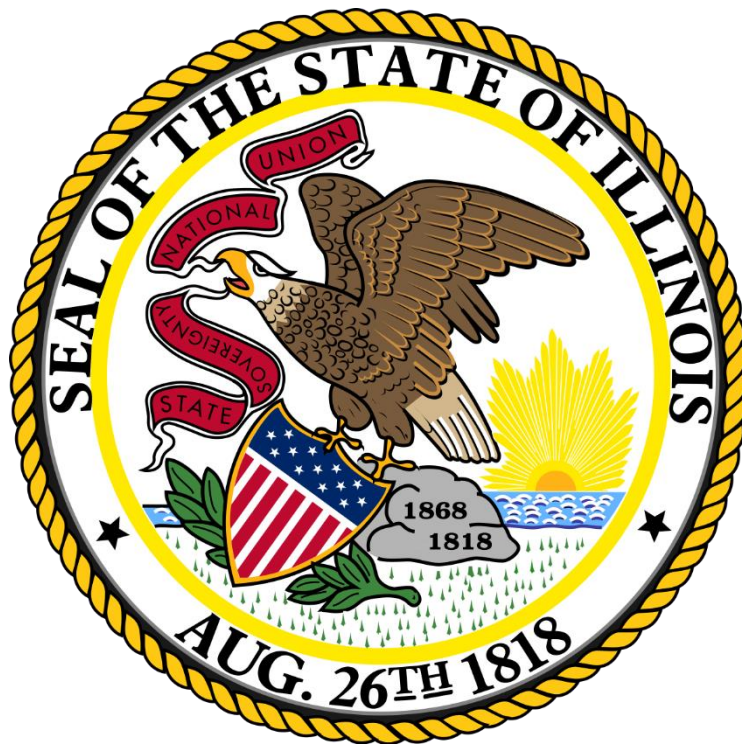


# LEGISLATIVE AUDIT COMMISSION



Review of  
Department of Natural Resources  
Two Years Ended June 30, 2022

620 Stratton Office Building  
Springfield, Illinois 62706  
217/782-7097

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

### **REVIEW: #4581 DEPARTMENT OF NATURAL RESOURCES TWO YEARS ENDED JUNE 30, 2022**

#### **RECOMMENDATIONS – 37**

##### **IMPLEMENTED/ PARTIALLY IMPLEMENTED – 35**

##### **ACCEPTED – 0**

##### **UNDER STUDY - 2**

#### **REPEATED RECOMMENDATIONS – 27**

#### **PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 30**

This review summarizes the auditors' report of the Department of for the two years ended June 30, 2022, filed with the Legislative Audit Commission on July 6, 2023. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

#### **Agency Narrative**

The Department of Natural Resources (DNR) was established on July 1, 1995. DNR's mission is to manage, conserve, and protect Illinois' natural, recreational, and cultural resources; further the public's understanding and appreciation of those resources; and promote the education, science, and public safety of Illinois' natural resources for present and future generations.

DNR offers the following:

- over 329 sites totaling more than 491,000 acres of publicly owned and leased land;
- a variety of public sites such as museums, boat access areas, marinas, trails, and concessions that are leased to or operated by private concessionaires or local communities;
- coordinates the operation of the Illinois State Museum;
- as part of the Natural and Cultural Resource Protection Program, DNR manages land and water resources, enforces resource laws, acquires resource-rich lands, reclaims mine sites, and manages the state's mineral resources;
- through its Resource-Compatible Recreation Program, DNR offers a wide range of recreational opportunities at its state parks including camping, picnicking, sightseeing, fishing, hunting, boating, swimming, and trail use and expands recreational opportunities statewide through grant partnerships with local units of government;
- through partnerships, DNR assists in the acquisition and development of open spaces, boat access areas, and bike and snowmobile trails;

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

- through its Resource-Related Public Safety Program, DNR offers safety education classes for hunters, boaters, trappers, and snowmobilers to enhance safety in these recreational activities;
- conservation police officers enforce state laws pertaining to boating, hunting, and snowmobile safety and assist park staff in ensuring the safe use of facilities and resources at agency sites;
- Public Safety Program includes programs to ensure the safety of the state's coal and aggregate miners and others involved in the use of blasting and explosives and agency staff protects the public from mine emergencies and enforces safety standards for dam and flood plain construction;
- a wide range of interpretative and environmental education opportunities as part of the Science, Education, and Culture Program;
- The Illinois State Museum promotes discovery, learning, and an appreciation of Illinois' natural, cultural, and artistic heritage. DNR provides an array of educational programs for students and teachers through the Division of Education. These include ENTICE (Environment and Nature Training Institute for Conservation Education) workshops for school teachers, enhancing their natural resources teaching skills through science-based, hands-on, interdisciplinary instruction led by natural resources professionals, correlated to Illinois State Board of Education learning standards.

This audit was performed when DNR was under Director Colleen Callahan. The current director is Natalie Phelps Finnie, a former GA member and medical professional. Previously, she served as multiple division directors at DNR as well.

### Appropriations and Expenditures

Appropriations (\$ thousands)	FY21		FY22	
	Approp	Expend	Approp	Expend
GENERAL FUNDS				
<b>Designated Purposes</b>				
Operational Expenses	40,277.9	40,200.5	42,277.9	41,726.2
Operational Expenses of Law Enforc. Office	0.0	0.0	1,500.0	1,442.3
2 Dam Safety Studies in Rock Island County	0.0	0.0	800.0	0.0
Deposit into DNR Special Projects Fund	0.0	0.0	39,000.0	39,000.0
Payment of Revolving Fund Bills	0.0	0.0	12,400.0	12,398.0
Lake County Zebra Mussel Project	0.0	0.0	72.0	0.0
Grant to IL Lyme Association	0.0	0.0	150.0	150.0
<b>TOTAL GENERAL FUNDS</b>	<b>40,277.9</b>	<b>40,200.5</b>	<b>96,199.9</b>	<b>94,716.5</b>
OTHER STATE FUNDS				
Total Personal Services & Fringe Benefits	66,209.7	54,524.4	71,401.2	56,703.0
Total Contractual Services	11,246.8	8,750.6	10,695.6	7,918.6
Total Other Operations & Refunds	13,014.0	9,356.5	12,855.6	7,715.8

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

Designated Purposes				
Administ. Of IL Natural Areas Preser. Act	2,798.4	1,684.1	2,838.4	2,781.8
Admin. Expenses Assoc. w/Historic Tax Cred.	250.0	152.0	250.0	216.5
Camping & Lodging Reservations	300.0	300.0	300.0	23.6
Chronic Wasting Disease Programs	1,800.0	1,671.3	1,800.0	1,355.8
Coast Guard Boat Grant Match	130.0	76.7	130.0	44.4
Coordinating Train. & Educ. Prog. For Miners	115.0	59.9	115.0	52.6
Vulner. Assess. To Preserve & Restore Beach.	0.0	0.0	200.0	0.0
Drug Traffic Prevention Activities	25.0	1.8	25.0	22.8
Education Publication Services & Expenses	20.0	2.3	20.0	7.8
Exp. Assoc. w/ Conservation Police Officers	1,250.0	77.6	1,250.0	187.3
Exp. To Implement Ecosystem-based Mgmt.	1,848.7	34.4	2,464.3	292.7
Exp. Assoc. w/ IL State Fair	15.5	0.0	15.5	12.3
Exp. Of Aggregate Mining Regulation	352.3	279.0	352.3	321.1
Exp. Of Alcohol Enforcement Activities	20.0	17.6	20.0	19.0
Exp. Of Coal Mining Regulation	3,133.5	2,737.9	3,007.0	2,324.4
Exp. Of Coal Mining Safety	3,017.3	2,342.0	3,086.7	2,513.7
Exp. Of DNR Special Projects	2,212.2	0.0	2,412.2	3.7
Exp. Of Explosive Regulation	232.0	194.8	232.0	167.3
Exp. Of Partners for Conservation Program	1,971.9	1,759.0	871.5	770.2
Exp. Of Point of Sale Systems	3,150.0	2,080.0	12,000.0	8,604.9
Exp. Of Resource Conservation	147.2	81.2	341.1	0.0
Exp. Of Subgrantee Payments	28,369.7	4,920.4	27,949.3	8,784.5
Exp. Of Bikeways Program	2,475.5	2,123.9	2,475.5	1,324.7
Exp. Of the Consultation Program	500.0	105.8	500.0	32.4
Exp. Of the IL Forestry Develop. Council	118.5	62.7	118.5	28.5
Exp. Of the Issuance of Coal Mining Permits	110.0	80.8	266.0	5.8
Exp. Of the Natural Areas Stewardship Prog.	3,345.7	3,258.9	3,345.7	3,320.7
Exp. Of the N. Point Marina at Winthrop Har.	50.0	13.7	50.0	31.4
Exp. Of the Off. Of Grant Mgmt. & Assistance	2,415.2	1,719.6	2,662.4	1,618.7
Exp. Of the Off. Of Oil & Gas Resour. Mgmt.	500.0	0.0	500.0	0.0
Exp. Of the Off. Of Realty & Capital Planning	5,755.6	4,127.4	5,194.5	4,304.3
Exp. Of the Off. Of Strategic Resources	3,784.0	2,063.9	3,037.0	261.6
Exp. Of the Off. Of Water Resources	0.0	0.0	1,652.5	899.4
Exp. Of the Open Space Lands Acq. & Dev.	947.8	567.3	947.8	426.1
Exp. Of the Oper. Of Mine Safety	30.0	11.2	30.0	11.0
Exp. Of the Park & Conservation Program	5,947.1	168.9	7,978.1	2,179.4
Exp. Of the Preservation Services Program	2,716.4	1,858.9	2,691.8	2,201.6
Exp. Of the Sparta World Shooting & Rec.	2,750.0	1,539.7	2,750.0	1,676.8
Exp. Of the Urban Forestry Program	12,045.2	4,170.9	11,934.8	1,570.6
Exp. Of Wildlife & Habitat Conservation	0.0	0.0	1,258.4	1,023.9

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

Exp. Of Wild. & Hab. Conserv. At State Parks	0.0	0.0	493.0	196.0
Exp. Related to Division of Fisheries	2,200.0	900.0	2,290.3	1,912.8
Exp. Related to IL & MI Canal	150.0	121.7	150.0	88.6
Farm Lease Operations & Maintenance	13,631.7	3,235.0	14,520.0	4,366.8
Fed. Emerg. Mgmt. Agency Grants	500.0	0.0	500.0	0.0
Heavy Equipment Dredge Crew	792.8	525.8	1,029.5	608.3
IL River Basin Conserv. Reser. Enhancement	788.1	144.5	893.6	353.4
Natural Areas Execution	207.8	39.0	208.9	208.9
Natural Resources Trustee Program	1,000.0	242.3	1,000.0	384.3
Operation & Maintenance of New Sites	50.0	0.0	50.0	17.4
Ord. & Contin. Exp. Of Natural Areas Acq.	65.0	1.9	65.0	7.5
Ord. & Contin. Exp. Of IL State Museum	100.0	32.8	100.0	41.1
Ord. & Contin. Exp. Of Partners for Conserv.	2,258.0	783.0	2,265.6	1,139.4
Ord. & Contin. Exp. Of Underground Resourc.	165.1	130.6	400.0	78.5
Ord. & Contin. Exp. Rel. to Historic Sites	12,583.6	6,788.3	12,599.6	6,692.1
Ord. & Contin. Exp. Rel. to Monarch Butt. Hab.	25.0	0.0	25.0	0.0
Park & Conservation Program	37,543.8	22,329.8	35,843.5	16,117.4
Payment of Timber Buyers' Bond Forfeitures	140.2	0.0	141.8	0.0
Plugging and Restoration Projects	947.1	796.4	968.0	588.0
Public Events & Promotions	17.0	0.0	17.0	0.0
Reallocation of Wildlife & Fish Grant Reimb.	67,802.1	15,345.6	72,456.5	5,710.3
Reclaiming Surface Mines Lands Thru Forf.	6,473.7	76.4	10,397.2	244.8
Repairs & Modifications to Facilities	53.9	21.9	53.9	53.9
Snowmobile Programs	88.0	75.8	88.0	67.6
Sparta World Shooting & Recr. Com. Imprest	75.0	0.0	75.0	0.0
Stamp Fund Operations	614.2	208.3	655.9	143.0
State Fair	76.7	2.0	76.7	71.3
Statewide Wildlife Conservation & Restor.	61.9	6.6	55.3	0.0
Stream Gauging on the IL River	375.0	375.0	375.0	375.0
Union Cty. & Horseshoe Lake Conser. Areas	561.0	341.6	561.0	356.9
Urban Fishing Prog. w/Chicago Park Dist.	285.0	166.8	285.0	226.3
Watercraft Titling	473.6	0.0	482.6	146.2
Wildlife Prairie Park Operations & Improv.	70.0	0.0	70.0	55.3
Workshops, Training, & Other Activities	10.0	0.0	10.0	0.0
Total Designated Purposes	244,835.0	93,036.7	266,276.2	89,674.4
<b>Grants</b>				
Grants Assoc. w/Preservation Services Prog.	298.6	33.9	414.8	55.9
Univ. of IL/Prairie Research Institute	2,000.0	0.0	0.0	0.0
Total Grants	2,298.6	33.9	414.8	55.9
<b>TOTAL OTHER STATE FUNDS</b>	<b>337,604.1</b>	<b>165,702.1</b>	<b>361,643.4</b>	<b>162,067.7</b>

**REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

FEDERAL FUNDS				
Total Personal Services & Fringe Benefits	8,315.7	5,881.4	8,461.4	6,729.6
Total Contractual Services	781.2	544.8	781.2	538.9
Total Other Operations & Refunds	696.2	160.0	696.2	227.0
<b>Designated Purposes</b>				
Coordinating Train. & Educ. Prog. For Miners	300.0	230.5	300.0	285.5
Environ. Mitigation Proj., Stud., Research	2,000.0	1,152.9	2,000.0	366.8
Exp. Of Oil & Gas Regulation	360.0	135.9	360.0	37.4
Exp. Of Off. Of Grant Mgmt. & Assistance	80.0	0.0	80.0	18.3
Exp. Of Water Resources Planning	100.0	53.1	100.0	71.1
Exp. Related to Asian Carp/Aquatic Nuisance	22,600.0	5,317.3	22,618.3	8,951.2
Exp. Related to Coastal Zone Program	16,665.4	1,837.3	20,837.0	2,188.9
Great Lakes Initiative	4,306.2	700.2	4,610.8	689.9
State Admin. Of Nat'l Flood Insur. & Dam Saf.	650.0	465.8	650.0	609.3
Support Costs of Abandoned Mined Lands	409.7	317.0	409.7	146.9
Support Costs of the Land Reclamation Prog.	751.3	283.0	752.5	373.6
Various Fed. Proj., Incl. FEMA Disaster Proj.	200.0	7.9	200.0	0.0
Various Fed. Proj., Incl. Wildlife, Land Lease	1,607.8	369.3	1,607.8	848.3
Total Designated Purposes	50,030.4	10,870.2	54,526.1	14,587.2
<b>Grants</b>				
Rural Community Fire Protection Programs	2,411.8	668.2	2,093.6	580.3
Statewide Disb. Of Fed. Flood Control Mon.	1,000.0	741.1	1,000.0	749.7
Total Grants	3,411.8	1,409.3	3,093.6	1,330.0
<b>TOTAL FEDERAL FUNDS</b>	<b>63,235.3</b>	<b>18,865.7</b>	<b>67,558.5</b>	<b>23,412.7</b>
<b>TOTAL</b>	<b>441,117.3</b>	<b>224,768.3</b>	<b>525,401.8</b>	<b>280,196.9</b>

**Accountants' Findings and Recommendations**

Condensed below are the 37 findings and recommendations included in the audit report. Of these, 27 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by the Department of, via electronic mail received July 6, 2023.

