring freeze. Ag stated the current period's condition resulted from competing priorities to meet operational needs due to significant staff shortages and high turnover which spanned most of the compliance audit period.

Accepted or Implemented – continued

Failure to timely and accurately submit the Agency Fee Imposition Report may result in wrong decisions and may cause late and inefficient operations of the state.

Response: Accepted. The Department implemented revised processes to ensure accurate and timely reporting of the Agency Fee Imposition Report for Fiscal Year 2019.

Updated Response: Implemented - Ag implemented a greater level of internal controls during preparation of the Fiscal Year 2019 Agency Fee Imposition Report, and continued this commitment during Fiscal Year 2020 by ensuring that reported figure reconciled to internal recordkeeping and the SAMS managed by the Comptroller. Ag is developing formal written procedures to ensure proper data collection and reconciliation prior to final submission of the report to promote consistency and comparability between fiscal years.

16. Immediately publish online information related to investment in public funds to ensure compliance with statute and develop a mechanism to ensure the information is updated monthly.

Finding: Ag did not comply with the Accountability for the Investment of Public Funds Act (Act).

Ag did not make available on its website any information concerning the investment of public funds held by the agency. Ag had 10 locally held funds that should have been reported to be in compliance with the Act.

During the prior engagement period, Ag stated management did not make information available concerning the investment of public funds due to lack of staffing. Ag stated the current period's condition resulted from competing priorities and employee oversight.

Failure to publish online information related to the investment of public funds creates a lack of transparency regarding Department activities.

Response: Accepted. Ag's Bureau of Budget and Fiscal Services will work with DoIT's personnel responsible for maintaining the website to add a page on the website to publish this data and update that page as required by the Act.

Updated Response: Partially Implemented - The Bureau of Budget and Fiscal Services has developed a draft report template that includes all statutorily required information is met. Formal written procedures are currently in development to promote accurate and consistent reports are prepared and uniform supporting documentation is maintained on agency records. Upon finalization of the report template and uniform supporting documentation templates, Ag will work with the DoIT to publish and maintain monthly reports on the public facing website.

17. Maintain adequate controls over voucher processing.

Finding: Ag did not maintain adequate controls over voucher processing. During the prior engagement period, Ag stated the exceptions were due to oversight by those employees reviewing and processing these vouchers and stated the current period's condition resulted from staffing shortages and turnover of personnel reviewing and processing vouchers.

Inadequate controls over voucher processing may result in inaccurate vouchers being processed and paid by the State. In addition, failure to approve vouchers timely could lead to late payment of expenditures that may subject the state to unnecessary interest charges.

Response: Accepted. Ag has implemented new software for voucher processing and is in the process of revising procedures for voucher entry, and identification of training needs for Department staff.

Updated Response: Partially Implemented - Ag has continued to further implement use of ERP software and is progressing to a more standardized process for maintaining supporting documentation for agency expenditures, including maintaining support electronically with each voucher processed within the software. The Bureau of Budget & Fiscal Services has developed written guidance to assist staff with daily processing of accounts payable transactions, including proper classification of expenditures with SAMS detail object codes and has made this guidance available agency-wide. The Bureau is also in development of training documents to better familiarize relevant staff with the new software, as well as assist with onboarding new employees that will perform roles in this area.

Further, the Bureau has developed automated monthly reports that are issued to relevant program management and staff that identifies vouchers that have not received the required two levels of approval in order to ensure submission to the Comptroller for payment within more reasonable timeframes.

18. Implement controls to ensure all Notices of Noncompliance are sent to counties that fail to submit required reports and plans. (Repeated-2009)

Finding: Ag did not comply with the Illinois Noxious Weed Law.

The Illinois Noxious Weed Law (Law) (505 ILCS 100/4) states if a Control Authority fails to carry out its duties and responsibilities under this Act or fails to follow the Department's rules, the Director shall enforce this Act and Code by sending a Notice of Noncompliance to the Control Authority.

The Illinois Administrative Code (8 Ill. Adm. Code 220.170) states that prior to December 31 of each year, each weed control superintendent shall prepare and submit to the Control

Accepted or Implemented – continued

Authority, with a copy to the Director, a comprehensive work plan for the coming calendar year.

