

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Natural Resources
Two Years Ended June 30, 2020

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REVIEW: 4547
DEPARTMENT OF NATURAL RESOURCES
TWO YEARS ENDED JUNE 30, 2020

FINDINGS/RECOMMENDATIONS – 30
ACCEPTED AND PARTIALLY IMPLEMENTED – 23
IMPLEMENTED – 7
REPEATED RECOMMENDATIONS – 22
PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 23

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 324 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;
- 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;

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- 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 new director is Natalie Phelps Finnie, a former GA member and medical professional. Previously, she served as multiple division directors at DNR as well.

The chart on the following page presents the average number of employees in the fiscal year noted by Division (pgs 102-104 Compliance).

	FY18	FY19	FY20
Full-time:			
General Office	81	72	76
Realty and Capital Planning	58	70	71
Strategic Services	52	52	60
World Shooting & Recreation Complex	1	1	0
Resource Conservation	232	229	232
Coastal Management	5	5	1
Law Enforcement	124	151	152
Land Management	716	683	665
Mines & Minerals	88	88	85
Oil & Gas Resource Management	42	42	39
Water Resources	51	47	48
IL State Museum	36	37	41
Grants Management & Assistance	15	16	16
Total Full-time Average Employees	1,501	1,493	1,486

Appropriations and Expenditures

DNR has budget authority over these locally held funds (p 85 Compliance):

- Investigative Cash Fund – 1204;
- Mines and Minerals Security Trust Fund – 1332;
- Land Division Sites Fund – 1428;
- Historic Sites Receipts Fund – 1429; and
- Korean Memorial and Purple Heart Fund – 1436.

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Property and Equipment

The following balances are detailed for the end of FY20 (p 86 Compliance):

Property

- Land and Land Improvements - \$437,112,000;
- Site Improvements - \$562,344,000;
- Building and Building Improvements - \$333,928,000;
- Equipment - \$ 115,085,000

Total - \$1.448 Billion

Capital Leases

- Equipment - \$57,000

Construction in Progress

- Construction in Progress - \$6,478,000

Major DNR Project Examples:

- Stratton Lock & Dam repairs - \$21 million;
- Pere Marquette State Park to fix group camp areas - \$8 million;
- Fort Massac State Park to repair fort - \$5.1 million;
- Wayne Fitzgerald State Park to renovate resort facilities - \$6 million;
- Pullman State Historic Site to remediate and reconstruct \$8.8 million.

Key Performance Metrics (Public Accountability Reports)

Reporting Program: Expenditures

	FY20	FY21
• Resource-Compatible Recreation	\$116,841,000	\$120,897,600
• Natural & Cultural Resource Protection	\$ 85,937,100	\$ 97,576,200
• Resource-Related Public Safety	\$ 48,220,000	\$ 48,609,600
• Science, Education and Culture	\$ 25,119,000	\$ 18,656,500

Mission Statements and Program Goals/Objectives:

2021 Resource-Compatible Recreation - To provide safe, accessible, high-quality, and resource-compatible outdoor recreation opportunities so the public can enjoy the state's natural and cultural resources.

1. Meet the public's outdoor recreation needs in a resource-compatible manner.
2. Develop and maintain department facilities and infrastructure to provide meaningful outdoor recreation experiences for Illinois' residents and visitors.
3. Establish and maintain partnerships to expand resource-compatible recreation opportunities.

2021 Natural and Cultural Resource Protection – The mission of the Illinois Department of Natural Resources is to protect and manage the state's natural and cultural resources and to provide opportunities for all to use, enjoy and learn about these resources.

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1. Restore, enhance, and sustain Illinois' natural and cultural resources for present and future generations.
2. Acquire interest in land to meet the public's open space and resource protection needs.
3. Maximize the effectiveness of laws, statutes, and administrative rules to better protect resources.
4. Balance resource consumption and use with resource protection.
5. Avoid, minimize, and mitigate adverse impacts to Illinois lands and waters that result from mining and mineral extraction activities.

2021 Resource-Related Public Safety - To ensure the safe and enjoyable use of the state's lands, water, and resources; ensure safety in mining and blasting activities; and protect the public's interests in public waters and floodways.

1. Ensure the safety of the public visiting state-managed sites or participating in state-regulated outdoor recreation.
2. Protect workers in the extraction industry from mining and explosives accidents.
3. Manage dams and floodways to protect people and property in floodplains.

2021 Science, Education, and Culture - To collect and analyze data on our natural and cultural resources and to provide objectives, scientific information, and education programs on these resources to government agencies, businesses, other scientists, education institutions, teachers, students, and the public to advance their understanding and appreciation of the state's natural and cultural resources.

