

LEGISLATIVE AUDIT COMMISSION



Review of
Illinois Historic Preservation Agency
Two Years Ended June 30, 2014

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REVIEW: 4460
ILLINOIS HISTORIC PRESERVATION AGENCY
TWO YEARS ENDED JUNE 30, 2014

FINDINGS/RECOMMENDATIONS - 19

IMPLEMENTED - 3
ACCEPTED - 10
UNDER STUDY - 6

REPEATED RECOMMENDATIONS - 9

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 12

This review summarizes the auditors' report on the Illinois Historic Preservation Agency (HPA) for the two years ended June 30, 2014, filed with the Legislative Audit Commission May 14, 2015. The auditors performed a compliance examination in accordance with *Government Auditing Standards* and State law.

The Historic Preservation Agency, created July 18, 1985, is responsible for the protection and interpretation of Illinois' history and historic resources. The Agency administers the Abraham Lincoln Presidential Library and Museum (ALPLM), the Illinois State Historical Library, all State-owned historic sites, and the State's preservation program which assists owners of historic properties with rehabilitation and preservation. The Agency's operations are divided into five divisions as follows: Administrative Services, Executive Office, Historic Sites, Preservation Services, and the Abraham Lincoln Presidential Library and Museum. The Historic Sites Division oversees 56 historic sites and memorials which received more than 1.9 million visitors in 2014. A seven-member board of trustees, appointed by the Governor, with the consent of the Senate, is responsible for setting and determining policy for the Agency, and appointing its Director.

Amy Martin was Director of the Historic Preservation Agency during the audit period serving from May 2012 until November 2015. The Agency's legal counsel, Garth Madison, served as Interim Director until Heidi Brown-McCreery was appointed Director in February 2016. Although not previously employed at HPA, Director Brown-McCreery served as chief of staff at DCEO in 2015 and previously worked at State Farm's Corporate Headquarters as an Ideation Manager for the Innovation Team.

The average number of employees was:

Division	FY14	FY13	FY12
Executive Office	16	12	16
Preservation Services	12	12	14
Administrative Services	7	7	7
Historic Services	61	60	67
Presidential Library & Museum	71	73	73
TOTAL	167	164	177

Expenditures From Appropriations

The General Assembly appropriated a total of \$27,068,182 from four different funds to the Agency in FY14. Approximately \$8.7 million of the total was appropriated from the General Revenue Fund. Also included in the total appropriation are appropriations from the Illinois Historic Sites Fund (\$4 million); the Capital Development Fund (\$143,000); and the Presidential Library and Museum Operating Fund (\$12.6 million). Appendix A summarizes these appropriations and expenditures for the period under review.

Total expenditures for the Agency increased from almost \$23 million in FY13 to \$24 million in FY14, for a total increase of \$1 million or 4.3%. In the two-year period, the overall increase in expenditures was due to increased operational spending in the Historic Sites Fund and the Presidential Library and Museum Fund.

Lapse period expenditures for FY14 were about \$2 million, or 8.5% of total expenditures.

Cash Receipts

Appendix B summarizes cash receipts for the three-year period, FY12 through FY14. Cash receipts increased slightly from \$4,390,554 in FY13 to \$4,722,337 in FY14. The increase in receipts was mostly attributable to the timing of draws on federal grant funds from the Department of the Interior.

Changes in State Property

Appendix C summarizes the changes in property and equipment for which the Department was accountable. The balance as of June 30, 2014 for property and equipment was almost \$301.8 million, an increase of almost \$900,000 over the balance at June 30, 2013. The majority of the increase was due to buildings and building improvements.

Number of Visitors and Cash Donations

Appendix D provides a summary of the number of visitors (unaudited) to each of the State-owned historic sites and donations collected at each site during FY14 and FY13. The number of total visitors decreased from 1,935,433 in FY13 to 1,909,967 in FY14. These totals do not include Library users, which numbered 46,770 in FY14, or 297,837 visitors to the Presidential Museum.

Accountants' Findings and Recommendations

Condensed below are the 19 findings and recommendations included in the audit report. Of these, nine were repeated from a prior report. The following recommendations are classified

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on the basis of information provided by Rita Moore, Chief Internal Auditor, via email received on July 29, 2016.

Implemented, Accepted, or Under Study

- 1. Strengthen controls over property and equipment to comply with applicable laws and regulations. Specifically, implement procedures to ensure all equipment transactions are recorded timely and accurately. Include a supervisory review process in procedures to ensure clerical, technical, and other errors are promptly detected and corrected. Implement procedures to ensure accurate Annual Certification of Property and Discrepancy and Real Property Utilization Reports are filed with CMS. Finally, review procedures for the capitalization of permanent improvements and CDB transfers-in. (Repeated-2008)**

Finding: The Agency did not maintain sufficient controls over its property and related fiscal records. Some of the exceptions noted by the Auditors were as follows:

- Auditors tested two Agency Reports of State Property (Form C-15) submitted to the Illinois Office of the Comptroller (IOC) for June 30, 2013 and 2014. Due to the number of inaccuracies on the Forms C-15 tested, auditors were unable to examine the Schedule of Changes in State Property.