During the prior engagement period, Ag stated the exceptions were due to insufficient staff allocated to follow-up on the counties, and the current period's condition resulted from employee oversight and staff shortage.

Failure to enforce this law may result in an inability to demonstrate accountability and could lead to the harm of public health, crops, livestock, land, or other property.

Response: The Bureau of Environmental Programs has implemented procedures to ensure that Notices of Noncompliance are sent to each Control Authority (County Board) that are not in compliance with the reporting and work plan requirements of the Illinois Noxious Weed Law (Law). Annual calendar reminders have been set by the Bureau Chief, the Manager of Support Services, and their respective administrative assistants to ensure that Notices of Noncompliance are sent in December of each year. This should ensure Ag's compliance with the Law (505 ILCS 100/4) in the future. Most recently, Notices were sent in late November 2019 to non-compliant Control Authorities.

Updated Response: Implemented – The Bureau of Environmental Programs has sent Notices of Noncompliance to counties that did not submit a written report and comprehensive work plan.

19. Inspect nurseries as required by law.

Finding: Ag did not comply with the Insect Pest and Plant Disease Act.

The Insect Pest and Plant Disease Act (Act) (505 ILCS 90/5) requires the Department to inspect at least once each year all nurseries in the State of Illinois as to whether they are infested with insect pests or infected with plant diseases.

Department management stated exceptions were due to the large number of nurseries required to be inspected with limited staffing.

Response: Ag's inability to inspect all nurseries in the State in FY18 and FY19 was due in large part to the historic increase in the number of pesticide misuse complaint investigations in calendar years 2017, 2018, and 2019. Those investigations and nursery inspections are performed by the same personnel. Regulatory measures have been employed by Ag to try to reduce the incidence of off-target pesticide movement, thereby reducing the number of pesticide misuse complaints, and hopefully allowing those staff to complete other duties. Regardless of the number of misuse complaint investigations in the future, the Bureau will make a point of emphasis that all nurseries receive the required annual inspection pursuant to 505 ILCS 90/5.

Updated Response: Partially Implemented - the Bureau has continued to emphasize the inspection of nurseries in the state. State specific pesticide use restrictions have been enacted to help reduce the number of pesticide misuse cases across the state. Inspectors that conduct nursery inspection are also responsible for pesticide misuse inspections. As indicated in our response to the finding, pesticide misuse cases were at historic highs over the past several years, taking time away from our inspectors that normally would have been used for routine inspections such as nursery inspections. Our state specific restrictions have helped reduce pesticide misuse cases to more manageable numbers. Unfortunately, COVID restrictions severely limited the ability of our inspectors to conduct their daily inspection work. Going forward, Ag will continue to emphasize the completion of nursery inspections. In fact, the Bureau brought back a retired plant and pesticide inspector to help conduct nursery inspections in areas where job vacancies have not been filled.

20. Modify accounts receivable processing procedures to ensure balances reported to the Comptroller are properly supported and timely submitted. Also, ensure all internal accounting procedures are in compliance with SAMS and State statute. (Repeated-2013)

Finding: Ag did not have adequate controls over its administration of accounts receivable including the preparation of accounts receivable reports, related financial records, and its collection efforts.

During our review of the Quarterly Summary of Accounts Receivable – Accounts Receivable Activity (C-97), Aging of Total Gross Receivables (Form C-98), and Collections Activity for Accounts over 180 Days Past Due (Form C-99) for all quarters during Fiscal Years 2018 and 2019, we noted the following:

Failure to support the balances included in the accounts receivable reports provided to the Comptroller results in incorrect financial records. Furthermore, failure to report accounts receivable in a timely manner may lead to inefficient decisions and operations of the State.

Response: Accepted. Ag is in the process of revising procedures to ensure accounts receivable reports are submitted timely, accurately, and supporting documentation is maintained.

Updated Response: Partially Implemented - Ag implemented ERP software modules in January 2020 and has transitioned administration of a significant portion of its accounts receivables from multiple obsolete legacy systems. The transition has had a positive impact on the consistency and accuracy of reporting, as well as providing a uniform methodology for preparation of reports and supporting documentation for multiple funds. Ag has additionally provided further training to relevant accounting staff, strengthened internal controls, and improved upon the timely filing of reporting over the second half of

Accepted or Implemented – concluded

FY 2020 and continuing into FY 2021 by adding a process for supervisory review of work prior to report submission.