1. Educate the public on the diversity and value of the state's natural and cultural resources.
2. Preserve and showcase the state's natural, cultural, and artistic heritage.
3. Acquire and provide natural history information that can be used to promote the common understanding of and the sustainable conservation of Illinois' living natural resources.

Input/Output	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Target
Resource	Compatible	Recreation		
Acres owned/managed	491,508	491,798	494,830	497,430
Grants awarded	272	236	208	240
Input/Output	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Target
Grants awarded	\$84.2 million	\$88.3 million	\$93.8 million	\$85 million
Fishing licenses	490,200	567,800	549,100	520,000
Hunting licenses	154,800	153,400	158,400	150,000
Sportsmen Combo	111,600	119,000	124,400	115,000
Site attend	38.8 million	34.3 million	39.1 million	39.7 million
Deer permits	511,500	527,400	554,200	515,000
Fish stocked	20 million	8.7 million	23.6 million	12 million
Active boat reg	288,400	215,000	226,900	220,000

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Natural and	Cultural	Resource	Protection	
Tree seedlings	800,000	700,000	800,000	900,000
Protected areas	590	590	613	633
Coal mine reclaim inspect	953	900	989	900
Abandon mine reclaim	12	7	7	16
Oil/gas inspect	34,400	31,000	30,600	30,000
Oil/gas permits	528	402	256	350
Deer harvested	151,700	153,200	162,800	150,000
Reforest-carbon removed-tons	19,200	49,800	19,000	15,500
Oil/gas wells plugged/restored	514	524	408	600
New acres protect by res plan	783,600	783,600	138,000	785,600
Resource	Related	Public	Safety	
Safety ed class	350	21	144	300
Mine safety cert	1,400	1,250	1,350	1,100
Mine labs done	5,500	6,400	7,100	8,000
Blasting lic/certs	1,570	1,510	1,760	1,575
Blasting inspect	2,800	2,600	2,400	2,250
Dams inspected	350	300	285	300
Students cert safety ed class	7,900	525	3,260	7,000
Science	Education	Culture		
User sessions - state museum	1.5 million	1.1 million	610,000	750,000
Web based contact	634,100	409,300	575,500	500,000
Museum attend	170,500	65,000	51,000	60,000

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

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emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

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

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

DNR had the following Emergency Purchases (capital and equipment related):

Examples include FY20 - repairing Camp Logan Unit coastal shoreline, bike trail and nature preserve; maintain the Grand Marais Golf Course; repair the I&M Canal Trail and FY19 – fix abandoned coal mine shafts in Colfax, Coal City and Eagarville; maintain the Grand Marais Golf Course and provide Golconda Marina concessions.

- 2020 – 4 for \$261,500;
- 2021 – 6 for \$591,200; and
- 2022 – 7 for \$478,000.

Accountants' Findings and Recommendations

Condensed below are the 30 findings and recommendations included in the audit report. Of these, 22 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by DNR, via electronic mail received July 14, 2021.

- 1. The auditors recommend DNR improve its control over its capital assets by maintaining adequate oversight over personnel responsible for capital asset management and reviewing SCO-538 forms for accuracy before transmitting to the Comptroller.**

FINDING: *(Inadequate Control over Capital Assets) - New*

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DNR did not maintain adequate control over its capital assets.

DNR implemented the Enterprise Resource Planning (ERP) system on January 1, 2019 while simultaneously operating its legacy capital assets system. Effective June 1, 2020, DNR discontinued the legacy system keeping the ERP as its primary system to track its capital assets.

As of June 30, 2019, DNR indicated it had not fully implemented the ERP and the information from the legacy capital asset system was used to prepare FY19 capital asset schedules. DNR prepared its FY20 capital asset schedules using the ERP system.

During testing, auditors noted the following:

- DNR did not reconcile the ERP reports with the legacy system reports during the transition. Auditors noted variances between ERP reports and the legacy system reports of \$3.5 million and \$6 million of costs and accumulated depreciation, respectively. Additionally, DNR could not explain the variances noted between FY20 beginning balances of capital assets prepared using the ERP and FY19 ending balances of capital assets prepared using the legacy system. Based on further analysis, auditors determined the beginning balances in the ERP report were accurate and the variances identified were due to accumulated errors in prior years' legacy system reports. Specifically, the variances were costs and related accumulated depreciation of capitalizable assets that were categorized as noncapitalizable assets in error coupled with erroneous depreciation calculations in the legacy system over the years. These prior years' errors were deemed not material for restatement, therefore, were recorded against additions or deletions, as applicable, in the FY20 Schedule of Capital Assets.
- DNR did not exercise adequate control and oversight over the preparation of the Capital Asset Summary (SCO-538) resulting in an inaccurate SCO-538 submitted to the Office of Comptroller. During testing, auditors noted variances of \$578,000 and \$30.7 million in cost and accumulated depreciation, respectively, between amounts reported on SCO-538 and those amounts from ERP at June 30, 2020. DNR indicated the variances identified on FY20 SCO-538 were not corrected because they were immaterial to the State's Comprehensive Annual Financial Report.