- The auditors recommend the Department implement the necessary internal controls to ensure accounts receivable are adequately supported and are consistently and accurately reported to the Office of Comptroller. Also, they recommend the Department ensure accounts receivable are timely pursued for collection and, if not collectible, submitted for uncollectible certification and subsequently written off. Lastly, auditors recommend the Department**

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

**review rental transactions to determine the amount of receivable to be reported quarterly and at the end of the year.**

**FINDING:** *(Inadequate Controls over Accounts Receivable) – First reported 2014, last reported 2022*

The Department of Natural Resources (Department) did not exercise adequate internal controls over its reporting and maintenance of accounts receivable.

The auditors performed detailed testing of accounts receivable including the *Quarterly Summary of Accounts Receivable – Accounts Receivable Activity* (Form C-97) and *Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables* (Form C-98). During their testing, auditors noted the following weaknesses:

### Accounting System and Process Deficiencies

The Department did not maintain a detailed accounts receivable subsidiary ledger to support the quarterly accounts receivable additions reported on the Form C-97s. Rather, the Department took the amount collected during the quarter, subtracted the beginning quarterly receivable balance, and added the ending quarterly gross receivable balance to calculate the accounts receivable additions for the quarter.

During the compilation of Forms C-97 and C-98, the Department did not review and verify the accuracy of accounts receivable reported by the Department's in-charge of each fund.

The Statewide Accounting Management System (SAMS) Chapter 26 and the Illinois State Collection Act of 1986 (30 ILCS 210 et seq.) establish guidelines for the Department to follow in the development and implementation of a system for accounting and managing accounts receivable. Also, SAMS (Procedure 26.10.10) requires the Department to develop its internal procedures for implementing an accounts receivable system.

The Fiscal Control and Internal Auditing 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 revenues and resources applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Good internal controls require due care be used in preparing the accounts receivable reports submitted to the Office of Comptroller to ensure information used to complete the forms is accurate and reliable. Further, good internal controls over reporting include having a process to verify transactions prior to posting amounts into an accounting system.

### Inadequate Documentation for Accounts Receivable Balances

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

- The Department was unable to provide support for accounts written-off, totaling \$22,000, and transferred out, totaling \$5,000, for Funds 040, 137, and 261 during Fiscal Year 2021.
- For Fund 039, the Department was unable to provide support for amounts reported on the Form C-98 for the fourth quarter of Fiscal Years 2021 and 2022. The unsupported amounts noted were for the categories of “1-30 days”, “31-90 days”, “91-180 days”, “181-1 year” and “Over 1 year” and ranged from \$88 to \$3,322.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Department designed to furnish information to protect the legal and financial rights of the State.

### Inadequate Processing of Old Accounts Receivable

- The Department did not report accounts receivable balances “due over one year” as uncollectibles on the Form C-97 for Funds 040, 041, and 261 for the fourth quarter of Fiscal Years 2021 and 2022. The Department’s accounts receivable balances “due over one year” for Funds 040, 041 and 261 ranged from \$33,941 to \$2,493,050.
- The Department did not make sufficient attempts to either collect its aged accounts receivable or write off uncollectible accounts receivable greater than one year old. As of June 30, 2022, outstanding receivables aged more than a year totaled \$2,085,128, \$2,493,050, \$123,374, and \$202,398 for Funds 137, 261, 884, and 962, respectively.

Further, auditors noted these balances were aged more than one year, in some cases, were as old as Fiscal Year 1992.

The Illinois State Collection Act of 1986 (30 ILCS 210/3) requires the Department to aggressively pursue the collection of accounts or claims due to the State of Illinois through all reasonable means. Further, SAMS (Procedure 26.40.10) requires the Department to individually pursue all reasonable and appropriate procedures available to effectuate collection.

Additionally, in accordance with generally accepted accounting principles, accounts receivable balances that are uncollectible should be written off and removed from the Department’s reporting process. The Uncollected State Claims Act (30 ILCS 205/2(a)) requires the Department, if it is unable to collect any claim or account receivable of \$1,000 or more after taking all reasonable efforts to collect the debt, request the Attorney General to certify the claim or account receivable is uncollectible. Further, the Uncollected State Claims Act (30 ILCS 205/2(c)) allows the Department to certify any claim or account receivable of less than \$1,000 as uncollectible, after the Department determines the total



## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

collection cost expended or anticipated will exceed the amount of the claim reasonably expected to be collected as provided in the Office of Comptroller's administrative rules (74 Ill. Admin. Code 320.70(b)).

### **Errors Noted on Individual Accounts**

- One of 19 (5%) receivables selected for detailed testing, totaling \$53, did not agree with the supporting documents. Specifically, the accounts receivable balance was overstated by \$25 when compared to the supporting documents.
- For one of 19 (5%) receivables selected for detailed testing, totaling \$43, the Department could not provide support for the receivable.

SAMS (Procedure 26.20.10) requires the Department to maintain detailed information related to each receivable to support the recognition and tracking of receivables.

### **Accounts Receivable Not Reported**

- The Department was the lessor in several real property rental agreements but did not track the timing of the rental payment due dates against related receipts to determine if receivables should be recorded and reported to the Office of Comptroller on its Fund 538 Form C-97. Total real property rental receipts reported by the Department for Fund 538 were \$112,755 and \$224,626 in Fiscal Year 2021 and Fiscal Year 2022, respectively. Potential receivable amounts could not be determined.

SAMS (Procedure 26.20.10) requires receivables to be recognized if the transaction is complete to the extent that payment is the only unconsummated act, and the claim is measurable in terms of assignment of a monetary value established by State law and administrative regulations. SAMS (Procedure 26.30.10) requires State agencies to report receivables information on the Form C-97.

This finding was first reported in Fiscal Year 2014. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over accounts receivable.

Department personnel indicated, as they did in the prior year, the deficiencies noted were due to lack of staff and lack of training to allow employees to maximize the features of its new ERP system in accounting and monitor its accounts receivables.

Failure to establish and maintain accurate reporting procedures and controls over accounts receivable, including failure to maintain adequate supporting documentation for accounts receivable, increases the risk that the Department's receivable balances could be inaccurate and improperly valued and represents noncompliance with State laws and regulations. In addition, failure to timely pursue collections of outstanding accounts

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

reduces the likelihood of successfully collecting balances due to the State. Moreover, failure to track and record accounts receivable shows a lack of accountability on the part of the Department and hinders its ability to monitor past due accounts and may result in loss of revenue.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation to implement the necessary internal controls to ensure accounts receivable are consistently and accurately reported to the Office of Comptroller. The Department has reviewed the accounts receivable process and plans on implementing the necessary internal controls to consistently and accurately report accounts receivable. Also, the Department has increased collection efforts and continues working to ensure that support for all receivables, uncollectibles and adjustments is obtained from each division. Finally, the Department will continue reviewing rental transactions within Fund 538 to determine the amount of receivable to be reported quarterly and at the end of the year.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department has fully implemented the utilization of the accounts receivable module of the ERP System. This has led to stronger internal controls over accounts receivable reporting. The fiscal office now requires all divisions to provide support for the receivables. Additionally, the fiscal office reviews all rental transactions to determine the amount of receivable to be reported.

- 2. The auditors recommend the Department maintain a central inventory listing of historical artifacts and implement internal controls requiring additions and deletions to the artifacts catalog be independently reviewed and approved. They also recommend the Department ensure the inventory of all historical artifacts is performed and/or reviewed by independent personnel. Further, auditors recommend the Department strengthen its internal controls to ensure records are accurately maintained and artifacts are properly accounted for.**

**FINDING:** *(Inadequate Controls over Historical Artifacts) – First reported 2018, last reported 2022*

The Department of Natural Resources (Department) did not have adequate controls over historical artifacts.

The Department is responsible for the protection and interpretation of Illinois' history and historic resources. The Department collects and preserves historically important materials and maintains an artifact collection.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

The Department did not maintain a central inventory of its historical artifacts. Each historical site maintained their own inventory listing and there was not an independent review of items added to or removed from the listing maintained by each site. Also, physical inventory counts were performed by the custodians of the artifacts, not by independent persons.

Due to the deficiencies noted above, auditors were unable to conclude the Department's population records of historical artifacts were sufficiently precise and complete under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Department's compliance relative to historical artifacts.

***Even given the population limitations noted above which hindered their ability to conclude whether the records were complete and accurate,*** auditors requested the Department provide the population of historical artifacts for three historical sites and noted the following:

During the physical inspection of 30 historical artifacts, auditors noted the following:

- Three (10%) artifacts were found in a location different from the location indicated in the artifacts listing;
- Seven (23%) artifacts could not be located; and,
- One (3%) artifact's ID number did not correspond to the ID number listed on the artifact.

During their tracing of 30 historical artifacts to the Department records, auditors noted the following:

- One (3%) artifact was not tagged with an artifact ID number; therefore, the item could not be traced to the artifact listing; and,
- Five (17%) artifacts could not be traced to the artifacts listing.

The State Property Control Act (Act) (30 ILCS 605/4) requires the Department to be accountable for the supervision, control, and inventory of all property under its jurisdiction and control. The Act (30 ILCS 605/6.02) also requires the Department to maintain a permanent record of all items of property under its jurisdiction and control.

Also, the Fiscal Control and Internal Auditing 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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Good internal controls would require segregation of duties over record keeping, physical inventory counts, and approval of additions and deletions to the artifact listing to ensure accountability over historical items.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

This finding was first reported in Fiscal Year 2018. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over historical artifacts.

Department personnel indicated, as they did in the prior year, the deficiencies noted were due to staffing constraints.

Failure to maintain a complete and accurate inventory of artifacts and lack of segregation of duties could result in an artifact's disappearance going unnoticed.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation. The Department has established a collections committee for reviewing the acquisition/removal of artifacts. The committee consists of three Site Managers and an Illinois State Museum Curator. The Department will continue to work towards obtaining an independent review of the inventory of historical artifacts, but lack of manpower is continuing to hamper efforts to comply with independent reviews.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Illinois State Museum (ISM) has relied on a collections database system that was funded by the Illinois State Museum Society (ISMS). This system requires an annual subscription fee that, ultimately, the ISMS determined it would no longer fund. This arrangement provided the Museum with an effective tool for artifact/collection controls – at no cost to taxpayers. However, state procurement rules have made it arduously difficult for the ISM to transfer the service to state funded support.

Work is now underway to move the collection database system from the non-profit Museum Society to the State of Illinois. Although the existing database system has been successfully used for artifact management and inventory, is easy to operate, and staff has learned to effectively use the system, state procurement rules require the Museum to spend significant effort to develop an RFP to bid for a new database service/system. As inefficient as these requirements are for the ISM, a team is in place to meet these procurement regulations. ISM is also working to ensure inventories are conducted at the individual site level via Excel spreadsheet until the database is implemented.

Finally, a personnel action request has been submitted to hire a Historic Sites Registrar who will manage all historic site objects.

- 3. The auditors recommend the Department ensure monthly reconciliation of its activity are performed, documented, and reviewed.**

**FINDING:** *(Inadequate Controls over Preparation of Monthly Reconciliations) – First reported 2016, last reported 2022*

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The Department of Natural Resources (Department) did not have adequate controls over preparation of monthly reconciliations of its significant accounts and transactions with the Office of Comptroller's (Comptroller) records.

During the testing, auditors noted the Department did not perform monthly reconciliations. Specifically, the Department did not reconcile its internal records with the following Comptroller's reports during Fiscal Years 2021 and 2022:

- Revenue Status Report (SB04);
- Cash Report (SB05);
- Appropriations Status Report (SB01) including lapse periods;
- Appropriation Transfer Report (SB03); and
- Agency Contract Report (SC14) or Obligation Activity Report (SC15).

The Statewide Accounting Management System (SAMS) (Procedure 07.30.20) requires the Department to reconcile its records to the SAMS system on a monthly basis. This reconciliation has to be completed within 60 days after the end of each month.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal and fiscal administrative controls, to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports to maintain accountability over the State's resources.

This finding was first reported in Fiscal Year 2016. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over monthly reconciliation of its records against the Comptroller records.

Department personnel indicated the failure to perform monthly reconciliations was due to the Department's inability to generate proper reports from the ERP system necessary for the reconciliations.

Failure to prepare monthly reconciliations between the Department and the Comptroller's records reduces the usefulness and reliability of financial information and could result in errors not corrected timely.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will strive to ensure all required reconciliations of the Department's activities are performed, documented and reviewed on a timely basis.

### **UPDATED RESPONSE:**

**Partially Implemented.**

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

The Department has been able to successfully produce reconciliation reports from SAP for the SB01, SB03, SB04, and SC14 reports. The monthly reconciliations are current and being performed in a timely manner. The Department continues to make progress on bringing the SB05 (cash) reconciliations current.

**4. The auditors recommend the Department strengthen internal controls over its operations at the WSRC. Specifically, they recommend the Department:**

- ensure the WSRC has an accurate and complete listing of events held;
- ensure proof of insurance is obtained prior to holding events;
- implement adequate audit trails regarding the maintenance and retention of records at the WSRC; and
- ensure ISP is timely notified of competitive shooting events held at the WSRC.

**FINDING:** *(Inadequate Controls over the World Shooting and Recreational Complex's Operations) – First reported 2020, last reported 2022*

The Department of Natural Resources (Department) did not exercise adequate control over operations of its World Shooting and Recreational Complex (WSRC) in Sparta, Illinois.

During their testing, auditors noted the following:

### Insufficient Controls over Events Documentation

During their testing of facility use agreements, auditors requested the Department and WSRC provide the population of events and related facility use agreements entered into during the examination period. In response to this request, the Department provided a listing of events held at the WSRC. The auditors noted the population provided by the WSRC was derived from an electronic calendar, and they were unable to reconcile it to the Department's population of facility use agreements.