- 21. Formally communicate recovery requirements to DoIT and establish and document guidelines that outline both the Department's and DoIT's responsibilities. Specifically, develop and implement detailed disaster recovery plans outlining backup and recovery strategies specific to the applications and data. Once plans have been developed and implemented, coordinate with DoIT and perform documented tests of the plans, at least annually. Utilize results from the testing to enhance the plans accordingly. (Repeated-2017)**

Finding: Ag did not have a disaster contingency plan and had not performed comprehensive disaster recovery testing during the review period.

During the review of IT systems, OAG noted that Ag failed to perform disaster recovery planning or testing to ensure recovery of applications and data during FY 2018 and 2019.

Ag carries out its daily operations using computer systems that support Ag's mission including the General Permit, Warehouses, and Fair Management Systems. Per Executive Order 2016-01, Ag's IT functions were consolidated into DoIT. As a result Ag and DoIT have a shared responsibility over disaster recovery planning, but Ag has the ultimate responsibility to ensure it has the capability to recover its application and data.

During the prior engagement period, Ag stated they had been dependent on DoIT for the necessary backup and recovery of files and it had been a challenge to document comprehensive disaster recovery procedures and initiate testing of the recovery plan due to staff shortages. Ag stated the current period's condition resulted from staff shortages and competing priorities.

Failure to have an adequately tested and updated disaster recovery plan leaves the Department exposed to the possibility of major disruption of services. A comprehensive test of the plan across all platforms utilized assists management in identifying weaknesses to ensure recovery procedures are adequate in the event of a disaster. Continuous testing of plans would also assist management to ensure the plan is appropriately modified, as the Department's computing environment and disaster recovery needs change.

Response: Accepted. Ag and DoIT conducted a Business Impact Analysis of the agency in 2019 and are developing an IT Contingency Plan. These are steps in producing a Disaster Recovery Plan, and eventually testing of that plan. Ag is working with DoIT to ensure that each party's responsibilities and expectations are clearly delineated with regard to this finding and other IT functions.

Updated Response: Partially Implemented – Ag’s IT Contingency Plan was completed for the applications that are currently supported. With the help of DoIT Security, Ag has also completed an IT Contingency Plan which provides recovery steps for new internet web servers.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, “It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts....” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY18, Ag filed an affidavit for emergency purchases as follows:

Actual cost - \$ 120,500 for scanning software for use in pesticide licensing related to the issuance of three-year licenses beginning November 1, 2017.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports

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of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2018, the Department had 147 employees assigned to locations other than official headquarters. The Department did not file its Travel Headquarter Report with the Legislative Audit Commission for the January 15, 2019 filing deadline.

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DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2019

APPENDIX A

Summary of Services and Activities

	<u>FY 18 Actual</u>	<u>FY 19 Actual</u>	<u>FY 20 Actual</u>
<u>Adult Use Cannabis</u>			
Number of Licenses issued for craft growers	N/A	N/A	N/A
Number of licenses issued for cultivation centers	N/A	N/A	21
Number of licenses issued for infusers	N/A	N/A	N/A
Number of licenses issued for transporters	N/A	N/A	N/A
<u>Agriculture Products Inspection</u>			
Number of inspections	N/A	N/A	N/A
Number of enforcement actions	N/A	N/A	N/A
Percent of feed, seed and fertilizer facilities and products found compliant with regulations	91.30%	94.30%	92.50%
<u>Animal Health and Welfare</u>			
Number of inspections on livestock dealers, branch locations, auction markets, animal welfare, rendering	2,300	2,368	2,300
<u>County Fairs</u>			
Number of attendees at the 103 county fairs	2,282,774	2,283,000	60,000 (due to COVID)
<u>DuQuoin Buildings and Grounds Non-Fair Activities</u>			
Number of non-fair events at the State Fairgrounds in DuQuoin	165	185	44
<u>DuQuoin State Fair</u>			
Attendance	112,000	123,500	-
<u>Egg Inspection</u>			
Number of egg inspections	3,500	2,745	1,788
<u>Environmental Programs</u>			
Number of commercial and private pesticide applicators/operators licensed	36,708	37,526	36,183
<u>Horse Racing</u>			
Number of jobs associated in Illinois Horse Racing	11,000	9,000	9,000
<u>Illinois State Fair</u>			
State Fair total revenue (in dollars)	\$6.1 million	\$5.6 million	\$0
<u>Industrial Hemp</u>			
Number of hemp acreage approved	N/A	21,499	23,335
Number of hemp growers licensed	N/A	646	800
Number of hemp processors licensed	N/A	195	364