DNR personnel indicated these issues were due to staff shortages and inadequate training and guidance during the transition from the legacy system to ERP.

Inadequate controls over capital assets may result in inaccurate information used by Office of Comptroller in preparing the Statewide Comprehensive Annual Financial Report.

RESPONSE:

DNR agrees to the recommendation to improve control over capital assets by maintaining adequate oversight and reviewing forms for accuracy. DNR did review reports but due to a new system and lack of training the errors were not identified and corrected timely.

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UPDATED RESPONSE:

Implemented. This has been corrected. A report was received from the legacy system and used to reconcile to SAP. The SCO-538 is now reported accurately.

- 2. The auditors recommend DNR implement the necessary internal controls to ensure accounts receivable are consistently and accurately reported to the Office of Comptroller. Also, DNR should ensure accounts receivable are timely pursued for collection and, if not collectible, submitted for uncollectible certification and subsequently written off. Moreover, DNR should establish controls to evaluate all accounts receivable over \$250 and more than 90 days past-due and place them under the Office of Comptroller's Offset System. Further, auditors recommend DNR utilize the ERP System to improve its accounts receivable maintenance and reporting process. Lastly, auditors recommend DNR 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 2018*

DNR did not exercise adequate internal controls over its reporting and maintenance of accounts receivable.

During testing, auditors noted the following weaknesses:

Accounting System and Process Deficiencies

- During FY19, DNR implemented a new Enterprise Resource Planning (ERP) System to centralize various processes, including accounts receivable maintenance and reporting, reduce manual processing and simplify existing workflows. However, the Department failed to effectively utilize the ERP System to improve its accounts receivable maintenance and reporting process. DNR continued to rely on numerous subsystems by manually preparing and compiling reports and operating without a subsidiary ledger.

Errors Noted on Individual Accounts

- 2 of 37 (5%) receivables selected for detailed testing, totaling \$5,489, were paid in full before June 30, 2019, but continued to be reported as receivables as of June 30, 2019. In addition, one of 37 (3%) receivables, totaling \$2,525, was not due as of June 30, 2020 but was reported as a receivable as of June 30, 2020.
- 6 of 37 (16%) receivables selected for detailed testing, totaling \$44,847, did not agree with the supporting documents. Specifically, the accounts receivable balance was understated by a total of \$22,923 when compared to the supporting documents.

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Inadequate Documentation for Accounts Receivable Write-Offs

- DNR was unable to provide support for accounts written-off, totaling \$16,000, for Fund 137 in the 1st quarter of FY19.

Accounts Receivable Not Reported

- DNR 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 DNR for Fund 538 were \$157,371 and \$90,163 in FY20 and FY19, respectively. Potential receivable amounts could not be determined.

Inadequate Processing of Old Accounts Receivable

- DNR 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, 2020, the outstanding receivables aged more than a year totaled \$1,569,336, \$2,076,167, \$123,074, and \$208,398 for Funds 137, 261, 884, and 962, respectively.

Further, auditors noted these balances were aged more than one year, and, in some cases, were as old as FY92.

- 7 of 40 (18%) receivables, totaling \$186,268, aged more than 90 days past due and in excess of \$250, were not referred to the Office of Comptroller's Offset System.

This finding was first reported in FY14. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to improve its controls over accounts receivable.

DNR personnel indicated the deficiencies noted were due to lack of staff, oversight, and lack of training to allow employees to maximize the features of its new ERP system and monitor its accounts receivable.

RESPONSE:

DNR agrees with the recommendation to implement the necessary internal controls to ensure accounts receivable are consistently and accurately reported to the Office of Comptroller. DNR has reviewed the accounts receivable process and plans on implementing the necessary internal controls to consistently and accurately report accounts receivables. DNR has increased collection efforts and continues working to ensure that support for all receivables, uncollectibles and adjustments is obtained from each division. DNR 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:

Accepted. No change to original response. Note: LAC considers Partially Implemented.

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3. **The auditors recommend DNR implement internal controls requiring additions and deletions to the artifacts catalog be independently reviewed and approved. Auditors also recommend DNR ensure the inventory of all historical artifacts maintained is performed and/or reviewed by independent personnel. Further, auditors recommend DNR improve its internal controls to ensure artifact records are accurately maintained and properly accounted for.**

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

DNR did not have adequate controls over historical artifacts.

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

DNR uses an electronic system to track historical artifacts. During testing, auditors noted an independent review of items added to or removed from the artifact system was not performed. Also, physical inventories were performed by the custodians of the artifacts, not by independent persons.