Agency officials stated the issues were due to failure to research and correct errors noted when reconciling the Agency's detailed property listing to the Form C-15, oversight of SAMS Manual requirements, and human error when preparing Form C-15s.

- Two of five permanent improvements tested, totaling \$21,737 and \$83,510 for FY13 and FY14, respectively, were not properly capitalized and reported. Agency officials stated the issue was due to human error when preparing Form SCO-538.
- Two of four CDB transfers-in tested, totaling \$24,354, were inappropriately added to the Agency's detailed property listing, Form C-15 and Form SCO-538 for FY13. Agency officials stated the projects were added to the Agency's detailed property listing as a method of tracking all CDB transfers-in without taking into consideration that some of the transfers-in would not be considered property and non-property items should not be included on the detailed property listing.
- For three of four (75%) CDB transfers-in tested, totaling \$179,588, the Agency did not maintain support to document the Agency's approval of CDB performing the project on behalf of the Agency. Agency officials stated the lack of support to document the Agency's approval of CDB projects was due to oversight that formal documentation of approval should be maintained.

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- Twelve of 44 equipment vouchers tested, totaling \$7,140, included 58 property items not added to the Agency's detailed property listing. Agency officials stated the equipment vouchers not added to the Agency's detailed property listing or reported on the Annual Certification of Property and Discrepancy Report was due to oversight and a clerical error.
- The Agency did not securely maintain computers held for transfer to CMS. Auditors observed 25 unused computers held in an area to which Agency employees had general access. Agency officials stated not securely maintaining computers held for transfer to CMS was due to oversight of their susceptibility to theft.
- The Agency did not timely record 14 of 40 equipment additions tested, totaling \$69,913. The additions were recorded in the Agency's detailed property listing from two to 1,752 days late. Agency officials stated not updating property records within 30 days or maintaining appropriate documentation was due to staff shortages in the area responsible for performing the updates.
- The Agency did not timely record 10 of 40 equipment deletions tested totaling \$86,852. The deletions were recorded in the Agency's detailed property listing from five to 511 days late. Agency officials stated not updating property records within 30 days or maintaining appropriate documentation was due to staff shortages in the area responsible for performing the updates.
- The Agency's FY13 Real Property Utilization Report submitted to CMS did not include a list of improvements made to real property during the fiscal year or the source of funds used to acquire the property. Agency management stated not reporting all required information in the Real Property Utilization Report was due to employee turnover.

Response: Accepted. The Agency agrees that controls should be strengthened in regards to property control and reporting, and will request sufficient staffing to implement the recommendation.

Updated Response: Implemented.

- 2. Establish proper segregation of duties over the receipts process, perform supervisory review over all reporting and transaction processing, and maintain documentation to support receipt and refund activities and the related reviews performed.**

Finding: The Agency did not maintain adequate internal controls over receipts and refunds. During testing, the following conditions were noted:

Implemented, Accepted, or Under Study - continued

- The Agency did not maintain proper segregation of custody and recordkeeping duties over receipt collection and processing. One employee was responsible for: 1) recording receipts in the receipts ledger, 2) preparing receipt deposit transmittals (RDTs), and 3) depositing funds into the State Treasury as one of two employees assigned this duty.
- All sixty RDTs tested were not independently reviewed or approved before transmission to the Illinois Office of the Comptroller (IOC).
- Twenty-eight of 60 RDTs tested and two of six refunds tested did not include documentation to support the date the check was received. Therefore, timeliness of the deposit could not be determined.
- Nine of 60 RDTs tested did not contain sufficient documentation to determine if the receipt amount was accurate.
- Two of 60 RDTs tested included incorrect IOC submission dates. Therefore, timely submission of the RDT to the IOC upon receipt of the Treasurer's Draft could not be determined.

Agency officials stated lack of segregation of duties over processing of receipts and refunds, lack of supporting documentation being maintained, errors, and failure to submit receipts to the IOC in a timely manner were due to staffing shortages as well as oversight.

Updated Response: Under Study. The agency would like to hire, train and properly segregate functions, however it is most likely that compensating controls including additional review procedures with existing staff will need to occur due to lack of adequate resources. The Agency is still evaluating the implications of the partial budget that was passed to determine where resources are most critical. Procedures have been implemented to date stamp items as they are received.

- 3. Comply with estate proceeds investment policy by establishing and maintaining documentation verifying the money management firm was selected by the Director and approved by the Board, by ensuring the Director works with the money management firm to make investment decisions, and by ensuring the allocation of investments complies with the investment policy.**

Additionally, develop an investment policy related to the funds received from the Abraham Lincoln Presidential Library Foundation Public Trust or ensure compliance with the State Agency Investment Policy. If complying with the State Agency Investment Policy, ensure the money management firm is listed as an approved broker by the Treasurer and proper controls are established.

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Lastly, comply with the requirements of the Accountability for the Investment of Public Funds Act (Act) to ensure transparency of the investment of public funds by posting the required information on the website by the 15th of each month.

Finding: The Agency did not exercise adequate controls over its investment of public funds activities.