Appendix A - continued

	<u>FY 18 Actual</u>	<u>FY 19 Actual</u>	<u>FY 20 Actual</u>
<u>Land and Water Resources</u>			
Acres of farmland in conservation tillage	9,200,000	10,464,000	10,636,000
Number of conservation projects installed as a direct result of the Conservation Practice Cost-Share Program	650	650	650
<u>Livestock Management Facilities Grants Programs</u>			
Dollar amount of awards approved	N/A	N/A	N/A
Number of ag business interruption applications	N/A	N/A	N/A
Number of meat and poultry capacity applications	N/A	N/A	N/A
Number of swine depopulation applicants	N/A	N/A	N/A
<u>Marketing and Promotion</u>			
Return on investment in actual and projected sales compared to marketing expenditures	563 to 1	930 to 1	354 to 1
<u>Meat and Poultry Inspection</u>			
Number of foodborne illness outbreaks linked to state inspected products	0	0	0
<u>Medical Cannabis</u>			
Number of permits issued for cultivation centers	21	21	21
<u>Soil and Water Conservation Districts</u>			
Number rural/urban clients adopting cons. practices	510	530	530
<u>Springfield Building and Grounds Non-Fair Activities</u>			
Non-fair revenues (in dollars)	\$780,000	\$966,775	\$150,000
<u>Weights and Measures</u>			
% of all commercial weighing and measuring devices inspected	98%	98%	90%

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DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2019

APPENDIX B

Summary of Appropriations and Expenditures
By Fund

	Expenditures		
	FY17	FY18	FY19
<u>Appropriations, All Funds</u>	<u>\$ 102,266,300</u>	<u>\$ 132,613,190</u>	<u>\$ 109,137,400</u>
<u>Expenditures</u>			
General Revenue Fund	\$ 11,647,411	\$ 32,223,563	\$ 15,414,205
Agriculture Lab Services Revolving Fund	404,936	34,534	13,646
Agricultural Premium Fund	18,561,992	30,237,672	24,882,072
Compassionate Use of Medical Cannabis Fund	1,441,416	1,392,362	1,688,004
Weights and Measures Fund	5,586,922	5,285,995	5,710,631
Fair and Exposition Fund	900,000	900,000	900,000
Motor Fuel and Petroleum Standards Fund	26,803	26,746	25,406
Fertilizer Control Fund	1,352,640	1,319,073	1,328,258
Used Tire Management Fund	40,000	40,000	50,000
Feed Control Fund	1,564,121	1,553,989	1,388,022
Livestock Management Facilities Fund	50,000	50,000	50,000
Illinois State Fair Fund	7,211,986	5,668,450	6,221,821
Federal Agricultural Marketing Service Fund	24,953	19,049	-
Agricultural Master Fund	901,897	973,017	998,372
Wholesome Meat Fund	7,115,256	7,252,545	7,740,538
Pesticide Control Fund	5,754,494	6,401,436	5,993,705
Partners for Conservation Fund	8,863,271	8,862,483	11,443,278
Quarter Horse Breeders Fund	505	173	4,344
Budget Stabilization Fund	1,939,107	-	-
Agriculture Pesticide Control Fund	394,950	455,408	626,311
Illinois Standardbred Breeders Fund	64,844	2,385,434	1,340,563
Illinois Thoroughbred Breeders Fund	226,582	3,732,746	1,860,216
Illinois Animal Abuse Fund	-	-	-
Tourism Promotion Fund	-	-	3,057,433
Agriculture Federal Projects Fund	1,777,258	1,658,431	1,273,526
Total Expenditures All Funds	<u>\$ 75,851,344</u>	<u>\$ 110,473,106</u>	<u>\$ 92,010,351</u>

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DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2019