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

- 2 of 50 (4%) artifacts selected for physical observation could not be located.
- 20 of 50 (40%) artifacts selected for tracing to the records could not be traced, three of which have no descriptions to clearly identify the artifacts.

DNR personnel indicated, as they did in the prior year, the deficiencies noted were due to lack of staff.

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.

RESPONSE:

DNR agrees with the recommendation. DNR has established a collections committee for reviewing the acquisition/removal of artifacts which consists of 3 Site Managers and an Illinois State Museum Curator. DNR will continue to work towards obtaining an independent review of the inventory of historical artifacts. Lack of Manpower is continuing to hamper efforts to comply with independent reviews.

UPDATED RESPONSE:

Partially Implemented. DNR has reached out to Illinois State Museum to do third party spot verifications of inventory.

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4. The auditors recommend DNR ensure monthly reconciliation of its activity are performed, documented, and reviewed on a timely basis. Auditors also recommend DNR prepare the Compliance Report Components using their internal records and reconcile them to the Comptroller reports.

FINDING: *(Inadequate Controls over Preparation of Monthly Reconciliations) – First reported 2016, last reported 2018*

During testing, auditors noted DNR did not perform monthly reconciliations. Specifically, DNR did not reconcile its internal records with the following Comptroller's reports:

- Revenue Status Report (SB04) and Cash Report (SB05) of Non-Shared Funds for 18 of 24 (75%) months from January 2019 through June 2020.
- Appropriations Status Report (SB01) for 18 of 24 (75%) months from January 2019 through June 2020 and lapse periods for FYs19 and 20.
- Object Expense Expenditures By Quarter (SA02) and Appropriation Transfer Report (SB03) for 24 of 24 (100%) months during FY19 and 20.

As a result, DNR could not prepare the following Compliance Report Components using their internal records and reconcile them to Comptroller records; therefore, the Components and related analyses were omitted from DNR's *Compliance Examination Report*:

- Schedule of Appropriations, Expenditures, and Lapsed Balances –FY20
- Schedule of Appropriations, Expenditures, and Lapsed Balances –FY19
- Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
- Comparative Schedule of Net Expenditures by Major Activity
- Comparative Schedule of Cash Receipts and Deposits into the State Treasury
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Cost Statistics

This finding was first reported in FY16. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to improve its controls over monthly reconciliation of its records against the Comptroller records.

DNR personnel indicated the failure to perform monthly reconciliations was due to the DNR's transition to the new Enterprise Resource Planning (ERP) System, lack of training, and inability to generate proper reports from the ERP necessary for the reconciliations.

RESPONSE:

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

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff conders Partially Implemented.

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5. The auditors recommend DNR take action to establish internal controls over its operations at the World Shooting and Recreational Complex (WSRC). Specifically, DNR should:
- ensure the WSRC has an accurate and complete listing of events held;
 - ensure the WSRC's facility use agreements received are properly filled out and submitted with all required documentation;
 - implement adequate audit trails regarding the maintenance and retention of records at the WSRC; and,
 - finalize the draft operations manual after incorporating procedures for all operations of the WSRC.

FINDING: *(Inadequate Controls over the World Shooting and Recreational Complex's Operations) - New*

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

During testing, auditors noted the following:

Insufficient Controls over Facility Use Agreements and Other Documentation During the facility use agreements testing, auditors requested DNR and WSRC provide the population of events and related facility use agreements entered into during the examination period. In response to this request, DNR provided a listing of events held at the WSRC. Auditors noted the population provided by the WSRC was derived from an electronic calendar, and auditors were unable to reconcile them to DNR's population of facility use agreements.

Due to these conditions, auditors were unable to conclude DNR's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) 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 60 events from the listing provided by DNR and noted the following during our testing:

- For 7 (12%) events, DNR could not provide insurance documentation and evidence that insurance information was obtained prior to the event.
- For 3 (5%) events, insurance policies were expired as of the event date.
- For 1 (2%) event, DNR could not provide documents to confirm whether the extra amenities fee, if any, was collected.
- For 3 (5%) events, the facility use agreements were not signed by all required parties.
- For 6 (10%) events, DNR could not provide documents to confirm whether facility use fees were collected.

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Lack of an Approved Operations Manual

DNR has not established administrative rules or finalized its operations manual to govern operations of the WSRC. During review of the draft WSRC operations manual, auditors noted the manual provides guidance for some activities/operational areas at the WSRC, such as the camping, facility use agreement (event rentals), firearm inventory, shooting pricing and membership fees, procurement, concession and leases, and money handling; however, there is no discussion or guidance regarding recordkeeping for sponsorships and in-kind items received.

DNR personnel indicated the exceptions noted were due to limited staffing.

RESPONSE:

DNR agrees with the recommendation and will work to establish internal controls over event listings and facility use agreements and will continue working on an operations manual.