During testing, auditors noted the Agency implemented an investment policy related to the investment of the estate proceeds totaling \$2,421,905 and \$2,771,040 as of June 30, 2013 and 2014, respectively. However, the Agency did not comply with the policy as follows:

- The Agency did not maintain support documenting the Agency Director's selection and the Board of Trustees' approval of the money management firm responsible for investing the locally held funds.
- The funds were not invested by the Director with assistance of the money management firm. Auditors noted the Agency's Chief Fiscal Officer worked with the money management firm to make all investment related decisions with no Director oversight.
- The Agency did not monitor investments to determine compliance with the policy's investment allocation requirements, which were not met.

Agency officials stated the individual broker associated with the money management firm was selected by the Director and approved by the Board in 1995, but the broker moved to a new money management firm at a subsequent date. The lack of Board approval for the money management firm change was due to oversight. The issue related to investments not being managed by the Director with assistance of the money management firm was attributed to oversight of the requirement included in the policy. Failure to monitor investments for investment policy compliance was due to the Agency's assumption the money management firm would ensure the investment allocation met the policy requirements.

Auditors noted the Agency did not implement an investment policy related to the investment of funds received from the Abraham Lincoln Presidential Library Foundation Public Trust. Auditors noted the Agency was not in compliance with the policy as follows:

- The money management firm utilized by the Agency was not listed as an approved broker by the Treasurer.
- The Agency did not maintain an adequate system of internal controls over investment of public funds. Auditors noted the Agency's Chief Fiscal Officer worked with the money management firm to make all investment related decisions. No segregation of duties or oversight of the Chief Fiscal Officer's investment responsibilities was in place.

Agency officials stated the issues noted were due to the Agency operating under the assumption the investment policy related to estate proceeds covered the Abraham Lincoln Presidential Library Foundation Public Trust. As a result, the Agency did not realize they

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needed to use a broker approved by the Treasurer. In addition, staffing shortages prohibited segregation of duties over investment responsibilities.

The Agency also did not post the following investment related information to its website:

- Total monthly investment income and yield for all funds invested.
- Name of the Agency's approved broker.

Agency officials stated the issues noted were due to oversight of the requirement to report investment information on the Agency's website.

Updated Response: Under Study. New Legal Counsel (started May 3, 2016) and the new Executive Director (started February 29, 2016) are in place and are working to implement an investment policy for all trust funds that is compliant with State of Illinois requirements.

- 4. Conduct thorough, conscientious, annual evaluations of internal fiscal and administrative controls, as well as annual risk assessments of operational threats. Further, comply with the Fiscal Control and Internal Auditing Act by documenting the results of the annual internal control certification process, reporting any material weaknesses to the OAG including the plans and schedule for correcting the weaknesses, or provide a statement of the reasons the weaknesses cannot be corrected. (Repeated-2010)**

Finding: The Agency did not prepare complete internal control certifications as required by the Fiscal Control and Internal Auditing Act and did not perform adequate assessments of operational risks.

The Agency failed to prepare or report any material weaknesses in its system of fiscal and administrative controls and did not describe its plans and schedule for correcting the weaknesses as certified. In addition to failing to assess its fiscal and administrative control risks as required by the Act, the Agency did not perform adequate assessments of specific risks associated with its operations, including risks which are qualitative in nature and may include loss of historical artifacts on loan and historical site safety.

Agency management stated the internal control certifications information was excluded due to oversight. Due to staffing shortages, the Agency prioritized responsibilities and intended for an internal auditor to develop and implement a formal risk assessment program. Reduced State funding prevented the Agency from filling the internal auditor position.

Updated Response: Accepted. The Agency did complete the certification process on time and included all support documentation for 2016. All management was involved in the preliminary risk assessment conducted in the most recent certification process. This is the first step in moving to a more formal risk assessment process by the Agency. The Chief

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Internal Auditor has conducted more formalized risk assessment during the audit planning process and additional assessments will occur as audits are completed. The Chief Internal Auditor will also help facilitate as management develops a more formalized process.

- 5. Perform an inventory of all historical artifacts maintained and ensure each artifact is cataloged in the electronic catalog system. Additionally, implement internal controls requiring additions and deletions to the artifacts catalog be independently reviewed and approved.**

Finding: The Agency failed to maintain adequate internal controls over historical artifacts.

The Agency is responsible for the protection and interpretation of Illinois' history and historic resources, including the Abraham Lincoln Presidential Library and Museum and 56 historically significant sites representing over 2,000 years of human history across Illinois. The Agency collects and preserves historically important materials and maintains an artifact collection of more than 40,000 items.

The Agency used an electronic catalog system to track historical artifacts. No independent review of items added to or removed from the system was performed. In addition, during testing of historical artifacts, auditors noted approximately 500 rare coins, acquired over several years, were not cataloged in the system. The number of all historical items not cataloged could not be determined.

Agency officials stated the issues noted were due to multiple Agency divisions using the electronic catalog system without comprehensive oversight.

Updated Response: Accepted. HPA continues to seek funding for a curator. It is anticipated that an internal audit will be conducted to review the system and the processes to assess the control weaknesses and provide recommendation for improvement regarding the artifact system and processes.