Due to these conditions, auditors were unable to conclude the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Department's compliance with its facility use agreements.

***Although the population limitations noted above hindered the ability of the accountants to conclude whether the selected sample was representative of the population as a whole,*** auditors selected a sample of 20 events from the listing provided by the Department and noted the following during their testing:

- For five (25%) events, the Department could not provide insurance documentation and evidence that insurance information was obtained prior to the event.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

- For two (10%) events, the Department could not provide documents to confirm whether facility use fees were collected.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law. Good internal controls include ensuring the Department generates, maintains, and reports reliable information that is accurate and complete.

Also, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the essential transactions of the Department to protect both the legal and financial rights of the State and of persons directly affected by the Department's activities.

### **Noncompliance with the Criminal Code of 2012**

During the testing, auditors noted in two of four (50%) competitive shooting events held at the WSRC in Fiscal Years 2021 and 2022, the Department failed to give a notice to the Illinois State Police (ISP) within at least 30 calendar days prior to each event. The notices were sent two and 25 days late.

The Criminal Code of 2012 (Code) (720 ILCS 5/24-3(A)(g)) requires the Department to give notice to the ISP at least 30 calendar days prior to any competitive shooting events held at the WSRC. The notification has to be made on a form prescribed by the ISP.

Department personnel indicated the exceptions relating to events documentation were due to staffing constraints. Department personnel also indicated the failure to notify the State Police of competitive shooting events at the WSRC was due to oversight.

Failure to provide a complete and accurate population prevents auditors from completing audit procedures and providing useful and relevant feedback regarding WSRC's events documentation. Also, failure to obtain evidence of insurance may result in losses from misuse of State assets that may not be recovered. Lastly, failure to maintain records that facility use fees were collected and timely notify ISP of competitive shooting events is a noncompliance with the State Records Act and the Code.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will work to strengthen internal controls over operations at WSRC, including event listing and facility use agreements, ensuring proof of insurance is obtained prior to holding events, adequate audit trails regarding maintenance and retention of records and ensuring ISP is timely notified of competitive shooting events.

### **UPDATED RESPONSE:** **Implemented.**

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

The Department has successfully strengthened internal controls at WSRC by

1. Sending competitive shooting event forms for the current year to ISP in February,
2. Instituting a checklist procedure to ensure all requirements are complete before the event date,
3. Hiring additional staff to ensure information is recorded and maintained.

5. **The auditors recommend the Department maintain a complete and accurate list of contractual agreements by ensuring all contractual agreements are timely entered into the ERP system. They also recommend the Department ensure all contractual agreements are timely executed and include required contractual clauses. Further, auditors recommend the Department report the actual cost of emergency purchases to the Office of the Auditor General in accordance with the Code.**

**FINDING:** *(Inadequate Controls over Contractual Agreements and Obligations) – First reported 2018, last reported 2022*

The Department of Natural Resources (Department) did not exercise adequate controls over its contractual agreements and contract obligations.

During the testing of contractual agreements, auditors requested the Department provide a population of contractual agreements, including interagency agreements, real property leases, emergency purchases, and contracts and grants over \$3 million. In response to this request, the Department provided a listing of all contractual agreements from the ERP system. However, according to the Department, there were contracts that were not entered into the ERP system between December 2021 through March 2022 due to the vacancy in the position responsible for entering contracts into the ERP system. Due to these conditions, auditors were unable to conclude the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C §205.36) to test the Department's compliance with its contractual agreements.

***Although the population limitations noted above hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole,*** auditors selected a sample of 40 contractual agreements, 20 intergovernmental agreements, four emergency purchases, and seven real property leases, and noted the following during the testing:

- 14 of 20 (70%) intergovernmental agreements were executed three to 370 days after the beginning of the contract period.

The Intergovernmental Cooperation Act (5 ILCS 220/5) requires interagency agreements to be approved by the governing bodies of each party.



## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls. This would include controls to ensure agreements are fully executed prior to the start of the agreement term.

- Three of seven (43%) real property lease contracts did not have the disclosure of the right to audit records.

The Statewide Accounting Management System (Procedure 15.20.40) requires real property leases to include a right to audit records clause, among other contractual disclosure requirements.

- For one of four (25%) emergency purchases, the actual cost of the emergency purchase was not reported to the Office of the Auditor General after the final cost was determined.

The Illinois Procurement Code (Code) (30 ILCS 500/20-30(c)) requires the Department to file statements with the Procurement Policy Board, the Commission on Equity and Inclusion, 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. When only an estimate of the cost is available within ten calendar days after the procurement, the actual cost is required to be reported immediately after it is determined.

This finding was first reported in Fiscal Year 2018. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over its contractual agreements and contract obligations.

Department personnel indicated the above issues were due to staffing constraints.

Failure to maintain a complete and accurate listing of contractual agreements and obligations may result in expenditures being not timely encumbered and paid. In addition, failure to timely execute agreements is a noncompliance with State statutes. Further, failure to ensure the Department's contractual agreements include all required clauses may hinder the Department's ability to enforce the requirement against the vendors in the event of noncompliance. Also, failure to report the actual cost of emergency purchases to the Office of the Auditor General is a noncompliance with the Code.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendations. The Department will work on ensuring contracts and agreements are timely executed and timely entered into the ERP system as well as implementing procedures to ensure all contractual agreements include required contractual certifications and clauses. The Department will report the actual cost of emergency purchases to the Office of the Auditor General in accordance with the Code.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

### **UPDATED RESPONSE:**

#### **Implemented.**

The Department has implemented controls to ensure all contractual agreements are timely entered into the ERP System and all required information is accurately reported to the Office of the Auditor General.

- 6. The auditors recommend the Department design and maintain internal controls to provide assurance its data entry of key attributes into ERP system is complete and accurate. Further, they recommend the Department process proper bills within 30 days of receipt and approve vouchers for payment of interest due to vendors.**

**FINDING:** *(Voucher Processing Internal Controls Not Operating Effectively) – First reported 2014, last reported 2022*

The Department of Natural Resources (Department) internal controls over its voucher processing function were not operating effectively during the examination period.

Due to their ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), auditors were able to limit their voucher testing at the Department to determine whether certain key attributes were properly entered by the Department's staff into the ERP system. In order to determine the operating effectiveness of the Department's internal controls related to voucher processing and subsequent payment of interest, auditors selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the ERP system based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

The auditors testing noted three of 404 (1%) attributes were not properly entered into the ERP system. Therefore, the Department's internal controls over voucher processing were not operating effectively.

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Department to, after receipt of goods or services, verify the goods or services received met the stated specifications and prepare a voucher for submission to the Office of Comptroller (Comptroller) to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure. Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Department maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State's resources.

Due to this condition, auditors qualified their opinion because they determined the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

***Even given the limitations noted above***, auditors conducted an analysis of the Department's expenditures data for fiscal years 2021 and 2022 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Code (74 Ill. Admin. Code 900.70). They noted the following noncompliance:

- The Department owed 1,172 vendors interest totaling \$461,736 in fiscal years 2021 and 2022; however, the Department had not approved these vouchers for payment to the vendors.

The Act (30 ILCS 540) requires agencies to pay vendors who had not been paid within 90 days of receipt of a proper bill or invoice interest.

- The Department did not timely approve 53,683 of 126,068 (43%) vouchers processed during the examination period, totaling \$135,367,106. Auditors noted these late vouchers were submitted by the Department to the Comptroller between one and 402 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Department to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

This finding was first reported in Fiscal Year 2014. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over voucher processing.

Department personnel indicated the deficiencies noted were due to staffing constraints and oversight.

Failure to properly enter the key attributes into the State's ERP when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP system, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills and approve vouchers for payment of interest due represents noncompliance with the Code and the Act.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation. The Department continues to work on internal controls to provide assurance the data entry of key attributes into the ERP system is complete and accurate. The Department has improved its procedures to ensure vouchers are timely approved and paid.

**UPDATED RESPONSE:**

**Partially Implemented.**

The Department has recently added staff to the fiscal office and expanded internal guidance and training to staff in the effort to ensure accurate data entry and timely approval of invoices. The Department continues to update policies and procedures for voucher processing.

- 7. The auditors recommend the Department maintain complete and accurate records and adequate segregation of duties over petty cash and change funds. They also recommend the Department maintain adequate oversight over petty cash expenditures and reconciliations and file required C-18 and C-86 reports with the Office of Comptroller. In addition, auditors recommend the Department track petty cash funds to determine whether reimbursements for each fund exceeded \$5,000 in a fiscal year and perform internal audits on such funds.**

**FINDING:** *(Inadequate Controls over Petty Cash) – First reported 2018, last reported 2022*

The Department of Natural Resources (Department) did not have adequate controls over its petty cash funds.

- The auditors requested the Department provide a population of petty cash funds and change funds. In response to this request, the Department provided a listing of all petty cash funds and change funds maintained during the examination period. During testing, they noted the following:
  - The Department's listing had 107 change funds while the Office of Comptroller (IOC) records showed the Department had 106 change funds;
  - Fund custodians for nine petty cash funds and one change fund did not match with the fund custodians per IOC records;
  - One petty cash fund's address did not match with the address per IOC records; and
  - One change fund had a fund number that did not match with the fund number per IOC records.

Due to these conditions, auditors were unable to conclude the Department's population records were sufficiently precise and complete under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C §205.36) to test the Department's compliance over its petty cash and change funds.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

***Although the population limitations noted above hindered their ability to conclude whether the records were complete and accurate,*** auditors selected a sample of 30 monthly reconciliations from 15 petty cash funds and noted the following:

- Three (10%) reconciliations were not performed on a timely basis. The reconciliations were prepared five to 135 days late; and,
- 19 (63%) reconciliations were not reviewed and approved by the supervisor.

The Fiscal Control and Internal Auditing 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 resources and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- During the site visits, auditors noted inadequate segregation of duties over petty cash funds at six of 11 (55%) sites tested. They noted one individual at each of the noted sites performed most, if not all, of the transaction cycle, including:
  - Authorization by reviewing and approving transactions, including having signature authority for the checks;
  - Custody by maintaining the account's records and making deposits at the bank;
  - Recordkeeping by preparing entries and maintaining the Department's internal accounting records and the account's checkbook; and,
  - Reconciliation by preparing reconciliations of the account's records to the bank's records to verify each transaction's validity, proper authorization, and entry into the Department's accounting records.

The Fiscal Control and Internal Auditing 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 resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

- During the testing of the Annual Petty Cash Fund Usage Reports (C-18), the Department could not provide 29 of 48 (60%) C-18 forms. As such, auditors could not determine if the C-18 forms were filed with the Office of Comptroller by January 31 during the examination period.

The Statewide Accounting Management System (SAMS) (Procedure 09.10.40) requires the C-18 forms to be completed for those petty cash funds exceeding \$100 and filed with the IOC no later than January 31 for the preceding calendar year.

- The Department did not maintain records of each petty cash fund that received reimbursements of more than \$5,000 in a fiscal year. As such, auditors could not determine whether an internal audit was to be performed on the petty cash fund that met the \$5,000 threshold.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The State Finance Act (30 ILCS 105/13.3) requires an internal audit to be performed of any petty cash fund which receives reimbursements of more than \$5,000 in a fiscal year. Further, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Department, designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the State's activity.

- During the testing of the Petty Cash Internal Control Certification (C-86) reports, auditors noted the Department did not file C-86 reports that were due in Calendar Years 2020 and 2021 with the Office of Comptroller.

SAMS (Procedure 09.10.40) requires the Department to complete the C-86 reports biennially (once every two years) for each petty cash fund which has been established for one year and exceeds \$100.

This finding was first reported in Fiscal Year 2018. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over petty cash funds.

Department personnel indicated the above exceptions were mostly due to staffing constraints.

Failure to maintain complete and accurate records and lack of adequate segregation of duties over petty cash and change funds could result in misappropriation of assets not timely prevented or detected. Further, failure to timely prepare, review, and approve petty cash reconciliations, as well as failure to track and maintain records of petty cash funds exceeding \$5,000 in annual reimbursements and perform internal audits, may result in errors and misappropriation of assets not timely prevented or detected. Also, failure to file C-86 and C-18 reports with the Office of Comptroller inhibits the State from accumulating meaningful oversight information.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation. The Department will maintain complete and accurate records over petty cash and cash funds. Also, the Department will maintain adequate oversight over petty cash expenditures and reconciliations and ensure timely filing of C-18 and C-86 reports with the Office of Comptroller. Finally, the Department has procedures established to track petty cash funds to determine whether reimbursements for each fund exceeded \$5,000 in a fiscal year.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department has hired additional staff and provided internal guidance and training to ensure internal controls over petty cash are strengthened. The Department timely filed

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

the C-18 and C-86 reports in FY24. The Department continues to work towards corrective action by expanding additional training and updating policies and procedures.

**8. The auditors recommend the Department work with DoIT to obtain a detailed understanding of each agency's roles and responsibilities. They also recommend the Department:**

- **develop a formal, comprehensive, adequate and communicated security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.**
- **develop a project management framework to ensure new applications are adequately developed and implemented in accordance with management's expectations.**
- **define cybersecurity roles and responsibilities.**
- **develop policies documenting guidelines for reporting security violations and suspected violations.**
- **establish a cybersecurity plan documenting the Department's security program, policies and procedures.**
- **review the vulnerability documentations, generate any reports, and document security event monitoring of the Department's assets.**
- **develop a risk management methodology, conduct a comprehensive risk assessment, and implement risk reducing internal controls.**
- **develop a data classification methodology and classified its data.**
- **obtain and review documentation of the security solutions utilized to protect their assets.**
- **document security event monitoring.**

**Additionally, they recommend the Department ensure employees and contractors acknowledged receipt and understanding of security policies and procedures. Further, auditors recommend the Department ensure employees and contractors complete the annual cybersecurity training.**

**FINDING:** *(Weaknesses in Cybersecurity Programs and Practices) – First reported 2012, last reported 2022*

The Illinois Department of Natural Resources (Department) failed to implement internal controls related to cybersecurity programs, practices and control of confidential information.

The Department is mandated to “manage, conserve and protect Illinois' natural, recreational and cultural resources, further the public's understanding and appreciation of those resources, and promote the education, science and public safety of Illinois' natural resources for present and future generations.” In order to carry out this mission, the Department utilizes several Information Technology (IT) applications which contain confidential and personal information.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs, practices and control of confidential information. During the examination of the Department's cybersecurity program, practices, and control of confidential information, auditors noted the Department:

- Had not developed a formal, comprehensive, adequate and communicated security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.
- Had not developed a project management framework to ensure new applications were adequately developed and implemented in accordance with management's expectations.
- Had not defined cybersecurity roles and responsibilities.
- Did not have policies documenting guidelines for reporting security violations and suspected violations.
- Had not established a cybersecurity plan documenting the Department's security program, policies and procedures.
- Had relied on the Department of Innovation and Technology (DoIT) for vulnerability monitoring, however, had not reviewed any vulnerability documentations, generated any reports, nor documented security event monitoring.
- Had not developed a risk management methodology, conducted a comprehensive risk assessment, or implemented risk reducing internal controls.
- Had not developed a data classification methodology or classified its data.
- Did not provide documentation of the security solutions utilized to protect their assets.
- Had not documented security event monitoring.