UPDATED RESPONSE:

Partially Implemented. No change to original response.

6. The auditors recommend DNR:

- **Design a process to maintain a complete and accurate population of application users.**
- **Ensure authorizations for granting access are properly maintained.**
- **Ensure access rights are periodically reviewed and appropriate changes are made. In addition, DNR should ensure timely deactivation of users' no longer needing access.**
- **Adopt a change management policy for applications managed by DNR.**

FINDING: *(Weaknesses over General Information Technology Controls) - New*

DNR had weaknesses over its general information technology controls.

DNR had invested in computer applications and established several systems that are significant to its operations. Auditors noted DNR did not ensure its General Information Technology Controls (GITC) surrounding these applications were designed and implemented to ensure integrity and reliability of information processed.

During testing of 7 applications, auditors requested DNR provide a population of users of these applications. DNR provided a population of users of each application; however, auditors were unable to obtain sufficient evidence to verify the completeness of the population for 4 of 7 (57%) applications. Due to this condition, auditors were unable to conclude the Department's population records were complete and accurate as required by the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35).

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Although the population limitations noted above hindered our ability to conclude whether the selected sample was a representative of the population, auditors reviewed the GITC over these applications and noted the following:

- User access rights were not periodically reviewed. DNR did not perform security reviews for 6 of 7 (86%) applications to ensure employees' access to systems was appropriate.
- Users were granted access without proper authorization. DNR could not provide access authorizations for 3 of 15 (20%) new users tested.
- User access rights were not timely removed. Auditors noted 30 of 30 (100%) separated employees continued to have access to two applications. DNR did not evaluate whether the separated employees accessed the applications subsequent to their separation from DNR.
- A change management policy did not exist for applications managed by the Department.

DNR personnel indicated the population of users could not be verified for completeness due to system limitations. DNR personnel also indicated user access rights were not reviewed primarily due to lack of established procedures by DNR. DNR personnel further indicated access of separated employees were not removed because of oversight. In addition, NR personnel indicated emails supporting authorization for granting access to applications had been misplaced or were not maintained. Lastly, DNR personnel indicated the lack of change management policy was due to staffing limitations.

RESPONSE:

DNR agrees with the recommendation. DNR will ensure authorizations for granting access are properly maintained and access rights are periodically reviewed and appropriate changes are made as well as timely deactivation of users' no longer needing access.

UPDATED RESPONSE:

Partially Implemented. DNR receives a list monthly from DoIT of users with access that have not logged on in over a month. The list is reviewed and appropriate changes are made. Users no longer needing access are removed.

- 7. The auditors recommend DNR 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 and also recommend DNR periodically review all existing equipment items to identify items no longer used and eligible for scrapping or surplus.**

FINDING: *(Property Control Weaknesses) – First reported in 2014, last reported in 2018*

DNR did not maintain adequate controls over its property and related fixed asset records.

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

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- 2 of 40 (5%) equipment acquisitions, totaling \$65,123, were added to DNR's property records 93 and 107 days after the goods acceptance date.
- 2 of 40 (5%) equipment deletions, totaling \$5,786, were removed from the DNR's property records 134 days after CMS approval date of deletion.
- During physical inspection of 214 equipment items, auditors noted the following:
 - 13 (6%) equipment items, totaling \$83,816, could not be located.
 - 8t (4%) equipment items, totaling \$40,790, were found in a location different from the location indicated in the property records. These equipment items were loaned to other locations; however, loan slips were not completed in accordance with DNR's *Finance Handbook*.
 - 19 (9%) equipment items, totaling \$103,914, did not have tag numbers, tag numbers were unreadable, or tag numbers did not agree to property records.
- During tracing of 214 equipment items to DNR records, auditors noted the following:
 - 9 (4%) equipment items could not be traced to property records.
 - 13 (6%) equipment items, totaling \$476,688, were recorded under a different location. These equipment items were kept in storage or loaned from other locations; however, loan slips were not completed in accordance with DNR's *Finance Handbook*.
 - 9 (4%) equipment items, totaling \$24,310, did not have property tag numbers, of which seven items could not be traced to the property records.

DNR's *Finance Handbook* requires when equipment is loaned from one location to another, a Loan Slip form must be maintained at both locations. When an item is being used elsewhere, the supervisor of loaning location is responsible for obtaining proper documentation as to the current location of the item. The Loan Slip form is required to be prepared in duplicate to provide each location supervisor (loaning and receiving) with proper documentation of the loan.

- Auditors noted 29 equipment items at various sites consisting of generators, mowers, gators, radios, refrigerators, freezers, chainsaws, trimmers, and ATVs, totaling \$134,822, were no longer used or serviceable. These assets were not transferred to CMS or appropriately disposed of. 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 FY14. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to address its property control weaknesses.