- 6. Implement controls to ensure Agency grant monitors require grantees to submit required reports timely and follow up on late reports. Also, require grant monitors to timely review all submitted reports to ensure grant funds are being expended as intended. Furthermore, implement controls to ensure all documentation required is obtained and maintained. (Repeated-2008)**

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

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The Certified Local Government Program (CLG) awards grants to local governments as a means of preserving cultural landmarks. During testing of four CLG grant agreements totaling \$57,700, auditors noted the following:

- The Agency did not sufficiently enforce timeliness of grantee report submissions for three of four grant agreements tested totaling \$36,700. Eighteen progress status reports were submitted by grantees between four and 313 days after the required due date.
- The Agency did not sufficiently document its review of 19 of 38 progress status reports tested totaling \$26,200. For 11 of 38 progress status reports tested, there was no evidence of review. In addition, for eight of 38 progress status reports tested, reports were not reviewed in a timely manner. Reports were reviewed between 41 and 307 days after submission.
- The Agency did not maintain required documentation in accordance with the grant guidelines for two of four grants tested totaling \$36,000. The missing documentation included the CLG Grants Selection Scoring Tool forms required by the Agency's CLG Grants Manual for two grants tested and three progress status reports for one grant tested.

Many of the Agency's awards and grants are funded by the Federal government.

During the prior examination, the Agency indicated it had revised grant agreements to include the required provisions and certifications and it would review procedures for grant agreement amendments to ensure changes were documented, justified, and appropriate. During the current examination, auditors noted the grant agreements tested included all required provisions and certifications, and amendments tested were documented, justified, and appropriate. Though the Agency indicated during the prior examination it would reinforce with staff and grantees the requirement to provide timely progress reports, the Agency stated the timeliness of grantee progress report submissions was not sufficiently enforced during the current examination period due to staffing changes.

Agency officials stated the issues were primarily due to oversight and staffing changes.

Updated Response: Under Study. Staff vacancies and lack of funding have prevented IHPA from being able to hire staff to adequately administer and monitor the grants. We anticipate correcting the issue when funding is identified for the position.

- 7. Ensure appropriation, cash receipt, and cash balance reconciliations are performed and reviewed timely and the responsibility for those functions is segregated. In addition, maintain documentation to support the timely completion and review of reconciliations.**

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

The Agency expended almost \$23 million and \$24 million and receipted \$4.391 million and \$4.722 million from four funds in FY13 and FY14, respectively. During testing of FY13 and FY14 reconciliations between Illinois Office of the Comptroller (IOC) records and Agency records, auditors noted the following:

- Monthly Revenue Status Report (SB04) reconciliations were not performed during the examination period.
- All six Monthly Appropriation Status Report (SB01) reconciliations tested were not dated as to when the reconciliations were performed.
- All six SB01 reconciliations tested were not independently reviewed.
- All five Cash Report (SB05) reconciliations tested were not dated as to when the reconciliations were performed.
- All five SB05 reconciliations tested lacked documentation of supervisory review.
- Due to the lack of adequate documentation of preparation dates and review, it could not be determined if the reconciliations were performed or reviewed timely or by the appropriate individuals.

Agency officials stated SB04 reconciliations were not prepared as staffing shortages limited the Agency's ability to perform adequate research of SAMS Manual requirements for SB04 reconciliations. Management also stated reconciliations were not dated due to oversight. Agency officials further stated reconciliations were not independently reviewed as the Agency did not deem it necessary due to the lack of issues noted on the reconciliations.

Response: Accepted. The Agency will request sufficient staffing to implement the recommendation.

Updated Response: Implemented.

8. **Improve controls over petty cash to ensure the preparation of Form C-86, the Petty Cash Internal Control Certification, is completed with a sufficient review of records, as appropriate. In addition, monitor the petty cash fund turnover rate to ensure the fund is maintained at a proper dollar level. Lastly, improve controls over petty cash reimbursement vouchers to ensure a proper review is completed and documented. (Repeated-2012)**

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Finding: The Agency did not maintain adequate internal controls over its petty cash funds. The Agency maintained 20 and 19 petty cash funds during FY13 and FY14, respectively. During testing, auditors noted the following:

- The Agency did not properly complete the Petty Cash Internal Control Certification (Form C-86) as the preparer did not review sufficient documentation to support an attestation for each item listed on Form C-86, as required.
- Seven of 20 and 15 of 19 petty cash funds during FY13 and FY14, respectively, were not maintained at the proper dollar level, with no explanation provided to the IOC.
- Three of 60 petty cash vouchers tested did not contain documentation to support an independent review and approval for reimbursement to the petty cash funds.

Agency officials stated inadequate staffing levels prevented Agency staff from reviewing sufficient documentation to ensure Forms C-86 were adequately supported. Not maintaining petty cash funds at the proper dollar level was attributed to oversight of SAMS Manual requirements. Agency officials indicated the lack of documentation to support an independent review and approval of reimbursements to the petty cash funds was also due to staffing shortages.

Response: Accepted. The Agency will request sufficient staffing to implement the recommendation.

Updated Response: Implemented.