The auditors also requested documentation demonstrating employees and contractors had acknowledged receipt and understanding of security policies and procedures; however, such documentation was not provided.

Additionally, auditors requested the Department provide the annual cybersecurity training reports for the examination period in order to determine if employees and contractors had completed the training. During the testing, auditors noted four of 60 (7%) employees had not completed the annual cybersecurity training.

*The Framework for Improving Critical Infrastructure and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Data Security on State Computers Act (20 ILCS 450/25 (b)) states every employee is to annually undergo training by the Department of Innovation and Technology concerning cybersecurity.



## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

This finding was first reported in Fiscal Year 2012. In subsequent years, the Department has failed to implement appropriate corrective actions.

Department personnel indicated DoIT was responsible for cybersecurity controls and the Department did not have sufficient resources.

Failure to implement internal controls related to cybersecurity programs, practices and control of confidential information could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will work with DoIT to obtain a detailed understanding of each agency's roles and responsibilities.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is working closely with the Governor's Office and DoIT to develop and implement a comprehensive cybersecurity and general information technology controls program (program). The program will include specific policies and procedures to address the auditors' recommendations related to this finding.

- 9. The auditors recommend the Department work with SERS to develop an annual reconciliation process of its active members' census data from its underlying records to a report of the census data submitted to each plan's actuary. After completing an initial full reconciliation, the Department may limit the annual reconciliation to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.**

### **FINDING:** *(Inadequate Internal Controls over Census Data) - New*

The Department of Natural Resources (Department) did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

The auditors noted the Department's employees within the Fund are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, they noted these plans have characteristics of different types of pensions and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, they noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, auditors noted the following:

- The Department had not performed an initial complete reconciliation of its census data recorded by SERS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the Department had not developed a process to annually obtain from SERS the incremental changes recorded by SERS in their census data records and reconcile these changes back to the Department's internal supporting records.

For employers participating in plans with multiple-employer and cost-sharing characteristics, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple- employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Further, the State Records Act (5 ILCS 160/8) requires the Department make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Department personnel indicated the failure to reconcile census data was due to staffing constraints.

Failure to reconcile active members' census data reported to and held by SERS to the Department's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the State's pension and OPEB balances, which may result in a misstatement of these amounts.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation. The Department will develop an annual reconciliation process of its active members' census data from its underlying records to a report of the census data submitted to the plan's actuary.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department has coordinated with SERS to develop an annual reconciliation process. However, due to limited staff and competing operational priorities, the Department has not yet been able to perform the reconciliations. The Department has just recently hired staff to perform the reconciliation process.

- 10. The auditors recommend the Department to work with the Department of Innovation and Technology to transition and fully utilize the Public Sector Collection & Disbursements, Grants Management, Material Management and Warehouse Management modules of the ERP system.**

**FINDING:** *(Failure to Fully Utilize the State's Enterprise Resource Planning System) - New*

The Department of Natural Resources (Department) did not utilize all capabilities of the State's Enterprise Resource Planning (ERP) system which resulted in unnecessary inefficiency.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The State's implementation of an ERP system centralized the finance, procurement, grants management, and asset management processes by replacing outdated manual systems and technologies. The ERP system can enhance transparency of data, reduce processing time, and improve the timeliness of financial reporting. During the examination period, the ERP system's processing integrity was sufficient to enable reliance upon ERP's processing of transactions.

For commodities and property inventories, the ERP system has several functionalities which reduce the number of manual transactions and processing time, such as the "shopping cart" feature that creates a purchase order, tracks receipt of the goods or service along with the vendor's related invoice, helps generate the voucher fields necessary for the processing of payment to the vendor, records inventory and property transactions, and enables financial reporting to the Office of Comptroller.

During the examination, auditors noted the Department:

- billed entities for various services; however, the Department did not fully utilize the Public Sector Collection & Disbursements (PSCD) module. The PSCD module maintains transactions related to billings, payments and accounts receivable. During the examination period, the Department had billings totaling approximately \$33,419,000;
- awarded grants to various entities; however, the Department did not fully utilize the Grants Management module. Grants Management module maintains the details, including but not limited to budget, obligations, expenditures, and revenues of grants awarded associated with each specific grant. During the examination period, the Department had awards and grants expenditures totaling \$62,573,603; and,
- purchased commodities and supplies from vendors; however, the Department did not fully utilize the Material Management and Warehouse Management modules. The Material Management module records transactions related to the purchase of commodities and supplies. Warehouse Management module maintains, tracks and processes movement of goods and inventory.

Government Auditing Standards (§ 1.02) states the concept of accountability for use of public resources and government authority is key to our nation's governing processes. Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, and ethically within the context of the statutory boundaries of the specific government program.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws. Good internal controls over compliance include ensuring the full capabilities of the ERP system are used to efficiently process, record, and report transactions.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Department personnel indicated the deficiencies noted were due to staffing constraints.

Failure to fully utilize the State's ERP system could result in outdated systems not being supported, untimely financial information and the lack of full transparency and resulted in the inefficient usage of State resources.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will work with DoIT to transition and fully utilize the PSCD and Grants modules.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department has fully implemented the utilization of the Public Sector Collection & Disbursements module. The Department is continuing to work towards fully implementing the Grants Management, Material Management, and Warehouse Management modules of the ERP system.

### **11. The auditors recommend the Department ensure its internal audit function complies with the provisions of the Act, Internal Audit Manual, and the International Standards for the Professional Practice of Internal Auditing.**

#### **FINDING:** *(Internal Audit Deficiencies) – First reported 2014, last reported 2022*

The internal audit function at the Department of Natural Resources (Department) failed to comply with the Fiscal Control and Internal Auditing Act (Act) and the International Standards for the Professional Practice of Internal Auditing.

During the testing, auditors noted the following:

- The Department's internal audit function did not conduct reviews of the design of major new electronic data processing (EDP) systems and major modifications to existing EDP systems. The Department started using a new licensing, permitting and registration system in April 2021. The internal audit function did not conduct pre-implementation review over this new system.

The Act (30 ILCS 10/2003(a)(3)) requires the Department's Director ensure its internal audit function reviews major new systems and major modifications to existing systems prior to the system's installation to ensure the system provides adequate audit trails and accountability.

- Five of 18 (28%) internal audits required to be performed in Fiscal Years 2021 and 2022 were not completed. The internal audit function could not provide evidence of pre-consultation or approval by the Director of the changes to the audit plan.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The Act (30 ILCS 10/2003(a)(1)) and the Department's Internal Audit Manual (Manual) require the Chief Internal Auditor to meet with the Director to go over the internal audit plan, discuss issues and topics, and obtain the Director's approval.

- The Department's internal audit function did not undergo an external quality assurance review since its creation in 2010.

The International Standards for the Professional Practice of Internal Auditing, Standard 1312 -External Assessments, requires an internal audit to undergo an external quality assurance review at least once every five years.

- The Department's internal audit function did not undergo an internal assessment to ensure quality assurance and conformance of the internal audit activity with the standards.

The International Standards for the Professional Practice of Internal Auditing, Standard 1311 – Internal Assessments requires ongoing monitoring of the performance of the internal audit and periodic self-assessments or assessments by persons within the organization with sufficient knowledge of internal audit practices.

This finding was first reported in Fiscal Year 2014. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to address internal audit deficiencies.

Department personnel indicated, as they did in the prior year, limited staffing affected their ability to complete all required internal audit activities. Department personnel also indicated the Internal Audit Department has no staff auditors.

Failure to ensure the Department's internal audit function carries out its duties mandated by the Act and Manual represents noncompliance with State laws and Manual, impairs the Department's ability to ensure the appropriate corrective action has been taken on prior findings, could result in areas not being subjected to internal audit review for a substantial period of time, and increases the risk of errors or other irregularities that could occur and not be detected during the normal course of operations. Failure of the internal audit function to be subjected to internal and external quality assurance reviews may result in the internal audit deficiencies not being timely detected and opportunities for improvements not being timely identified.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation to ensure the Department's internal audit function complies with the provisions of the Act and the International Standards for the Professional Practice of Internal Auditing. Although no permanent staff auditors have been retained, Internal Audit has been utilizing the services of an intern. This will assist the Chief Internal Auditor in addressing the compliance issues noted. In addition, Internal

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Audit will continue to reevaluate current operating procedures in an effort to become more efficient and effective.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

During FY24 the Office of Internal Audit experienced personnel changes. The Chief Internal Auditor retired, and a new Chief Internal Auditor was hired in FY25. The Office of Internal Audit is continuing to work towards complying with the Internal Audit Act, SIAAB, and International Standards.

#### **12. The auditors recommend the Department strengthen its controls to ensure grantees comply with the reporting requirements of the grants.**

#### **FINDING:** *(Inadequate Administration and Monitoring of State Awards and Grants)* *- New*

The Department of Natural Resources (Department) did not adequately administer and monitor its awards and grants program.

During Fiscal Years 2021 and 2022, the Department expended approximately \$63 million in awards and grants. During testing of 15 grant agreements, totaling \$11.6 million, auditors noted the following:

- For 12 (80%) grant agreements, grantees did not submit 59 of 146 (40%) quarterly project status reports to the Department.
- For two (13%) grant agreements, grantees did not submit the audit reports to the Department.
- For eight (53%) grant agreements, grantees did not submit the close-out reports to the Department at the end of the grant period.

The grant agreements require the grantees to submit financial reports and performance reports with frequency and deadlines specified in the grant agreements.

Further, the Grant Accountability and Transparency Act (30 ILCS 708/45(g)) requires the Department to enhance its processes to monitor and address noncompliance with reporting requirements and with program performance standards.

Also, the Fiscal Control and Internal Auditing 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 resources are utilized efficiently and effectively, and in compliance with applicable law.

Department personnel indicated the exceptions were due to staffing constraints.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Failure to ensure grantees submit the required reports increases the risk of misuse of funds and errors not being timely detected and results in noncompliance with provisions of the grant agreements.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will continue to strengthen the Department's controls to ensure grantees comply with the reporting requirements of the grants.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is working towards implementing Amplifund, a grant management program that will enable the Department to effectively track individual grant agreements from a centralized system. This will help the Department ensure grantees are complying with the reporting requirements for grants.

- 13. The auditors recommend the Department work with DoIT to obtain a detailed understanding of each party's responsibilities relating to system development and change management over the Department's applications and data. They further recommend the Department develop a system development standard and change management policies.**

**FINDING:** *(Inadequate Controls over Systems Development and Change and Change Management) - New*

The Department of Natural Resources (Department) failed to implement adequate controls over system developments and changes to its applications and data.

During the examination, auditors noted the Department had not established a change management policy to document the controls over changes to its applications and data. In addition, the Department had not developed a system development standard to ensure new application developments met the Department's requirements.

*The Framework for Improving Critical Infrastructure and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Configuration Management and System and Services Acquisition sections, requires entities to document their controls to ensure system development projects met their needs, are timely and stay within budget. Further, entities are to document the control over changes to applications and data to ensure changes are authorized and reviewed.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are



## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Department personnel indicated the Department of Innovation and Technology (DoIT) was responsible for changes to their applications and development needs.

Failure to implement adequate controls over application development or changes to the Department's applications and data could result in unauthorized changes and application development not meeting the Department's needs.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will work with DoIT to obtain a detailed understanding of each party's responsibilities relating to system development and change management over the Department's applications and data.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is working closely with the Governor's Office and DoIT to develop and implement a comprehensive cybersecurity and general information technology controls program. The program will include specific policies and procedures to address the auditors' recommendations related to this finding.

**14. The auditors recommend the Department work with DoIT to obtain a detailed understanding of each entity's responsibilities regarding the Department's service providers. In addition, they recommend the Department implement control to determine their population of service providers. Further, auditors recommend the Department:**

- **obtain SOC reports and document their review.**
- **monitor and document the operation of CUECs related to the Department's operations.**
- **either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.**
- **document the review of the SOC reports and all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impact to the Department, and any compensating controls.**

### **FINDING:** *(Inadequate Controls over Service Providers) - New*

The Department of Natural Resources (Department) failed to implement adequate controls over its service providers.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The auditors requested the Department provide the population of service providers utilized in order to determine if they had reviewed the internal controls over their service providers. However, the Department did not provide a population.

Although the Department did not provide a listing of service providers, during their testing auditors noted a service provider which provided software as a service. The auditors requested the Department provide the service provider's contract and System and Organization Controls (SOC) report. However, the Department did not provide the requested documentation. As a result, they were unable to conduct testing to determine if the Department had implemented controls over their service providers.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Services Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the entities' internal controls related to the services provided. Such assurance may be obtained via SOC reports or independent reviews.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Department personnel indicated the Department of Innovation and Technology (DoIT) was responsible for the Department's security controls and the Department did not have sufficient resources.

Failure to implement adequate controls over service providers could result in inadequate controls at the service providers.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will work with DoIT to obtain a detailed understanding of each entity's responsibilities regarding service providers.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is working closely with the Governor's Office and DoIT to develop and implement a comprehensive cybersecurity and general information technology controls program. The program will include specific policies and procedures to address the auditors' recommendations related to this finding.

## **15. The auditors recommend the Department:**

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

- **establish and implement a formal access policy;**
- **ensure timely deactivation of separated users' access;**
- **maintain a list of users for each application;**
- **ensure computer equipment devices that store and process confidential and sensitive information are encrypted; and**
- **conduct an assessment to determine if lost or stolen laptops contained confidential or personal information and ensure compliance with the Personal Information Protection Act.**

**FINDING:** (*Weaknesses over Computer Security*) – *First reported 2020, last reported 2022*

The Department of Natural Resources (Department) had weaknesses over computer security.

During testing, auditors noted the Department:

- did not have a formal access provisioning policy.
- did not timely remove separated employees' user access rights. Auditors noted four of 277 (1%) separated employees continued to have access to an application subsequent to their separation from the Department. Further, they noted the Department did not evaluate whether the separated employees accessed the application.
- could not provide a list of users for two of five (40%) applications selected for testing.
- did not ensure laptops were encrypted to protect data at rest. During testing of 40 laptops, auditors noted one laptop (3%) did not have encryption installed and 18 (45%) laptops could not be located for physical inspection, therefore, they could not determine if these laptops were encrypted.
- had not maintained adequate control over lost or missing computer equipment items. Twelve electronic data processing equipment items were reported as lost and missing during the Department's inventory and two laptops were removed from the Department records because they were missing. However, the Department did not determine if any confidential information was stored on these electronic data processing systems.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control section, requires timely termination of access rights; System and Information Integrity section requires implementation of security protection

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

mechanisms; and System and Services Acquisition section requires a properly secured infrastructure.