DNR personnel indicated the above exceptions were due to lack of staff at various Department locations.

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RESPONSE:

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

UPDATED RESPONSE:

Implemented. DNR provides tags for new equipment on a monthly basis. Site staff reports missing tags and requests items be sent to surplus as time and manpower allows.

- 8. The auditors recommend DNR ensure adequate review of final pay calculation and accrued leave balances to prevent and detect errors timely. Auditors also recommend DNR ensure proper and timely completion and approval of leave request forms and maintain the leave request forms and timesheets in compliance with the Code and the Timekeeping Handbook. Further, the DNR should ensure all timesheets are properly signed by employees, supervisors, and timekeepers in compliance with the Timekeeping Handbook. Lastly, auditors recommend DNR comply with its policies and procedures by requiring employees to provide the appropriate Leave of Absence Forms and CMS-95 statements.**

FINDING: *(Inadequate Controls over Employee Payroll, Timekeeping, and Long Term Leave of Absences) - New*

DNR did not exercise adequate control over its employee timekeeping, payroll, and long-term leave of absences.

- During testing of employee payroll and attendance records, auditors noted the following:
 - 1 of 13 (8%) separated employees' final pay was not accurately calculated. The accrued sick time of the employee was understated by 1,134 hours, resulting in an underpayment of the final pay by \$30,517. Subsequently, DNR reimbursed the employee the underpaid amount.
 - 6 of 50 (12%) employees' accrued leave or overtime balances were erroneously calculated and rolled forward to the following payroll period. The errors ranged from 0.25 hour to 44 hours.
 - For 22 of 50 (44%) employees who utilized leave days, DNR failed to provide the authorized leave request forms. As a result, auditors were unable to determine if the employee leave days were properly authorized and approved.
 - 5 of 50 (10%) employees' manual timesheets, used to document accrued leave balance information, could not be located. As a result, auditors were unable to determine if the employees' accrued leave balances rolled forward to the following payroll period were accurate.

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- 39 of 400 (10%) timesheets tested were not signed by the employee, employee's supervisor, or the timekeeper.
- During testing of 9 employees' long-term leave of absences, auditors noted the following:
 - For 2 (22%) employees' long-term leave of absences, DNR did not obtain appropriate documentation and approvals prior to the commencement of the leave of absences.
 - For 2 (22%) employees' long-term leave of absences due to disability, DNR did not obtain the Physician's Statements (CMS-95).

DNR personnel indicated the issues identified were due to oversight, human errors, lack of staff and failure to update DNR's policies and procedures in handling the employee leave of absences.

RESPONSE:

DNR agrees with the recommendation. DNR has automated the leave request process and the calculations for accrual of leave. This will ensure proper and timely completion and approval of leave request forms and the forms will be maintained in the system. DNR is going to a new timekeeping system in FY22 which should help eliminate issues with leave requests and overtime.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff considers Partially Implemented.

9. The auditors recommend DNR update its policies and procedures to reflect changes in governmental polices, laws, regulations, current practices, and the accounting system.

FINDING: *(Failure to Update the Department Policy and Procedures Manual) - New*

DNR had not updated its fiscal policies, operating procedures, and reporting requirements to reflect changes with laws and regulations.

DNR 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 were partly due to outdated policies and procedures.

DNR personnel indicated policies and procedures were not updated due to limited staff and competing priorities.

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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.

RESPONSE:

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

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff considers Partially Implemented.

- 10. The auditors recommend DNR ensure deposit dates of receipts are documented for all receipts and all deposits are made in a timely manner with the State Treasurer. Auditors also recommend DNR perform monthly reconciliation of receipts between the Deposit Section and each division and also recommend DNR perform a periodic review of its Receipts Chart of Accounts to ensure only relevant receipt account codes are retained to ensure proper classification, recording, and reporting of receipts.**

FINDING: *(Inadequate Control over Receipts) – First reported 2016, last reported 2018*

DNR did not exercise adequate controls over its cash receipts.

- During testing of refunds, auditors noted the following:
 - 4 of 24 (17%) refund receipts tested, totaling \$13,400, were not date stamped when received.
 - 1 of 24 (4%) refund receipts tested, totaling \$200,000, was deposited one day late.
- During testing of deer and turkey receipts, hunting and fishing receipts, camping fees, and boat and snowmobile receipts, auditors noted DNR did not conduct reconciliations of each division's receipts against the receipts deposited to the Deposit Section to ensure receipts were accurately deposited during FYs19 and 20.
- During testing, auditors noted DNR did not perform an analysis of receipt account codes that have not been used over the years and noted DNR had 76 of 247 (31%) receipt account codes that have been inactive or not been used since FY18.

This finding was first reported in FY16. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to improve its controls over receipts.

DNR personnel indicated, as they did in the prior year, the deficiencies noted were due to limited staff.