- 9. Establish an ongoing fraud risk assessment program. Implement a formal written policy regarding the evaluation of fraud risk and a system of controls to help prevent and detect significant risks of fraudulent activity within the organization. Ensure the risk assessment program includes evaluating whether appropriate internal controls have been implemented in any areas identified as posing a higher risk of fraudulent activity. In addition, executive staff should evaluate management's identification of significant fraud risks and the implementation of fraud risk prevention measures.**

Finding: The Agency did not develop a formal, adequate fraud risk assessment program.

The Agency managed expenditures of \$23 and \$24 million in FY13 and FY14, respectively. The Agency relied on current internal controls to identify and mitigate significant fraud risks. However, auditors noted the Agency did not establish a formal risk assessment program with a comprehensive, written risk assessment policy to assess specific risks associated with fraud.

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Agency management stated they were unaware the checks and balances established by their Fiscal Division, including voucher reviews and monthly budget versus actual analyses, may not be adequate to minimize risk. In addition, officials stated that due to staffing shortages, the Agency prioritized responsibilities and intended for an internal auditor to develop and implement a formal risk assessment program. Reduced State funding prevented the Agency from filling the internal auditor position.

Updated Response: Accepted. A Chief Internal Auditor was hired in February 2016 and will provide consulting services for management to implement a formalized fraud risk assessment program which includes management developing a fraud policy.

10. Ensure travel vouchers are timely submitted and approved, and are completed in accordance with the Code and travel regulations. In addition, ensure the TA-2 reports are filed timely. (Repeated-2012)

Finding: The Agency did not maintain adequate controls over its travel expenditures. Auditors noted the following during testing:

- Seven of 60 travel vouchers tested, totaling \$1,364, were not approved by the traveler's immediate supervisor.
- Three of 60 travel vouchers tested were submitted between 66 and 186 days after the last day of travel.
- The Agency submitted two of four Travel Headquarters (TA-2) reports to the Legislative Audit Commission between 16 and 175 days late.

Agency management stated the issues noted were mainly due to oversight and employee turnover.

Updated Response: Under Study. The agency will appoint a travel control representative to ensure reports are filed timely and to ensure all staff are trained and informed of travel regulations. The TA reports are now being completed timely.

11. Implement procedures to identify all revenue sources generating accounts receivable and manage the recording and reporting of those receivables in accordance with the Illinois State Collection Act of 1986 and the SAMS Manual.

Finding: The Agency did not track or record accounts receivable and did not report its receivables to the Illinois Office of the Comptroller (IOC).

Auditors noted the Agency had at least two types of receivables during the examination period: parking garage revenue and farm land rental income. During testing, auditors noted the following:

- Parking garage revenue was not tracked to determine the related receivable. At June 30, 2013 and 2014, the amounts owed to the Agency, but received subsequent

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to fiscal year-end, were \$25,231 and \$26,612, respectively. Total parking garage receipts were \$299,861 and \$284,142 in FY13 and FY14, respectively.

- The Agency was the lessor in three farm land 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 quarterly to the IOC. Total farm land rental receipts were \$51,980 and \$48,010 in FY13 and FY14, respectively.
- Quarterly accounts receivable reports were not submitted to the IOC.
- Receivables were not recorded in the Financial (GAAP) Reporting Packages submitted to the IOC as part of the Statewide GAAP reporting process. Parking garage receivables were \$25,231 and \$26,612 at June 30, 2013 and 2014, respectively. Additional potential receivable amounts could not be determined.

Agency officials stated the failure to track, record and report accounts receivable was due to a misunderstanding of the reporting requirements related to accounts receivable.

Updated Response: Under Study. The Agency is evaluating current processes to ensure we are identifying and properly reporting all potential revenues in accordance with the Act and the SAMS manual.

12. Implement procedures to determine potential cash on-hand and report all cash on-hand to the State Comptroller in the annual GAAP packages. In addition, capture cash on-hand items as reconciling items during preparation of SB04 and SB05 reconciliations to ensure no discrepancies exist between IOC records and Agency records.

Finding: The Agency did not establish a process to determine cash on-hand to report to the Illinois Office of the Comptroller (IOC).

During testing, auditors noted the Agency failed to perform an analysis of potential cash on-hand at June 30, 2013 and 2014. Auditors noted the following items generated potential cash on-hand:

- Donation, camping fee and copy fee revenue collected by the Agency's various locations, but not yet transmitted to the Fiscal Office for deposit into the State Treasury.
- Unexpended petty cash fund balances.

For FY13 and FY14, the Agency administered 20 and 19 petty cash funds, respectively. Cash on-hand was not reported to the IOC for any of the Agency's funds as part of the Statewide GAAP reporting process. The amount of cash on-hand at June 30, 2013 and

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2014 could not be determined due to the Agency not performing monthly Revenue Status Report reconciliations (See Finding 2014-008). Petty cash funds were established at dollar levels totaling \$11,900 and \$12,100 for FY13 and FY14, respectively. In addition, donation revenue totaled \$463,581 and \$507,241, camping fee revenue totaled \$81,142 and \$87,597, and copy fee revenue totaled \$29,303 and \$98,317 for FY13 and FY14, respectively.