The Personal Information Protection Act (815 ILCS 530) requires the Department to ensure confidential and personal information was protected from disclosure.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively and in compliance with applicable law.

Department personnel indicated the issues were due to staffing limitations.

Failure to have adequate security controls over computing resources increases the risk of unauthorized access to the computing environment and the risk that confidentiality, integrity, and availability of systems and data will be compromised.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation. The Department will establish and implement a formal access policy, ensure timely deactivation of separated users' access and maintain a list of users for each application.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is working closely with the Governor's Office and DoIT to develop and implement a comprehensive cybersecurity and general information technology controls program. The program will include specific policies and procedures to address the auditors' recommendations related to this finding.

- 16. The auditors recommend the Department strengthen its controls over property and equipment to ensure all equipment transactions are timely recorded, tag numbers are properly attached to equipment items, and equipment items are properly accounted for and maintained. They also recommend the Department periodically review all existing equipment items to identify items no longer used and eligible for scrapping or surplus.**

### **FINDING:** *(Property Control Weaknesses) – First reported 2014, last reported 2022*

The Department of Natural Resources (Department) did not maintain adequate controls over its property and related fixed asset records.

- During the testing of additions and deletions, auditors noted the following:

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

- Five of 40 (13%) equipment acquisitions, totaling \$3,193,599, were added to the Department's property records 94 to 564 days after the goods acceptance date.
- Two of 40 (5%) equipment deletions, totaling \$26,087, were removed from the Department's property records 104 and 116 days after the Department of Central Management Services' (DCMS) approval date of deletion.

The Illinois Administrative Code (44 Ill. Admin. Code 5010.400) requires the Department to adjust property records within 90 days of acquisition, change, or deletion of equipment items.

- During their physical inspection of 60 equipment items, auditors noted the following:
  - Five (8%) equipment items, totaling \$1,299,395, could not be located.
  - Four (7%) equipment items, totaling \$64,466, did not have tag numbers.
- During their tracing of 60 equipment items to the Department records, auditors noted the following:
  - Three (5%) equipment items, totaling \$36,936, were recorded under a different location.
  - Two (3%) equipment items, totaling \$17,770, did not have property tag numbers.

The Statewide Accounting Management System (SAMS) (Procedures 29.10.10) requires agencies to maintain detailed property records and update property records as necessary to reflect the current balance of the State property. Such detailed records are to be organized by major asset category and include information such as the equipment tag number, location, item function and activity, among others.

The Illinois Administrative Code (44 Ill. Admin. Code 5010.210) requires the Department to mark each piece of State-owned equipment in its possession with a unique identification number.

- The auditors noted 22 equipment items at various sites consisting of tractors, generators, mowers, printers, DVD players, power distribution units, refrigerators, boats, vehicles, air coolers, air conditioning units, and meat slicers, totaling \$87,846, were no longer used or serviceable. These assets were not transferred to DCMS or appropriately disposed.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The Illinois Administrative Code (44 Ill. Admin. Code 5010.610) requires all transferable equipment which is no longer serviceable to be scrapped. Scrap having a market value is required to be sold.

This finding was first reported in Fiscal Year 2014. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to address its property control weaknesses.

Department personnel indicated additions and deletions were not timely reflected in the property records due to late payment of invoices by originating divisions, late transfer of assets by the other State agency, and human error while other exceptions noted were due to staffing constraints.

Inadequate control over Department's property and fixed asset records increases the potential for fraud and possible loss or theft of State property, and reduces the reliability of Statewide property information. Further, failure to exercise adequate internal control over equipment represents noncompliance with State laws and regulations.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation. The Department continues to strive to record property transactions in a timely manner and ensure the property control system accurately reflects the property inventory.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department has successfully implemented corrective action to ensure property records are accurate and updated timely. The Department continues to work towards ensuring all equipment items are properly tagged and unused equipment is identified for scrapping or surplus.

## **17. The auditors recommend the Department comply with all provisions of the Act.**

**FINDING:** *(Failure to Comply with the Illinois State Agency Historic Resources Preservation Act) – First reported 2018, last reported 2022*

The Department of Natural Resources (Department) did not comply with the provisions of the Illinois State Agency Historic Resources Preservation Act (Act).

During their testing, auditors noted the following:

- The Department did not prepare an annual report for Fiscal Years 2021 and 2022 that includes an outline of State agency actions on which comment was requested or issued under this Act.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

The Act (20 ILCS 3420/5(a)) requires the Director to include in the Department's annual report an outline of State agency actions on which comment was requested or issued under this Act.

- The Department did not maintain a current list of all historic resources owned, operated, or leased by the State and appropriate maps indicating the location of all such resources. While the Department maintains a map of historic sites, the map excludes other resources owned, operated, or leased by the State.

The Act (20 ILCS 3420/5(b)) requires the Director to maintain a current list of all historic resources owned, operated, or leased by the State and appropriate maps indicating the location of all such resources. These maps are to be in a form available to the public and State agencies, except that the locations of archaeological resources are excluded.

- The Department failed to carry out its duties related to the preservation, conservation, inventory, and analysis of fine and decorative arts, furnishings, and artifacts of the Governor's Office in the Capitol in Springfield, and the Hayes House in DuQuoin as required by Act.

The Act (20 ILCS 3420/5(f)) requires the Department to manage and control the preservation, conservation, inventory, and analysis of fine and decorative arts, furnishings, and artifacts of the Governor's Office in the Capitol in Springfield, and the Hayes House in DuQuoin.

This finding was first reported in Fiscal Year 2018. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to comply with the provisions of the Act.

Department personnel indicated the above exceptions were due to staff turnover and staffing constraints.

Failure to comply with the Act weakens overall State agency collaboration in preserving, restoring, and maintaining the historic resources of the State of Illinois. In addition, failure to include required information in its annual report and to maintain a list of owned, operated, or leased historic resources represents noncompliance with the Act. Further, the Department's failure to carry out its duties related to the preservation and conservation of historic resources prevents the fostering and enhancement of the availability of these resources to future generations.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will strive to comply with all provisions of the Illinois State Agency Historic Resources Preservation Act or seek legislative remedy.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department was able to hire staff in FY24 to work towards implementing corrective action and complying with the Act.

18. **The auditors recommend the Department continue to seek bilingual frontline staff to comply with the State Services Assurance Act. They also recommend the Department ensure the Commission is fully seated and administered to comply with the provisions of the Historic Preservation Act or work with the General Assembly to seek legislative remedy. Further, auditors recommend the Department implement rules and regulations in accordance with the Archaeological and Paleontological Resources Protection Act. Lastly, they recommend the Department design application forms and maintain records in compliance with the State Employee Housing Act.**

**FINDING:** *(Noncompliance with Mandated Duties) – First reported 2012, last reported 2022*

The Department of Natural Resources (Department) did not comply with certain duties mandated by State law.

During their testing, auditors noted the following:

- The Department did not maintain the required number of bilingual on-board frontline staff during Fiscal Years 2021 and 2022. Specifically, the Department lacks four required bilingual frontline staff over its number of bilingual frontline staff on June 30, 2007.

The State Services Assurance Act for FY2008 (5 ILCS 382/3-15) requires the Department to add and maintain, at least, five additional bilingual frontline staff over its number of bilingual frontline staff on June 30, 2007.

- The Department did not comply with the provisions of the Historic Preservation Act regarding the Amistad Commission (Commission). The Commission did not meet in any of the four quarters of Fiscal Years 2021 and 2022 and did not prepare a biannual report to file with the Governor and the General Assembly regarding its findings and recommendations. Further, auditors noted there were four vacancies in the Commission during the examination period. The vacancies were two ex-officio members and two members to be appointed by the Governor.

The Historic Preservation Act (Act) (20 ILCS 3405/22(c)) requires the Commission consist of 15 members, including three ex-officio members: the State Superintendent of Education or his or her designee, the Director of Commerce and Economic Opportunity or his or her designee, and the Director of Natural Resources or his or her designee; and 12 public members (6 appointed by the Governor). The



## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Act (20 ILCS 3405/22(d) requires the Commission to meet at least quarterly or more frequently at the call of the chairperson or if requested by nine or more members. The Act (20 ILCS 3405/22(l) requires the Commission to report its activities and findings, as required under subsection (i), to the Governor and General Assembly on or before June 30, 2006, and biannually thereafter.

- The Department did not develop and implement rules and regulations for the issuance of permits to engage in exploration or excavation of archaeological and paleontological resources. Proposed regulations were drafted in 1997; however, they were not finalized and enacted through the rulemaking process. Additionally, the Department did not consult with the various State agencies owning or managing the land for the use of the State before issuing permits.

The Archaeological and Paleontological Resources Protection Act (Act) (20 ILCS 3435/6(a)) requires the Department, in consultation with various State agencies owning or managing land for the use of the State of Illinois, to develop regulations whereby permits maybe issued for exploration or excavation of archaeological and paleontological resources. Further, the Act requires the Department to consult with the head of other State agencies before issuing permits.

- The Department failed to develop and maintain application forms for its State-owned housing. Additionally, the Department failed to maintain records of decisions as to who was selected to receive State housing and why they were selected in accordance with the State Employee Housing Act (Act).

The State Employee Housing Act (5 ILCS 412/5-30) requires the Department to develop and maintain application forms for its State-owned housing, written criteria for selecting employee tenants, and records of decisions as to who was selected to receive State housing and why they were selected.

This finding was first reported in Fiscal Year 2012. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over compliance with certain mandated duties.

Department personnel indicated they continue to recruit and attempt to fill the vacant bilingual frontline staff but have not yet been filled due to COVID-19 and staffing issues. In addition, Department personnel indicated, as they did in the prior year, the noncompliance regarding the Amistad Commission was due to lack of funding. Further, Department personnel indicated failure to develop and implement rules and regulations in compliance with the Archaeological and Paleontological Resources Protection Act was due to staff turnover and the lack of follow-through to finalize the rules and regulations drafted in 1997. Finally, Department personnel indicated application forms or documentation of records of decision as to who was selected to receive State Housing were not maintained since there was not enough demand for the State housing.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Failure to maintain the required number of bilingual frontline staff may hinder the effective delivery of essential services to Illinois residents who do not speak the English language fluently. In addition, failure to comply with the Historic Preservation Act and Paleontological Resources Protection Act results in noncompliance with State statutes. Finally, failure to develop and maintain application forms for its State-owned housing and maintain records of decisions as to who was selected to receive State housing and why they were selected represents noncompliance with the State Employee Housing Act.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation to continue to seek bilingual frontline staff to comply with the State Services Assurance Act. The Department continues to seek bilingual frontline staff in recruitment efforts.

Also, the Department agrees with the recommendation to ensure the Amistad Commission is fully seated and administered to comply with the provisions of the Historic Preservation Act. The Department will continue to work to ensure the Commission is fully seated and administered or work with the General Assembly to seek legislative remedy.

Further, the Department agrees with the recommendation to implement rules and regulations in accordance with the Archaeological and Paleontological Resources Protection Act.

Finally, the Department agrees with the recommendation to design application forms and maintain records in compliance with the State Employee Housing Act.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

State Services Assurance Act – The Department currently has five bilingual on-board frontline staff and is continuing its recruiting efforts to increase bilingual staff. The Department considers corrective action for this mandate to be implemented.

Historic Preservation Act – There remains a lack of funding for the Act, the Department is currently seeking legislative remedies.

Archaeological and Paleontological Resources Protection Act – The Department is currently in the process of re-drafting the rules which were last drafted in 1997.

State Employee Housing Act – The Department has designed and implemented application forms in compliance with the Act.

- 19. The auditors recommend the Department monitor concessionaires to enforce its contractual agreements and send concessionaires formal written communication when they fail to comply with their contractual obligations to the Department.**

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

**FINDING:** *(Failure to Enforce Concessionaire Lease Agreements) – First reported 2006, last reported 2022*

The Department of Natural Resources (Department) failed to monitor and enforce concessionaire lease agreements regarding rental and reserve payments.

- During the examination period, the Department had concession and lease agreements with approximately 81 concessionaires located at State parks throughout the State.

The Department's concession coordinators are responsible for negotiating and enforcing lease terms, overseeing the site, approving rates charged, and collecting rental payments. These concession and lease agreements are being monitored by the Department using an agreement tracking database. Department received rental fees from concessionaires totaling \$696,271 and \$649,906 during Fiscal Years 2021 and 2022, respectively.

- During their testing of 59 rental payments from eight concession and lease agreements, auditors noted three (5%) rental payments were not timely remitted to the Department, ranging from 15 to 30 days late.

The Department's standard contract language for concessionaires, whose rents are based on a percentage of sales, requires the Department to terminate a lease with three delinquent payments in a twelve-month period or a delinquent account of ninety days. Additionally, for concessionaires whose rents are based on an annual fee, the contract requires a specific due date in which rental payment must be received by the Department.

- During their testing of 48 reserve account monthly remittances for the four largest concessionaires/lessees measured in terms of rental payments and/or deposits, auditors noted one (2%) concessionaires' reserve deposit slips were submitted 18 days late to the Department.

The Department's standard contract language for concessionaires who are required to make reserve deposits based on a percentage of gross revenue requires the lessee to provide the Department a copy of the deposit slip for all monies placed in said Reserve Account each month, no later than the 25th day of the month following the previous month's operations.

- During their testing of compliance with the reporting requirements of the concession agreements for the four largest concessionaires/lessees measured in terms of rental payments and/or deposits, auditors noted the following:
  - Seven of 34 (21%) required reports consisting of balance sheet, income (profit and loss) statement, schedule of gross revenue, annual cash flow analysis, and reconciliations of the schedule of gross revenues with lessee's revenue reports

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

were not timely submitted to the Department, ranging from three to 110 days late.

- Seven of 34 (21%) required reports consisting of annual forecast of operating revenues and expenses, budget of capital expenditures, summary of concession's marketing plan and annual analysis could not be located. As a result, they were unable to determine if the related reports were timely submitted to the Department.
- One of 42 (2%) required reports consisting of a profit and loss statement was not date stamped upon receipt by the Department. As a result, auditors were unable to determine if the report was timely submitted to the Department.

The Department's standard contract language for concessionaires and lessees requires the concessionaires to submit at a specified time the following reports:

- a) Financial Statements;
- b) Profit and Loss Statement (Statement of Income);
- c) Schedule of Gross Revenue classified by rental category; Reconciliations of the Schedule of Gross Revenue with Lessee's revenue reports, lessee's annual forecast of operating revenues and expenses for the next calendar year;
- d) Budget of capital expenditures for real and personal property for next fiscal year, and for rolling, prospective 3-year period;
- e) Summary of Concession's marketing plan for the next fiscal year; and
- f) Annual cash flow analysis which itemizes cash flow estimates on a monthly basis.