APPENDIX C

Schedule of Expenditures

	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
By Division			
Administrative Services	\$ 12,292,553	\$ 31,320,259	\$ 21,539,705
Agriculture Industry Regulation	3,148,716	4,245,420	4,159,865
County Fairs and Horseracing	5,879,632	16,595,589	8,786,121
By Bureau			
Computer Services	2,091,906	1,766,261	1,967,100
Marketing and Promotion	3,046,760	2,783,364	3,077,846
Animal Industries	2,291,545	1,079,056	1,543,485
Meat and Poultry Inspection	10,475,094	11,023,330	11,371,351
Land and Water Resources	6,374,689	12,331,900	8,988,248
Environmental Programs	7,921,969	8,371,428	7,987,457
Buildings and Grounds - Springfield	11,802,113	10,762,102	12,604,304
Buildings and Grounds - DuQuion	1,342,221	511,377	973,313
DuQuoin State Fair	1,054,938	1,676,826	1,530,934
Weights and Measures	5,618,792	5,324,832	5,792,618
Bureau of Medicinal Plants	<u>1,441,416</u>	<u>1,392,362</u>	<u>1,688,004</u>
Total Expenditures	<u>\$ 74,782,344</u>	<u>\$ 109,184,106</u>	<u>\$ 92,010,351</u>

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DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2019

APPENDIX D

Cash Receipts

<u>Funds</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
General Revenue Fund	\$ 1,870,827	\$ 1,880,120	\$ 1,801,757
Agriculture Laboratory Services Fund	403,906	32,929	94,752
Agricultural Premium Fund	1,810,950	1,878,686	1,416,232
Compassionate Use of Medical Cannabis Fund	2,275,450	2,352,000	2,607,150
Weights and Measures Fund	5,051,835	6,103,226	5,341,472
Motor Fuel and Petroleum Standards Fund	67,450	32,750	57,650
Fertilizer Control Fund	1,642,144	1,715,595	1,594,038
Regulatory Fund	87,975	144,521	32,500
Feed Control Fund	2,417,543	2,340,937	2,342,939
Livestock Management Facilities Fund	33,817	35,370	22,660
Illinois State Fair Fund	8,075,594	6,120,207	8,263,945
Federal Agricultural Marketing Service Fund	25,000	15,000	-
Agricultural Master Fund	1,119,064	1,251,628	1,314,729
Wholesome Meat Fund	6,689,671	7,662,109	7,622,375
Pesticide Control Fund	6,210,231	7,110,458	6,552,236
State Cooperative Extension Service Trust Fund	2,588,683	10,073,611	12,529,739
Agriculture Pesticide Control Act Fund	389,981	766,989	521,532
Illinois Standardbred Breeders Fund	200	1,150	3,257
Illinois Thoroughbred Breeders Fund	1,400	500	3,650
Illinois Agrifirst Program Fund	560	-	-
Agriculture Federal Projects Fund	842,410	1,808,475	1,491,847
Industrial Hemp Regulatory Fund	-	-	538,825
Total	<u>\$ 41,604,691</u>	<u>\$ 51,326,261</u>	<u>\$ 54,153,285</u>

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ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2019

APPENDIX E

Summary of Property and Equipment

	FY17	FY18	FY19
Beginning Balance, July 1	<u>\$ 210,265,771</u>	<u>\$ 215,347,137</u>	<u>\$ 214,545,229</u>
Additions	7,125,345	3,303,470	4,886,297
Deductions	(267,366)	(3,538,652)	(12,950,521)
Transfers	<u>(1,776,613)</u>	<u>(566,726)</u>	<u>(2,039,772)</u>
Ending Balance, June 30 *	<u>\$ 215,347,137</u>	<u>\$ 214,545,229</u>	<u>\$ 204,441,233</u>
Comprised of *			
Equipment	\$ 16,913,735	\$ 16,519,247	\$ 12,066,631
Buildings	151,101,951	153,998,022	147,072,471
Land	39,180,216	39,180,216	42,330,811
Construction in Progress	<u>8,151,235</u>	<u>4,847,744</u>	<u>2,971,320</u>
	<u>\$ 215,347,137</u>	<u>\$ 214,545,229</u>	<u>\$ 204,441,233</u>