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RESPONSE:

DNR agrees with the recommendation. DNR will continue to work to ensure that all deposits are made in a timely manner with the State Treasurer. DNR will also work to ensure that all receipt and deposit dates are documented and remind employees of the need to maintain accurate and complete records.

UPDATED RESPONSE:

Implemented. Deposits over \$10,000 are made within 24 hours. All receipts are date stamped. A review of the Receipt Chart of Accounts was made and unused receipt account codes have been deleted.

- 11. The auditors recommend DNR 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 DNR establishes a formal agreement with the Society, auditors 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 and last reported 2018*

DNR did not comply with the Historical Sites Listing Act (Act).

During testing, auditors noted DNR did not work with IDOT, Division of Highways, to place and maintain all markers at State historic sites registered under the Act. DNR 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. DNR maintained a listing of the historical sites in cooperation with the Society. However, there was no agreement in place to outline responsibilities of the various parties nor did DNR monitor the Society to ensure the requirements of the Act were being met.

DNR personnel indicated, as they did in the prior year, the duties required in this statute were performed by the Society. An agreement with the Society was not pursued because this was not initially determined necessary. Moreover, DNR 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 DNR effectively outsourcing its mandated responsibilities to an outside party without ensuring compliance with the Act.

RESPONSE:

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

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UPDATED RESPONSE:

Accepted. No change to original response. LAC staff considers Partially Implemented.

- 12. The auditors recommend DNR maintain adequate oversight over petty cash reconciliations and file required C-86 reports with the Office of Comptroller and also recommend DNR review and update its policies and procedures to ensure adequate segregation of duties over petty cash transactions.**

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

DNR did not have adequate controls over its petty cash funds.

- During testing of 240 monthly reconciliations of petty cash funds, auditors noted the following:
 - 6 (3%) reconciliations were not performed on a timely basis. The reconciliations were prepared 1 to 25 days late.
 - 148 (62%) reconciliations were not reviewed and approved by the supervisor.
 - 2 (1%) reconciliations were not performed.
 - 1 (1%) reconciliation did not have a date indicating when it was performed. Therefore, auditors were unable to determine the timeliness of the reconciliation.
- During site visits, auditors noted inadequate segregation of duties over petty cash funds at 9 of 12 (75%) DNR sites tested. Auditors 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 fund's records and making deposits at the bank.
 - Recordkeeping by preparing entries and maintaining the site's internal accounting records and the account checkbook.
 - Reconciliation by preparing reconciliations of the fund's records to the bank's records to verify each transaction's validity, proper authorization, and entry into DNR's accounting records.
- During testing of the Petty Cash Internal Control Certification (C-86) reports, auditors noted DNR did not file Calendar Year 2019 C-86 reports with the Office of Comptroller.

DNR personnel indicated, as they did in the prior year, the above exceptions were mostly due to oversight and staffing constraints.

RESPONSE:

DNR agrees with the recommendation. DNR will provide and document adequate oversight over petty cash replenishments and ensure timely filing of C-86 reports.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff consider Partially Implemented.

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13. The auditors recommend DNR 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 and last reported 2018*

DNR not properly prepare and review bank reconciliations at 12 DNR sites selected for testing.

- During testing of 216 bank reconciliations at DNR sites, auditors noted the following:
 - 124 (57%) bank reconciliations did not include a signature indicating supervisory review and approval by a second individual;
 - 7 (3%) bank reconciliations were not timely completed, ranging from 1 to 32 days late; and,
 - 2 (1%) bank reconciliations were not performed.
- During DNR site visits, auditors noted inadequate segregation of duties at 6 of 12 (50%) sites. 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.

DNR personnel indicated, as they did in the prior year, the deficiencies noted were due to lack of staff.

RESPONSE:

DNR agrees with the recommendation. DNR will continue to work on improving bank reconciliation procedures and will conduct educational sessions as needed.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff consider Partially Implemented.

14. The auditors recommend DNR comply with all provisions of the Act.

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

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

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During testing, auditors noted the following:

- DNR did not prepare an annual report for FYs19 and 20 that includes an outline of State agency actions on which comment was requested or issued under this Act.
- DNR 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 DNR maintains a map of historic sites, the map excludes other resources owned, operated, or leased by the State.
- DNR did not maintain a Mediation Committee in compliance with the Act.
- DNR 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 offices in the Capitol in Springfield and the James R. Thompson Center in Chicago, and the Hayes House in DuQuoin as required by the Act. DNR provided a Memorandum of Understanding dated February 24, 2016, between the legacy Historic Preservation Agency and the Office of the Governor whereby both parties agreed to cooperate to perform these required duties relative to the Executive Mansion in Springfield; however, DNR could not provide any evidence the duties applicable to the other three locations were performed.