The Fiscal Control and Internal Auditing 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 revenues and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

This finding was first reported in Fiscal Year 2006. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over concessions and lease agreements.

Department personnel indicated the exceptions were mostly due to staffing constraints and the number of lessees being monitored.

Failure to enforce concession and lease terms, including payments and the submission of lease documents and reports, impairs the Department's ability to ensure concessionaires are in good standing and could result in decreased revenue to the Department.

### **DEPARTMENT RESPONSE:**

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The Department agrees with the recommendation to monitor concessionaires to enforce contractual agreements and send concessionaires formal written communication when they fail to comply with their contractual obligations.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department has developed and implemented an internal policy manual for managing concessionaire lease agreements. The manual serves as a guide for staff, outlining when and how formal written communication should be provided to enforce lease agreements.

- 20. The auditors recommend the Department update its policies and procedures to reflect changes in governmental policies, laws, regulations, current practices, and the accounting system.**

**FINDING:** *(Failure to Update the Department Policy and Procedures Manual) – First reported 2020, last reported 2022*

The Department of Natural Resources (Department) had not updated its fiscal policies, operating procedures, and reporting requirements to reflect changes with laws and regulations.

The Department had not updated its *Finance Handbook* since 2008, and its *Policies and Procedures Manual*, *Employee Handbook*, and *Timekeeping Handbook* since 2006 to reflect changes in governmental policies, laws, regulations, current practices, and the accounting system. As a result, policies and procedures were not always consistent with current laws and regulations and caused confusion among its employees as to their application. In addition, several findings noted during the examination period were partly due to outdated policies and procedures.

The Fiscal Control and Internal Auditing 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 resources are utilized efficiently, effectively, and in compliance with applicable law.

Department personnel indicated, as they did in the prior year, policies and procedures were not updated due to limited staff and competing priorities.

Updated policies and procedures are important to ensure current practices are in compliance with applicable laws and regulations, ensure consistency in day-to-day operational activities, and to eliminate confusion by providing employees with a clear understanding of their roles and responsibilities. (

### **DEPARTMENT RESPONSE:**

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

The Department agrees with the recommendation to update the Department policies and procedures to reflect changes in government policies, laws, regulations, current practices and the accounting system. The Department will continue to work to update the Policy and Procedures Manual.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department acknowledged that staffing limitations in recent years have delayed a comprehensive update of the Finance Handbook and Fiscal Policies and Procedures, which have not been formally revised since 2008. Although resource constraints postponed the formal revision process, the Department has continued to provide internal guidance, policy memos, and training materials to maintain compliance with financial best practices. With the recent addition of fiscal staff, the Department seeks to begin a phased-in update to ensure alignment with current state and federal financial regulations.

- 21. The auditors recommend the Department ensure employee leave of absence and payroll-related records are properly maintained. Further, they recommend the Department ensure timesheets are properly signed by employees, supervisors, and timekeepers in compliance with the *Timekeeping Handbook*.**

**FINDING:** *(Inadequate Controls over Employee Payroll, Timekeeping, and Long- Term Leave of Absences) – First reported 2020, last reported 2022*

The Department of Natural Resources (Department) did not exercise adequate control over its employee timekeeping, payroll, and long-term leave of absences.

During their testing of employee payroll, attendance records, and timesheets, auditors noted the following:

- For two of 40 (5%) employees tested, the Department could not provide the pay register for the specific period selected for testing. As a result, they were unable to determine the accuracy of the employee deductions for income taxes, Federal Insurance Contributions Act (FICA) taxes, State retirement, health and life insurance.
- For one of nine (11%) employees who utilized military leave days, the Department failed to provide us with pay schedules. As a result, auditors were unable to determine if the employee's leave of absence payments were properly calculated.
- 15 of 40 (38%) employee timesheets were not signed by the employee, employee's supervisor, or the timekeeper.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

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

Additionally, the Fiscal Control and Internal Auditing 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 resources are utilized efficiently, effectively, and in compliance with applicable law and the funds are safeguarded against waste, loss, unauthorized use and misappropriation.

The Department's *Timekeeping Handbook* requires designated timekeepers and supervisors to review and approve hours of employees. In addition, the timesheet has to be initialed by the employee, employee's supervisor, and the timekeeper in the space provided at the bottom of the timesheet.

Department personnel indicated the exceptions were due to employee turnover and competing priorities.

Failure to maintain adequate controls over employee payroll-related records such as pay register, pay schedules, and timesheets increases the risk of the Department maintaining incorrect attendance information and paying for time not earned by State employees.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation to ensure employee leave of absence and payroll-related records are properly maintained and to ensure timesheets are properly signed by employees, supervisors and timekeepers in compliance with the *Timekeeping Handbook*.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is currently working on updating the *Timekeeping handbook*. In addition, timekeepers routinely send out reminders to supervisors and employees that timesheets need to be signed. The Department is also currently working with DoIT to update the timekeeping system.

- 22. The auditors recommend the Department ensure deposit dates of receipts are documented for all receipts and RDTs are timely completed. They also recommend the Department perform a monthly reconciliation of receipts between the Deposit Section and each division.**

**FINDING:** *(Inadequate Control over Receipts) – First reported 2016, last reported 2022*

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The Department of Natural Resources (Department) did not exercise adequate controls over its cash receipts.

During their testing of 100 receipts, totaling \$11,318,569, They noted the following:

- Three (3%) receipts, totaling \$2,140, were not date stamped when received.

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

- The Receipt Deposit Transmittal (RDT) for a receipt, totaling \$233,555, consisting of multiple online transactions, was not prepared within a reasonable timeframe from the time of receipt. The RDT was prepared and transmitted to the Office of Comptroller 47 days late; however, the monies were timely deposited into the State Treasurer's clearing account.

The Fiscal Control and Internal Auditing 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 revenues are properly recorded and accounted for to permit the preparation of reliable accounts and financial reports and to maintain accountability over the State's resources. Effective internal controls include a timely preparation of RDTs within 30 days of the receipt of monies.

- The Department did not conduct reconciliations of each division receipt records against the receipts deposited into the Department's Deposit Section to ensure receipts were accurately deposited during Fiscal Years 2021 and 2022.

The Department policies require the Deposit Section to conduct monthly reconciliations of each division receipt records against the receipts deposited into the Department's Deposit Section to ensure receipts were accurately deposited.

This finding was first reported in Fiscal Year 2016. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over receipts.

Department personnel indicated the exceptions were due to staffing constraints.

Failure to properly document the date when the receipts were received is noncompliance with the State Records Act. Further, failure to perform monthly reconciliation of receipts could result in discrepancies and errors in the reports not being corrected in a timely manner. In addition, failure to prepare and submit RDTs in a timely manner may inhibit the State from accumulating meaningful information.

### **DEPARTMENT RESPONSE:**



## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The Department agrees with the recommendation. The Department will continue to work to ensure deposit dates of receipts are documented for all receipts and RDTs are timely completed.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department has successfully implemented corrective action ensuring all deposit date of receipts are documented and RDTs are completed in a timely manner. The Department is in the process of updating its finance handbook. This update will include procedures to ensure a monthly reconciliation of receipts is performed.

- 23. The auditors recommend the Department establish a formal agreement with the Society outlining the responsibilities of each party, perform the duties required for compliance with the Act itself, or seek legislative remedy. If the Department establishes a formal agreement with the Society, they recommend the Department monitor and oversee the Society's activities to ensure compliance with the Act.**

**FINDING:** *(Failure to Comply with the Historical Sites Listing Act) – First reported 2018, last reported 2022*

The Department of Natural Resources (Department) did not comply with the Historical Sites Listing Act (Act).

During their testing, auditors noted the Department did not work with the Illinois Department of Transportation Division of Highways to place and maintain all markers at State historic sites registered under the Act. The Department indicated this program was carried on by the Illinois Historical Society (Society) when the Society was part of the former Historic Preservation Agency (HPA). The Society broke from the HPA in 1998 and has since run the program. The Department maintained a listing of the historical sites in cooperation with the Society. However, there was no agreement in place to outline the responsibilities of the various parties nor did the Department monitor the Society to ensure the requirements of the Act were being met.

The Act (20 ILCS 3415/1) allows any person or State or local government agency owning a site of general historical interest or having a written consent of the owner of such a site to apply to the Department to have the site listed and marked as a State historic site. The Act (20 ILCS 3415/2) requires the Department to list the site of sufficient historical interest in a register kept for that purpose and to display at the site a suitable marker indicating the site is a registered State historic site. Further, the Act (20 ILCS 3415/3) requires the Department, in cooperation with the Division of Highways of the Department of Transportation and any other interested public or private agency, to place and maintain all markers at State historic sites registered under this Act.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

This finding was first reported in Fiscal Year 2018. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to comply with the Act.

Department personnel indicated, as they did in the prior year, the duties required in this statute were performed by the Society and an agreement with the Society was not pursued because this was not initially determined necessary. Moreover, Department personnel indicated there was also lack of sufficient resources devoted or allocated to this area, limiting their ability to conduct all the activities required by the Act.

Lack of a formal agreement with the Society results in the Department effectively outsourcing its mandated responsibilities to an outside party without ensuring compliance with the Act.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation. The Department will seek to establish a formal agreement with the Society or seek legislative remedy.

### **UPDATED RESPONSE:**

#### **Implemented.**

The Department was successful in seeking a legislative remedy. The Historical Sites Listing Act was repealed by Public Act 103-0768, effective August 2, 2024

- 24. The auditors recommend the Department review and update existing policies and procedures to ensure reconciliations are performed timely and properly while maintaining adequate segregation of duties.**

**FINDING:** *(Inadequate Controls over Bank Reconciliations) – First reported 2018, last reported 2022*

The Department of Natural Resources (Department) did not properly prepare and review bank reconciliations at Department sites.

The Department maintains a total of 137 State parks and 51 State historic sites located throughout the State.

- During their testing of 16 bank reconciliations at eight Department sites, auditors noted the following:
  - Two (13%) bank reconciliations did not include a signature indicating supervisory review and approval by a second individual;
  - Two (13%) bank reconciliations were not timely completed, ranging between one and 32 days late; and,

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

- Three (19%) bank reconciliations were not performed.
- During the department site visits, auditors noted inadequate segregation of duties at three of eight (38%) sites. The auditors noted one individual at each of those sites performed most, if not all, of the revenue account transaction cycle, including:
  - Authorization by reviewing and approving transactions, including having signature authority for the checks;
  - Custody by maintaining the account's records and making deposits at the bank;
  - Recordkeeping by preparing entries and maintaining the Department's internal accounting records and the account's checkbook; and,
  - Reconciliation by preparing reconciliations of the account's records to the bank's records to verify each transaction's validity, proper authorization, and entry into the Department's accounting records.

The Fiscal Control and Internal Auditing 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 resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources. Good internal controls include maintaining segregation of duties over all transactions and documenting the preparation and review of monthly account reconciliations.

This finding was first reported in Fiscal Year 2018. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to ensure bank reconciliations are timely and properly performed.

Department personnel indicated, as they did in the prior year, the deficiencies noted were due to staffing constraints.

Failure to maintain proper segregation of duties and ensure reconciliations are timely prepared and reviewed may result in errors or other irregularities going undetected for a significant period of time.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation. The Department will continue to work on improving bank reconciliation procedures to ensure reconciliations are performed timely and properly while maintaining adequate segregation of duties.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is in the process of updating its finance handbook. This update will include procedures to ensure bank reconciliations are properly completed and reviewed.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

25. The auditors recommend the Department implement controls to monitor its vehicles to ensure each vehicle receives the maintenance it needs to remain road worthy and safe. In addition, they recommend the Department ensure SR-1 reports are submitted to CMS within the required time frame. Auditors also recommend the Department perform an analysis of its fleet to identify underutilized vehicles and timely transfer such vehicles to CMS for utilization of other State needs. Further, they recommend the Department obtain the annual certification from employees with personally assigned State vehicles and timely submit IAV reports to CMS.

### **FINDING:** *(Inadequate Controls over Vehicles) - New*

The Department of Natural Resources (Department) did not exercise adequate controls over its vehicles.

During their testing, auditors noted the following:

- Twenty-five of 40 (63%) vehicles did not receive oil changes on scheduled intervals.
- Thirty of 40 (75%) vehicles did not receive tire rotations during the examination period. Additionally, three of 40 (8%) vehicles did not receive tire rotations in proper intervals.

The Vehicle Guide of the Department of Central Management Services (CMS) requires oil changes every 3,000 miles or 12 months, whichever comes first, for passenger vehicles ten years or older or every 5,000 miles or 12 months, whichever comes first, for passenger vehicles nine years and newer as well as a tire rotation on all passenger vehicles in conjunction with every second oil change.

- Thirty of 40 (75%) vehicles tested did not undergo an annual inspection. Of those, 14 vehicles did not undergo an inspection in Fiscal Year 2021, ten vehicles did not undergo an inspection in Fiscal Year 2022 and the remaining six did not undergo inspections in both Fiscal Years 2021 and 2022.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.410(a)) requires the Department to have all of its vehicles undergo an annual inspection by CMS or an authorized vendor.

- Two of 15 (13%) accidents were not timely reported to CMS, with accidents reported two and 31 days late.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

The Code (44 Ill. Admin. Code 5040.520(i)) requires the completed Motorist's Report of Illinois Motor Vehicle Accident form (SR-1) to be received by the CMS Auto Liability Unit no later than seven calendar days following the accident.

- Auditors noted two underutilized vehicles during Fiscal Year 2022:

Fiscal Year	Year	Make	Average Monthly Usage
FY2022	2020	Ford	143
FY2022	2009	Ford	50

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively. Good internal control over vehicles includes performing an analysis to identify unused and underused vehicles and transfer them to needed agencies. Additionally, the Code (44 Ill. Admin. Code 5010.620) requires the Department to regularly survey its inventory to identify transferable equipment and transfer any such equipment to the CMS.

- For 40 of 40 (100%) employees with personally assigned State vehicle during Fiscal Years 2021 and 2022, the Department did not obtain the annual certification from the employees.

The Illinois Vehicle Code (625 ILCS 5/7-601(c)) requires every employee assigned to a specific vehicle owned or leased by the State on an ongoing basis affirm the driver is duly licensed and has liability insurance coverage extending to the vehicle when it is used for other than official State business. The certification must be filed during July of each calendar year or within 30 days of any new assignment of a vehicle, on an ongoing basis, whichever is later.