Agency officials stated the issue was due to a misunderstanding of the reporting requirements for cash on-hand amounts.

Response: Accepted.

13. Timely complete employee performance evaluations to ensure compliance with the Illinois Administrative Code. (Repeated-2008)

Finding: The Agency did not perform employee performance evaluations as required.

During testing, auditors noted the Agency did not perform employee performance evaluations as required for 13 of 21 employees selected for testing. Three employees did not have a performance evaluation on file during the two-year examination period. Three employees had only one performance evaluation on file during the two-year examination period. Seven employees' evaluations were performed between six and 289 days late.

Agency officials stated, while they reemphasized the importance of performing evaluations in accordance with their prior finding response, lack of management staff, as well as turnover, hindered the Agency's ability to complete all required evaluations.

Response: Accepted.

14. Implement training measures and procedures to ensure all Agency employees receive training as required by the Illinois Human Rights Act.

Finding: The Agency did not provide required sexual harassment prevention training to employees in accordance with the Illinois Human Rights Act (Act). During testing of the Agency's employee training activities, auditors noted none of the Agency's employees completed the required sexual harassment prevention training. The Agency also did not establish procedures designed to ensure employees completed such training. Agency officials stated the issue was due to staffing shortages limiting the Agency's ability to ensure employees received appropriate training.

Updated Response: Accepted. The Agency has received assistance from CMS with materials and will be having all employees take training on an annual basis. It is anticipated that this will occur in the 2nd quarter of 2017, when the sites are not as busy.

Implemented, Accepted, or Under Study - continued

15. Finalize and implement an identity protection policy as required by the Identity Protection Act (Act). (Repeated-2012)

Finding: The Agency failed to implement the provisions of the Identity Protection Act.

During testing, auditors noted the Agency had not implemented an Identity protection policy.

Agency officials stated the Agency drafted an identity protection policy during the examination period and was working on minor revisions; therefore, the policy had not been implemented.

Response: Accepted.

16. Comply with the Historic Preservation Agency Act regarding the appointment of a Library Facilities Operations Director and Internal Auditor or seek legislative remedy. Work with the General Assembly to seek legislative remedy to ensure duties required of the internal auditor pose no threat to independence. (Repeated-2012)

Finding: The Agency did not comply with provisions of the Historic Preservation Agency Act regarding appointments to certain statutorily mandated positions. During the examination period, auditors noted the following:

- The Abraham Lincoln Presidential Library's Director, with concurrence of the Agency's Board of Trustees, failed to appoint an individual to the position of Library Facilities Operations Director.
- The Board failed to appoint an individual to serve in the position of Internal Auditor. In addition, the Act's requirements for the Internal Auditor to maintain the Agency's books would jeopardize the Internal Auditor's independence.

Agency officials stated the mandated appointment requirements and duties should be amended through the legislative process and unsuccessfully sought to have the language amended during FY14. Officials stated they do not consider the position appointments to be feasible due to funding limitations.

Updated Response: Accepted. A legislative remedy is in process to address these issues. It has passed the Senate (SB 2897), but has stalled in the House of Representatives (HB 6278). An internal auditor was hired and is acting in an independent and objective capacity as required by the *International Standards for the Professional Practice of Internal Auditing*. The proposed changes would not have the auditor performing operational duties and would act in the audit capacity as all other State of Illinois auditors are required to do by following the Fiscal Control and Internal Auditing Act. We have proposed that the wording

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be changed relating to the appointment of the Library Facilities Operations Director by changed from “shall appoint” to “may appoint”.

17. Ensure each Commission is adequately staffed and administered to comply with the provisions of the Historic Preservation Agency Act or continue to work with the General Assembly to seek legislative remedy. (Repeated-2010)

Finding: The Agency did not comply with provisions of the Historic Preservation Agency Act regarding the Amistad and Freedom Trail Commissions.

During testing, auditors noted the following:

- The Amistad Commission did not meet in three of eight quarters or file three of four biannual reports with the Governor and General Assembly during FY13 and FY14. During review of the one report filed, auditors noted it did not clearly indicate the activities and findings of the Amistad Commission.
- The Agency did not establish the Freedom Trail Commission to preserve the history of the Freedom Trail and the Underground Railroad. The Freedom Trail Commission was not established as members had not been appointed by the Governor and General Assembly. During FY14, the Agency unsuccessfully sought to have the language related to the Freedom Trail Commission amended through the legislative process to combine the goals of the Freedom Trail Commission with the Amistad Commission.

Response: Accepted. The Agency will continue efforts to seek a legislative remedy regarding the Freedom Trail Commission. The Agency will continue to remind the Amistad Commission of its statutory mandates.

Updated Response: Accepted. A legislative remedy to combine the two commissions has been proposed in both the Senate (SB 2897) and House of Representatives (HB 6278).

18. Establish a formal agreement with the Illinois State Historical Society outlining the responsibilities of each party. In addition, monitor and oversee the Society’s activities to ensure compliance with the Historical Sites Listing Act.

Finding: The Agency did not comply with the Historical Sites Listing Act.