- The Department did not timely submit the Fiscal Year 2021 Individually Assigned Vehicle (IAV) Report to CMS. The report was submitted 29 days late.

The Code (44 Ill. Admin. Code 5040.340) requires the Department to report to CMS annually and when changes occur, vehicles assigned to specific individuals, including employee's name, headquarters and residence, equipment number and license plate number of the assigned vehicle, and any additional information requested by CMS.

Department personnel indicated oil change and tire rotation exceptions were due to the effects of the pandemic and work from home arrangements. Department personnel also indicated the rest of the exceptions were due to competing priorities.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Failure to ensure vehicles are properly maintained could result in the State incurring unnecessary costs and additional repairs to, and shortened useful lives of, vehicles. Further, untimely submission of accident reports could delay accident investigations, impair the Department's ability to defend against claims, or delay settlements of claims made against the Department. Also, keeping underutilized vehicles in the fleet results in inefficient usage of resources. Additionally, failure to obtain annual certification from employees with personally assigned vehicles and failure to timely submit the IAV Report to CMS represents noncompliance with the Illinois Vehicle Code and the Illinois Administrative Code, respectively.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will continue to work on controls to monitor vehicles to ensure each vehicle receives the maintenance it needs to remain road-worthy and safe. In addition, the Department will work on ensuring SR-1 reports are submitted to CMS within required time frame, perform an analysis of the Department fleet, obtain the annual certification from employees with personally assigned State vehicles and timely submit IAV reports to CMS.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department was successful in seeking a legislative remedy. The Historical Sites Listing Act was repealed by Public Act 103-0768, effective August 2, 2024.

- 26. The auditors recommend the Department develop an investment policy or ensure compliance with the existing State Treasurer's Investment Policy. If complying with the State Treasurer's Investment Policy, the Department should ensure the money management firm is listed as an approved broker by the State Treasurer and proper controls are established. They also recommend the Department post investment information on its website by the 15<sup>th</sup> of each month.**

**FINDING:** *(Inadequate Controls over Investment of Public Funds) – First reported 2018, last reported 2022*

The Department of Natural Resources (Department) did not exercise adequate controls over its investment of public funds activities and related reporting.

The Korean Memorial and Purple Heart Fund (Fund), a locally held fund, was created from public contributions for the maintenance of the Korean War Memorial and Purple Heart Memorial. As of June 30, 2022, the fair value of the balance held in this Fund totaled \$174,473.

The Department did not implement an investment policy related to the investment of the Fund. By default, the Fund was subject to the State Treasurer's Investment Policy

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Statement for the State Investments Portfolio (Policy). The auditors noted the Department did not comply with the Policy as follows:

- The money management firm utilized by the Department was not listed as an approved broker by the State Treasurer.

Section 1.0 of the Policy states the policy applies to any State agency investment not under the control of the State Treasurer for which no other specific investment policy exists. Section 5.0 of the Policy limits investment broker/dealers with which State agencies may do business to those approved by the Treasurer.

- The Department did not maintain an adequate system of internal controls over investment of public funds.

Section 11.0 of the Policy requires a system of control and written operational procedures that shall be documented and filed with the State Treasurer's Chief Internal Auditor for review. These controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.

In addition, auditors noted the Department did not post investment related information to its website each month during the examination period.

The Accountability for the Investment of Public Funds Act (Act) (30 ILCS 237/10) requires State agencies with authority to invest public funds, to report by the 15th of each month on the Internet the amount of funds held by the agency on the last day of the preceding month or the average daily balance for the preceding month, total monthly investment income and yield for all funds invested, the asset allocation of the investments made by the agency, and the agency's approved broker.

This finding was first reported in Fiscal Year 2018. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to ensure adequate internal controls over investment of public funds.

Department personnel indicated the issues identified were due to staffing constraints.

Failure to comply with the State Treasurer's Investment Policy may result in loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by authorized investment officers. In addition, failure to comply with the Act's provisions for public posting of investment information limits transparency related to the investment of public money by the State.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will work on developing an investment policy or ensure compliance with the existing State Agency Investment Policy.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Also, the Department will work on posting investment information on the Department website by the 15<sup>th</sup> of the month.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department's fiscal office is currently working with the website administrator to develop a webpage for posting the investment information each month. The Department is in the process of developing a comprehensive investment policy.

- 27. The auditors recommend the Department ensure all fuel reconciliations are properly completed and reviewed, any overages or shortages are investigated, and the results of any such investigations are fully documented.**

**FINDING:** *(Inadequate Controls over Fuel Reconciliations) – First reported 2010, last reported 2022*

The Department of Natural Resources (Department) did not maintain adequate controls over reconciliations of fuel at various sites.

The Department maintains fuel at 14 sites. During their testing of 43 monthly fuel reconciliations at seven sites, auditors noted the following:

- 24 (56%) fuel reconciliations did not contain any evidence of supervisory review and approval.
- 14 (33%) fuel reconciliations contained mathematical and summarization errors resulting in inaccurate monthly reconciliations.
- Four (9%) fuel reconciliations were performed without using stick measurements in the reconciliation process.
- One (2%) fuel reconciliation had a shortage that did not have documentation supporting management's investigation of the shortage.

The Department's policy requires on the first day of the month, prior to any fuel pumped, each site to take a meter reading at the pump, record the reading on the Monthly Fuel Reconciliation form, or, if no meter, take a stick reading and record the amount in gallons. Totals from fuel logs and totals pumped from meter should be relatively close, if all fuel is recorded, and there are no problems with the meters. If a site does not have an accurate meter, the site can use a stick to maintain the reading. Fuel usage will be reconciled monthly between the logbook and the meter. Any variance of 25 gallons or more will be investigated by the Site Superintendent, and a memo will be kept on file explaining the reason for the variance.



## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The Fiscal Control and Internal Auditing 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 expenditures and resources applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

This finding was first reported in Fiscal Year 2010. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over fuel reconciliations.

Department personnel indicated, as they did in the prior year, the deficiencies noted were due to lack of staff and competing priorities.

Failure to properly prepare and review fuel reconciliations impairs each site's ability to determine whether overages or shortages are occurring from leaks, unauthorized withdrawals, or misreported fuel deliveries and usages.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will work to ensure all fuel reconciliations are properly completed and reviewed, any overages or shortages are investigated, and the results of the investigations are fully documented.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department continues to provide staff with guidance on the importance of completing the fuel reconciliations. However, full implementation has been delayed due to limited staff/headcount at sites with fuel tanks. The Department will continue to explore ways to ensure proper segregation of duties at sites with limited personnel.

- 28. The auditors recommend the Department enforce its policies concerning the prior approval, documentation of employee overtime, and proper calculation of overtime.**

### **FINDING:** *(Inadequate Controls over Overtime) – First reported 2014, last reported 2022*

The Department of Natural Resources (Department) did not exercise adequate control over employees' overtime.

The Department paid overtime totaling \$1,106,514 and \$1,527,112 during Fiscal Years 2021 and 2022, respectively. During their testing of 40 overtime payments, auditors noted the following:

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

- 33 (83%) overtime payments were not timely authorized and approved prior to working overtime, ranging from one to 33 days late.
- One (3%) overtime payment was inaccurately calculated by \$27.
- One (3%) overtime payment, totaling \$264, was not authorized and approved prior to working overtime.
- For one (3%) overtime payment, totaling \$700, the Authorization for Work Hours and Pay Variance Form could not be located. As such, auditors were unable to determine whether the overtime payment was authorized and approved prior to working.

The Department's *Timekeeping Handbook*, Section 21, requires all overtime be authorized and approved in advance, except in emergency situations. An Authorization for Work Hours and Pay Variance Form is the official document on which overtime is authorized and approved.

The Fiscal Control and Internal Auditing 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 funds and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

This finding was first reported in Fiscal Year 2014. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over overtime.

Department personnel indicated the conditions noted were due to competing priorities for the responsible personnel.

Failure to follow the Department's *Timekeeping Handbook* regarding overtime increases the risk the Department will pay for services not rendered by employees or errors in overtime calculations are not timely detected.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation to enforce the Department policies concerning the prior approval, documentation of employee overtime and proper calculation of overtime.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is in the process of updating relevant policies and procedures regarding overtime. The Department has also added staff to the payroll division to implement better segregation of duties. However, due to the manual nature of calculating payroll the risk of errors is still high. The Department is working with DoIT to find a solution that will help automate the calculation of payroll.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

- 29. The auditors recommend the Department evaluate its procedures for monitoring and enforcing employee performance evaluations to ensure the evaluations are timely completed.**

**FINDING:** *(Inadequate Controls over Employee Performance Evaluations) – First reported 2020, last reported 2022*

The Department of Natural Resources (Department) did not exercise adequate control over employee performance evaluations.

During their testing of 53 employees' annual performance evaluations, auditors noted the following:

- 31 (58%) employees' annual performance evaluations were not completed.
- Ten (19%) employees' annual performance evaluations were not timely completed, with evaluations performed two to 436 days late.
- One (2%) employee's annual performance evaluation was not signed by the Agency Head.

Further, auditors noted ten of 32 (31%) employees' probationary period evaluations were not completed.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270(d)) requires the Department to prepare performance evaluations at least annually for each certified employee.

In addition, the Department's Policy and Procedure Manual (Chapter 3, Section 3c-4) requires supervisors to complete an evaluation of each respective subordinate staff member annually. Further, the Department's Policy and Procedure Manual requires the Department to complete performance evaluations of employees at the end of three months and again prior to the end of the employee probationary period. These evaluations must be completed and submitted to the Human Resources Division three weeks prior to the end of the six-month probationary period.

Department personnel indicated the failure to complete or timely complete performance evaluations was due to staffing constraints and the lack of enforcement actions against supervisors who are not completing their staff's evaluations timely.

Employee performance evaluations are a systematic and uniform approach used for the development of employees and to communicate performance expectations. Employee performance evaluations should serve as a foundation for a salary adjustments, promotions, demotions, discharges, layoffs, recall, and reinstatement decisions.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will evaluate procedures for monitoring and enforcing performance evaluations to ensure the evaluations are timely completed.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department's Office of Human Resources periodically sends reminder notices to supervisor of when an employee's evaluation is coming due and when it is past due.

- 30. The auditors recommend the Department work with DoIT to obtain a detailed understanding of each entity's responsibilities related to the recovery of the Department's applications and data. Further, they recommend the Department develop a detailed disaster recovery plan documenting detailed steps in order to recover their applications and data. Once the plan has been developed and implemented, the Department should ensure the plan is tested at least annually.**

**FINDING:** *(Lack of Contingency Planning or Testing to Ensure Recovery of Computer Systems) – First reported 2012, last reported 2022*

The Department of Natural Resources (Department) had not provided adequate planning for the recovery of its applications and data.

The Department carries out its mission through the use of Information Technology. During their examination, auditors requested the Department provide their disaster recovery plan which would document the detailed steps needed to recover their applications and data. However, the Department was unable to provide their recovery plan. In addition, the Department did not conduct recovery testing during the examination period.

Although the Department utilized the Department of Innovation and Technology (DoIT) as their information technology service provider, the Department has a shared responsibility with the service provider to ensure the security, availability, and integrity of its applications and data.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

This finding was first reported in Fiscal Year 2012. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to establish a disaster recovery plan and test the plan.

Department personnel indicated DoIT was responsible for their recovery needs.

Without an adequately documented and tested disaster recovery plan, the Department cannot ensure its critical systems could be recovered within an acceptable period, and therefore minimizing the impact associated with a disaster.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation and will work with DoIT to obtain a detailed understanding of each entity's responsibilities related to the recovery of the applications and data.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is working closely with the Governor's Office and DoIT to develop and implement a comprehensive cybersecurity and general information technology controls program. The program will include specific policies and procedures to address the auditors' recommendations related to this finding.

- 31. The auditors recommend the Department assess each program accepting credit card payments, the methods in which payments can be made, and match these methods to the appropriate SAQ and complete those SAQs at least annually.**

**FINDING:** *(Weaknesses with Payment Card Industry Data Security Standards) – First reported 2016, last reported 2022*

The Department of Natural Resources (Department) did not ensure compliance with the Payment Card Industry Data Security Standards (PCI DSS).

The Department contracted with a service provider to develop, implement, operate and manage a standard web-based enterprise solution which allows citizens to purchase licenses, permits, and to make reservations at State campgrounds.

Through the web-based solution, the Department sold various types of privileges, including but not limited to: hunting and fishing licenses; trail passes; permits; watercraft and snowmobile registrations and renewals; commercial licenses; and camping reservations. The Department accepted credit card payments for these privileges totaling

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

\$32,174,827 and \$25,134,105 for Fiscal Years 2021 and 2022, respectively. Credit card payments were accepted by the Department via point-of-sale terminals and the Internet.

During testing, auditors noted the Department had not:

- formally assessed each program accepting credit card payments, the methods in which payments could be made, matched these methods to the appropriate Self-Assessment Questionnaire (SAQ), and contacted service providers and obtained relevant information and guidance as deemed appropriate.
- completed a SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data.

PCI DSS was developed to detail security requirements for entities that store, process, or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder. To assist in the assessments of environment, the Payment Card Industry (PCI) Council established SAQs for validating compliance with PCI core requirements.

The Fiscal Control and Internal Auditing 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 assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

This finding was first reported in Fiscal Year 2016. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures over compliance with PCI DSS requirements.

Department personnel indicated the Department's failure to demonstrate compliance with PCI DSS requirements was due to limited staffing resources and lack of sufficient knowledge on the requirements of the relevant standards.

Failure to ensure compliance with PCI DSS increases the risk of unauthorized disclosure and unintended use of confidential information.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation. The Department will continue working on the Self-Assessment Questionnaires.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is working closely with the Governor's Office and DoIT to develop and implement a comprehensive cybersecurity and general information technology controls program. The program will include specific policies and procedures to address the auditors' recommendations related to this finding.

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

32. The auditors recommend the Department issue Off-Highway Vehicle Usage Stamps and collect the related fees or seek legislative remedy to remove the requirement to issue off-highway vehicle usage stamps from the Department's mandated duties.

**FINDING:** *(Failure to Issue Off-Highway Vehicle Usage Stamps) – First reported 2014, last reported 2022*

The Department of Natural Resources (Department) failed to issue Off-Highway Vehicle Usage Stamps and collect related monies in accordance with the Recreational Trails of Illinois Act.

The Recreational Trails of Illinois Act (Act) (20 ILCS 862/26) requires the Department to ensure no person, on or after July 1, 2013, operates any off-highway vehicle within the State unless the off-highway vehicle has attached an Off-Highway Vehicle Usage Stamp purchased and displayed in accordance with the provisions of the Act. In addition, the Department shall deposit the proceeds from stamp sales into the Park and Conservation Fund and the Conservation Police Operations Assistance Fund.

This finding was first reported in Fiscal Year 2014. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to ensure compliance with the Act.

Department personnel indicated the Department has agreed not to issue stamps as there was strong public opposition when this proposal was presented to the public.

Failure to issue Off-Highway Vehicle Usage Stamps and to collect related fees reduces the State funds available in the Conservation Police Operations Assistance Fund, and the Park and Conservation Fund.

### **MANAGEMENT RESPONSE:**

The Department agrees with the recommendation to issue Off-Highway Vehicle Usage Stamps and collect the related fees or seek legislative remedy to remove the requirement to issue off-highway vehicle usages stamps from the Department mandated duties.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department is in the process of seeking legislative relief and has submitted to the governor's office a request to repeal this statute.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

- 33. The auditors recommend the Department designate a telecommunications coordinator to ensure WCDs are properly assigned and cancelled as applicable, and records are maintained and made available upon request.**

### **FINDING:** *(Inadequate Controls over Telecommunications) - New*

The Department of Natural Resources (Department) did not exercise adequate controls over assignments and cancellations of Wireless Communication Devices (WCD).

#### **Assignment of WCD**

The Department assigned a total of 267 WCDs to employees during Fiscal Years 2021 and 2022. During testing of 25 WCDs, the Department failed to provide the Telecommunication Service Request (TSR) for 25 (100%) WCDs. As such, auditors could not determine if WCDs were properly approved before assigning those to employees during the examination period.

#### **Cancellation of WCD**

The Department disabled 72 WCDs in Fiscal Years 2021 and 2022. During testing of eight WCDs, the Department failed to provide the completed TSR form or Offboarding Memo/Notice of Termination/Retirement Certification for eight (100%) WCDs. As such, auditors could not determine if WCDs were timely cancelled during the examination period.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Department designed to furnish information to protect the legal and financial rights of the State.

Further, the Department of Central Management Services' (CMS) Wireless Communication Device (WCD) Policy (Policy) requires when an employee no longer has a need for a WCD, whether due to separation from State service, change in duties or position, lack of use or for any other reason as determined by the Department or in consultation with CMS, the employee has to return the WCD. Moreover, the Policy requires the Agency Telecommunication Coordinator to be responsible for securing the return of the WCDs issued to an employee who no longer has a need for the WCD.

Department personnel indicated the exceptions were due to staffing constraints.

Failure to maintain and provide the requested information inhibits the auditors from completing the procedures and providing useful and relevant feedback to the General Assembly and is considered noncompliance with State statutes.

### **DEPARTMENT RESPONSE:**



## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

The Department agrees with the recommendation to designate a telecommunications coordinator to ensure WCDs are properly assigned and cancelled as applicable and records are maintained and made available upon request.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department has hired full-time telecommunications coordinator. The coordinator is working towards implementing updated telecommunications policies and procedures to ensure wireless communication devices are properly assigned and canceled. These procedures will also address the maintenance of telecommunications records.

### **34. The auditors recommend the Department assess consultation fees to comply with the provisions of the Conservation Law.**

**FINDING:** *(Failure to Comply with the Department of Natural Resources Conservation Law) - New*

The Department of Natural Resources (Department) did not comply with the Department's Conservation Law.

The Department accepts consultations for natural resource reviews to help State agencies, local government units and the public to consider the potential adverse effects of proposed actions on Illinois endangered and threatened species and sites. For 39 of 40 (98%) consultations tested, auditors noted the Department did not assess a \$100 fee for consultations provided during the Fiscal Years 2021 and 2022.

The Department of Natural Resources (Conservation) Law (20 ILCS 805/805-555(b)) requires the Department to assess a \$100 fee for consultations conducted under subsection (b) of Section 11 of the Illinois Endangered Species Protection Act and Section 17 of the Illinois Natural Areas Preservation Act.

Department personnel indicated they were not charging State agencies for consultation fees. The Department personnel also indicated the documentation directing staff not to charge State agencies the consulting fees had been lost due to staff turnover.

Failure to comply with the Conservation Law results in lost revenues to the Department from consultation fees.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation to assess consultation fees to comply with the provisions of the Conservation Law or seek legislative remedy.

### **UPDATED RESPONSE:**

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

### Under Study.

State agencies, including the Department, currently lack a method to pay the \$100 consultation fee. Most state agencies, including the Department, are not authorized to use credit cards. The system used by the Department for consultations only accepts payment via credit card when a fee is assessed. The Department is actively exploring ways to better comply with the Act, including pursuing a legislative remedy.

- 35. The auditors recommend the Department continue its efforts to fill the Office manager position. In addition, they recommend the Department prepare and provide the reports to the General Assembly that includes an analysis of the effects of the transfer of the power and duties from the Historic Preservation Agency to the Department.**

### **FINDING:** *(Failure to Comply with the Department of Natural Resources Act) - New*

The Department of Natural Resources (Department) did not comply with the Department of Natural Resources Act.

During their testing, auditors noted the following:

- The Department's Office of Mines and Minerals (Office) did not fill a manager position.

The Department of Natural Resources Act (Act) (20 ILCS 801/10-5(b)) requires the Office of Mines and Minerals to have a manager who is thoroughly conversant with the theory and practice of coal mining in the State of Illinois.

- The Department did not provide a report to the General Assembly that includes an analysis of the effect of the transfer of the powers and duties from the Historic Preservation Agency to the Department and recommendations for further legislation relating to the implementation of the reorganization in accordance with the Act.

The Act (20 ILCS 801/1-45) requires the Department, on or before December 31, 2018 and annually thereafter for 3 calendar years, to provide a report to the General Assembly that includes an analysis of the effect of the transfer of the powers and duties from the Historic Preservation Agency to the Department had on State government and State taxpayers. The report should include recommendations for further legislation relating to the implementation of the reorganization. A copy of each report has to be filed with the General Assembly.

Department personnel indicated the failure to fill the manager position was due to COVID-19 pandemic and the limited pool of available qualified candidates. In addition,

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Department personnel indicated the failure to provide a report to the General Assembly was due to competing priorities and oversight.

The vacancy in the manager's position within the Office of Mines and Minerals may hinder the Office's ability to fulfill its functions. Failure to submit a report to the General Assembly regarding the transfer of powers and duties of the Historic Preservation Agency to the Department inhibits the General Assembly to exercise its oversight function.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendations. The Department will continue its efforts to fill the Office manager position and will provide the report to the General Assembly on the effects of the transfer of HPA to the Department.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

- 20 ILCS 801/10-5(b) – A manger has not yet been hired for Office of Mines and Minerals. The Department has been unsuccessful in recruiting a qualified candidate. The Department will continue to actively recruit for the position.
- 20 ILCS 801/1-45 did not require the Department to submit a report during FY23 or FY24. The Department considers corrective action for this mandate to be implemented.

### **36. The auditors recommend the Department either comply with the Act or seek legislative remedy.**

#### **FINDING:** *(Failure to Review and Update a Comprehensive Energy Plan) - New*

The Department of Natural Resources (Department) did not analyze, prepare, and recommend a comprehensive energy plan in accordance with the Energy Policy and Planning Act (Act).

During their testing, auditors noted the Department did not perform the duties required by the Act.

The Act (20 ILCS 1120/4) requires the Department to analyze, prepare, and recommend a comprehensive energy plan for the State of Illinois, which includes:

- identifying emerging trends related to energy supply, demand, conservation, public health, and safety factors;
- specifying the levels of Statewide and service area energy needs;
- specifying past, present, and estimated future demand; and,

## REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination

- specifying the potential social, economic, or environmental effects caused by the continuation of existing trends and by the various alternatives available to the State.

Further, the Act (20 ILCS 1120/4) requires the Department to periodically review the plan, objectives, and programs at least every two years, with the results of the review and any resulting changes filed with the Illinois Commerce Commission, the Governor, the General Assembly, and the Public Counsel.

Department personnel indicated a comprehensive energy plan was not within the Department's purview. Department personnel also indicated the Department attempted to remove this mandate in prior years but was not successful in passing legislation.

Failure to analyze, prepare and recommend a comprehensive energy plan for the State and periodically review and update it represents noncompliance with the Act.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation. The Department will seek a revision of the Energy Policy and Planning Act legislation to move responsibility for reviews and updates to the comprehensive energy plan to the Department of Commerce and Economic Opportunity.

### **UPDATED RESPONSE:**

#### **Under Study.**

The Department does not have the programmatic expertise to put forward a "comprehensive energy plan." The Department is currently seeking a legislative remedy to place the statute under IEPA or any other State department that has the requisite expertise.

- 37. The auditors recommend the Department review the reporting requirements to ensure accurate information is reported on the Annual Inventory Certification. In addition, they recommend the Department timely file SCO-561 forms with the Office of Comptroller.**

**FINDING:** *(Required Reports Not Properly and Timely Completed) – First reported 2020, last reported 2022*

The Department of Natural Resources (Department) did not ensure required reports were properly and timely completed.

The Department did not accurately prepare the Annual Certification of Inventory (Certification) submitted to the Department of Central Management Services (DCMS). During testing of Certifications, auditors noted the following:

#### **Fiscal Year 2021**

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

- The Department reported the value of total inventory as \$103,757,925 instead of \$117,944,694 and the number of items of total inventory as 13,372 instead of 57,013.
- The Department reported an inventory discrepancy of \$53,101 instead of \$88,681 and the count of missing items as 21 instead of 130 items. In addition, the Department reported the value of total inventory of locations with discrepancies as \$8,638,467 instead of \$10,326,472 and the number of items of total inventory with discrepancies as 2,105 instead of 7,457. As a result, the Department reported erroneous discrepancy ratios of 0.6% for the value of inventory and 1.0% for number of items instead of 0.9% and 1.7%, respectively. These discrepancies could trigger re-examination and a written explanation and/or onsite investigation from DCMS.

### **Fiscal Year 2022**

- The Department reported an inventory discrepancy of \$61,999 instead of \$76,497 and the count of missing items as 29 instead of 84 items. As a result, the Department reported erroneous discrepancy ratios of 1.1% for the value of inventory and 0.7% for number of items instead of 1.4% and 2.0%, respectively. These discrepancies could trigger re-examination and a written explanation and/or onsite investigation from DCMS.

The auditors noted the above discrepancies resulted from the exclusion of inventories with a value of less than \$1,000 that are highly susceptible to theft.

Additionally, they noted the Department did not timely file the Accounting for Leases-Lessor (SCO-561) forms with the Office of Comptroller. During their testing, auditors noted 25 of 25 (100%) SCO-561 forms were not timely filed with the Office of Comptroller; the forms were filed 38 to 41 days late.

The Illinois Administrative Code (44 Ill. Admin. Code 5010.490 (a) and (f)) requires the Department to report all discrepancies between the previous certificate of inventory certification and the current inventory to DCMS. The DCMS requires re-examination and written explanation, and/or on-site investigations for unusually large discrepancies.

Also, the Department's policies and procedures for property control requires all items of equipment with acquisition value of less than \$1,000 are not required to be reported to DCMS, except that all firearms, vehicles, antiques, and other items subject to theft must be reported regardless of acquisition cost.

Further, the Statewide Accounting Management System (Procedure 27.20.61) requires all agencies who lease property to complete SCO-561 form for multiple-period leases. Form SCO-561 is required to be filed with the Office of Comptroller within 15 days after the lease is initiated or a change to the initial lease.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

Additionally, the Fiscal Control and Internal Auditing 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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation, and maintain accountability over the State's resources.

Department personnel indicated the errors in the Certifications were due to a misunderstanding of the reporting requirements and the failure to file SCO-561 forms timely was due to lack of staff and competing priorities.

Failure to prepare an accurate Annual Inventory Certification may inhibit the oversight function of the State to regulate the accountability and control of the State-owned property. In addition, failure to timely file SCO-561 inhibits the Office of Comptroller from promptly determining the appropriate value of the lease receivable to be recorded by the Department.

### **DEPARTMENT RESPONSE:**

The Department agrees with the recommendation to review the reporting requirements to ensure accurate and adequate information is reported on the Annual Inventory Certification and will timely file SCO-561 forms with the Office of Comptroller.

### **UPDATED RESPONSE:**

#### **Partially Implemented.**

The Department staff reviewed the reporting requirements for the Annual Certification of Inventory and accurately prepared the certification. The Department continues to work toward developing a centralized system for tracking leases to ensure SCO-561 are completed and filed timely.

## **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.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

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.

DNR had 11 Emergency Purchases for the FY21-22 audit cycle. In the first quarter of FY21, there were 2, one was a \$0 state contract extension for concession stand services at the Golconda Marina, located in Pope County along the Ohio River. The second was for \$127,000 in State Funds to clean up tree damage following a storm at Matthiessen State Park and Starved Rock State Park.

In the second quarter of FY21, there were 2, one was a \$0 state contract extension for the underground parking garage beneath the Old State Capitol Historic Site. The second was for \$47,312 in State Funds to complete roof replacement that had been mostly completed under another contract at the Buffalo Rock State Park.

In the third quarter of FY21, there was 1 for \$118,000 in State Funds to complete work that had been mostly completed under another contract at the Kickapoo State Park.

In the fourth quarter of FY21, there were 4, one was a \$0 state contract for operating the pool and providing concession services at the Dixon Springs State Park. There were no responsive bids in the first competitive solicitation, so during this emergency contract, a new solicitation was to be re-procured. The second one was for \$80,100 in State Funds to replace 2 cooling towers for the HVAC system at the Old State Capitol that had outlived their life expectancy and were leaking. The third was for \$153,220 in Federal Funds to continue mine site remediation work that had already begun under another contract. The fourth was for \$127,322 in State Funds to replace a failed culvert along the Hennepin Canal.

In the first quarter of FY22, there was one for \$112,400 in State Funds to replace a failed boiler at the Jake Wolf Memorial Fish Hatchery.

In the third quarter of FY22, there were 2, one was for \$19,732 in State Funds to replace 2 gas furnaces and 2 air conditioning units at the Frank Holten State Recreational Area. The second was for \$33,606 in State Funds to purchase 200 computer monitors. DNR issued a release off of a Master Contract for the purchase of 400 computers and monitors for DNR's point of sale system that sells hunting and fishing licenses across the state.

## **REVIEW: #4581 Dept of Natural Resources – FY21-22 Compliance Examination**

When DNR contacted the seller regarding the status of the order, the seller cited supply chain issues and did not have an estimated delivery date for the full order. In order to put the new computers into use immediately, an emergency purchase was necessary.

In the fourth quarter of FY22, there were 2, one was for \$165,000 in State Funds to replace 2 walk-in coolers and 1 walk-in freezer at the Adeline Jay Geo-Karis Illinois Beach State Park. The second was for \$75,000 in State Funds to replace 85 windows at the Adeline Jay Geo-Karis Illinois Beach State Park.

### **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 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 August 2022, the Department had 140 employees assigned to locations others than official headquarters.