The Agency was unable to provide a listing of sites displaying registered State historical site markers. In addition, the Agency did not work in cooperation with the Illinois Department of Transportation Division of Highways to place and maintain all markers at State historic sites registered under the Act. The Agency indicated it delegated its responsibilities to the Illinois

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State Historical Society, but no agreement was in place to outline responsibilities of the various parties, nor did the Agency monitor the Society to ensure the requirements of the Act were being met. According to the Illinois State Historical Society (Society) website, there were approximately 440 registered State historical sites during FY13 and FY14.

Agency officials stated they have relied on the Society to operate the Historic Sites Listing program for more than 20 years with little to no assistance from the Agency or the Illinois Department of Transportation.

Response: Accepted. Agency will consult with the Society in regards to these activities.

19. Work with the Board to appoint a qualified individual to fill the position of State Historian in order to properly administer the program and to provide historical expertise. Additionally, implement policies and procedures for selecting newspaper editions to microphotograph based upon historical value. Lastly, assess print fees based upon the cost incurred to supply the print.

Finding: The Agency did not have a State Historian or comply with provisions of the State Historical Library Act (Act).

During testing of the Agency's program to preserve historical State newspaper records (program), auditors noted the following:

- The position of State Historian was vacant during FY13 and FY14.
- The program was administered by the Director of Library Services rather than the State Historian as required.
- The method of selecting State newspaper edition files to microphotograph was not based upon the historical value of the newspaper. Newspapers were selected based on requests from publishers, libraries, and historical societies. The Agency microphotographed 417 and 425 newspapers in FY13 and FY14, respectively.
- The fee charged by the Agency for individual prints from the microphotographed State newspapers was not based upon the cost incurred by the Agency to supply the print. The Agency charged a fee of 25 cents per print based upon what they believed to be a library standard. The Agency collected \$29,303 and \$98,317 for FY13 and FY14, respectively.

Agency officials stated the program was not administered by the State Historian as the position was vacant during the examination period. Additionally, the issues related to the method of selecting State newspapers to microphotograph and fees charged for

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microphotographed prints were due to staffing shortages and oversight of statutory requirements.

Updated Response: Under Study. The State Historian position was appointed by the Board of Trustees on July 26, 2016. We are evaluating the job descriptions with CMS to ensure the Newspaper Program is properly aligned on the organizational chart to be in compliance with the regulations. We anticipate performing a cost analysis to assess if fees are appropriate for the program.

Emergency Purchases

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

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 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 an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY13 and FY14, the Historic Preservation Agency filed one emergency purchase affidavit totaling \$264,620 for roofing repairs at Lincoln Herndon Law Office.

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 of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. According to a report filed on July 15, 2014, the Historic Preservation Agency had no employees who were required to spend the majority of their working time at locations other than their official headquarters.

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ILLINOIS HISTORIC PRESERVATION AGENCY
TWO YEARS ENDED JUNE 30, 2014

APPENDIX A

Summary of Appropriations and Expenditures
All Funds Combined

	<u>FY14</u>	<u>FY13</u>	<u>FY12</u>
Appropriations	\$ 27,068,182	\$ 30,620,483	\$ 24,576,255
<u>General Revenue Fund</u>			
<u>Expenditures</u>			
Personal services	\$ 6,461,964	\$ 6,180,308	\$ 6,654,745
Social security	475,346	460,323	495,521
Contractual services	983,933	-	1,062,305
Travel	5,673	-	12,087
Commodities	70,323	-	87,615
Printing	8,005	-	28,852
Equipment	17,856	-	27,012
Electronic data processing	27,309	-	41,032
Telecommunications	98,521	-	90,855
Operation of automotive equipment	22,867	-	45,188
Total Operations	\$ 8,171,797	\$ 6,640,631	\$ 8,545,212
Amistad Commission Expenses	200,074	174,544	-
Awards, grants, lump sum & other purposes	242,846	1,437,141	309,675
Total General Revenue Fund	\$ 8,614,717	\$ 8,252,316	\$ 8,854,887
<u>Historic Sites Fund</u>			
<u>Expenditures:</u>			
Personal Services	675,259	459,782	419,427
Retirement - SERS	272,170	175,078	143,325
Social Security	50,560	34,446	31,341
Group Insurance	114,586	150,736	98,709
Contractual Services	342,922	126,804	259,270
Travel	4,997	2,845	15,930
Commodities	19,990	297	13,175
Printing	-	-	1,068
Equipment	-	-	6,644
Electronic Data Processing	-	-	4,352
Telecommunications	14,999	10,168	21,870
Operation of automotive equipment	9,856	7,321	9,687
Lump Sums	1,068,063	703,355	698,351
Awards & Grants	159,253	114,201	194,072
Permanent Improvements	46,879	49,473	7,470
Total Historic Sites Funds	\$ 2,779,534	\$ 1,834,506	\$ 1,924,691
Capital Development Fund	143,000	143,000	143,000
Tourism Promotion Fund	-	9,618,438	-
Presidential Library and Museum Fund	12,629,312	3,260,776	10,032,312
TOTAL EXPENDITURES	\$ 24,023,563	\$ 22,966,036	\$ 20,811,890

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ILLINOIS HISTORIC PRESERVATION AGENCY
TWO YEARS ENDED JUNE 30, 2014

APPENDIX B

Cash Receipts

	<u>FY14</u>	<u>FY13</u>	<u>FY12</u>
<u>General Revenue Fund</u>	\$ 1,099	\$ 364	\$ 386
<u>Historic Sites Fund</u>	\$ 51,930	\$ 36,238	\$ 54,572
Agriculture sales	87,597	81,142	91,703
Camping fees	2,111	2,252	4,249
Concession revenue	25	620	-
Conference fees	98,317	29,303	92,443
Copy fees	507,241	463,581	389,951
Donation box	1,303,232	1,051,133	1,303,939
Department of Interior	6,975	4,217	1,781
Miscellaneous	63,706	547	125
Donations - Individuals/Organizations	84,219	100,299	64,196
Property Rental	-	73,000	-
Department of Commerce & Economic Opportunity	3	-	19
Reimbursement/Jury Duty, Phones	12,824	11,493	14,558
Subscriptions	171,625	182,648	187,418
Underground Parking	500	-	-
Prior Year Warrant Voids	3,005	-	-
Prior Year Refunds	-	-	-
	<u>\$ 2,393,310</u>	<u>\$ 2,036,473</u>	<u>\$ 2,204,954</u>
Total Receipts - Fund (538)			
<u>Historic Preservation Agency Trust Fund</u>	\$ 744	\$ 102	\$ -
<u>Presidential Library and Museum Operating Fund</u>			
Admission Fees	\$ 2,026,824	\$ 2,121,077	\$ 2,058,237
Donation Box	6,715	5,433	5,703
Donations - Individuals/Organizations	104	4	32,971
Reimbursement - Jury Duty, Phones	45	87	122
Miscellaneous	6,086	1,148	1,036
Parking Fees	112,517	101,312	125,952
Property Rental	138,782	123,929	123,073
Prior Year Refund	27,755	228	-
Prior Year Warrant Voids	8,356	397	-
	<u>\$ 2,327,184</u>	<u>\$ 2,353,615</u>	<u>\$ 2,347,094</u>
Total Receipts - Fund (776)			
Total Receipts	<u>\$ 4,722,337</u>	<u>\$ 4,390,554</u>	<u>\$ 4,552,434</u>

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ILLINOIS HISTORIC PRESERVATION AGENCY
TWO YEARS ENDED JUNE 30, 2014

APPENDIX C

Changes in State Property

	<u>FY14</u>	<u>FY13</u>
Beginning Balance	<u>\$ 300,911,336</u>	<u>\$ 298,866,233</u>
Additions	357,442	426,855
Deletions	(57,354)	(33,183)
Net Transfers	<u>542,070</u>	<u>1,651,431</u>
Ending Balance	<u>\$ 301,753,494</u> *	<u>\$ 300,911,336</u> *

*Comprised of

Land and Land Improvements	15,078,956	15,078,956
Buildings and Building Improvements	271,365,051	270,451,027
Equipment	15,309,487	15,381,353

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ILLINOIS HISTORIC PRESERVATION AGENCY
TWO YEARS ENDED JUNE 30, 2014

APPENDIX D

Numbers of Visitors and Cash Donations

Site	Number of Visitors	Cash Donations	Number of Visitors	Cash Donations
	FY14		FY13	
Apple River Fort	13,950	\$ 4,157	13,336	\$ 3,341
Bishop Hill	31,414	6,190	24,379	4,527
Black Hawk	122,565	3,640	120,673	3,404
Bryant Cottage	7,668	494	8,356	586
Cahokia Courthouse	3,760	-	3,483	101
Cahokia Mounds	275,957	84,607	269,368	86,303
Carl Sandburg Home	2,142	3,648	1,797	1,839
Dana-Thomas House	23,445	126,519	25,322	109,443
David Davis Mansion	60,754	14,148	58,772	13,301
Douglas Tomb	8,275	-	6,199	-
Fort De Chartres	37,278	3,159	25,053	8,905
Galena Complex (includes Grant's Home, Old Market House and Washburne House)	95,267	96,393	93,152	83,525
Lewis & Clark Memorial	77,467	12,827	76,740	14,307
Lincoln Log Cabin	83,214	6,380	76,731	8,391
Lincoln's Tomb	331,484	-	349,205	-
Lincoln's New Salem	382,825	67,134	376,441	51,404
Metamora Courthouse	13,931	-	12,632	-
Old State Capitol/Lincoln Herndon	127,414	67,422	137,314	63,795
Pierre Menard/Ft. Kaskaskia	33,059	1,847	60,283	1,466
Postville/Mt. Pulaski	3,320	-	3,967	-
Pullman	15,045	-	12,368	-
Vachel Lindsay House	3,323	-	4,919	-
Vandalia State House	19,134	8,676	20,111	8,943
Vietnam Veteran's Memorial	137,276	-	154,832	-
TOTAL	1,909,967	\$ 507,241	1,935,433	\$ 463,581