DNR personnel indicated the failure to comply with the requirements of the Act was due to 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. Failure to include required information in its annual report and establish a Mediation Committee is noncompliance with the Act. Failure to maintain a list of owned, operated, or leased historic resources represents noncompliance with the Act. DNR'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.

RESPONSE:

DNR 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.

UPDATED RESPONSE:

Partially Implemented. DNR has verified there are no artifacts at the Hayes House in DuQuoin, oversees the Illinois Executive Mansion in Springfield and works with CMS on the Governor's offices.

- 15. The auditors recommend DNR continue to seek bilingual frontline staff to comply with the State Services Assurance Act and also recommend DNR ensure the Commissions are fully seated and administered to comply with the provisions of the Historic Preservation Act and Illinois Route 66 Centennial**

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Commission Act or work with the General Assembly to seek legislative remedy.

FINDING: *(Noncompliance with the Mandated Duties) – First reported 2012, last reported 2018*

DNR did not comply with certain duties mandated by State law.

During testing, auditors noted the following:

- DNR did not maintain the required number of bilingual on-board frontline staff during FYs19 and 20. DNR lacks one required bilingual frontline staff over its number of bilingual frontline staff on June 30, 2007.
- DNR 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 neither FY19 nor FY20 and did not prepare a biannual report to file with the Governor and the General Assembly regarding its findings and recommendations. Further, 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.
- DNR's Director or their designee was not listed as ex-officio member of the Illinois Route 66 Centennial Commission (Commission).

DNR personnel indicated they continue to recruit and attempt to fill the vacant bilingual frontline staff and an additional bilingual position has been posted in the Office of Grant Management and Assistance but has not yet been filled due to COVID19 and headcount issues. In addition, DNR personnel indicated, as they did in the prior year, the noncompliance with the Commissions were due to lack of funding.

This finding was first reported in FY12. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to improve its controls over compliance with certain mandated duties.

RESPONSE:

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

DNR 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.

DNR agrees with the recommendation to ensure the Illinois Route 66 Centennial Commission is fully seated. DNR has fulfilled the requirements and has two members on the Commission as of January 2021.

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UPDATED RESPONSE:

Partially Implemented. No Change to Original Response

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

FINDING: *(Failure to Enforce Concessionaire Lease Agreements) – First reported 2006, last reported 2018*

DNR failed to monitor and enforce concessionaire lease agreements regarding rental and reserve payments.

During the examination period, DNR had concession and lease agreements with approximately 66 concessionaires located at State parks statewide. DNR'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 DNR using an agreement tracking database. DNR received rental fees from concessionaires totaling \$547,290 and \$445,091 during Fiscal Years 2019 and 2020, respectively.

- During testing of 50 rental payments from seven concession and lease agreements, auditors noted the following:
 - 17 (34%) rental payments were not timely remitted to DNR, ranging from 1 to 150 days late.
 - 1 (2%) rental payment was missing supporting documents. As a result, auditors were unable to verify if the rental payment was timely remitted to DNR.
- During testing of 72 reserve account monthly remittances for the four largest concessionaires/lessees measured in terms of rental payments and/or deposits, we noted the following:
 - 20 (28%) concessionaires' reserve deposit slips were not timely submitted to the Department, ranging from 1 to 55 days late.
 - 5 (7%) concessionaires' reserve deposit slips were not date stamped upon receipt by DNR. As a result, auditors were unable to determine if the reserve deposits were remitted timely.
- During 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:
 - 5 of 42 (12%) required reports consisting of balance sheet, income (profit and loss) statement, and schedule of gross revenue and reconciliations were not timely submitted to DNR, ranging from 2 to 47 days late.
 - 23 of 42 (55%) required reports consisting of financial statements, profit and loss statement, annual forecast of operating revenues and

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expenses, budget of capital expenditures, summary of concession's marketing plan, and annual cash flow analysis were not submitted to DNR

- 1 of 42 (2%) required reports consisting of a profit and loss statement was not date stamped upon receipt by DNR. As a result, auditors were unable to determine if the report was timely submitted.
- During testing of controls over monitoring of seven concession and lease agreements, auditors noted an agreement's (14%) late payment penalty of \$454 was not charged and collected from the concessionaire/lessee.

This finding was first reported in FY06. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to improve its controls over concessions and lease agreements.

DNR personnel indicated the Department performs necessary communication with lessees to encourage their utmost compliance with the signed and executed agreements. Moreover, Department personnel indicated the missing date stamps on the monthly reserve account remittances, reports, and other exceptions were mostly due to oversight considering the number of lessees being monitored.

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

RESPONSE:

DNR agrees with the recommendation and is now sending notices/letters to the lessees reminding them of the deadline when the reports are due and contacts the lessee to request items that are past due.

UPDATED RESPONSE:

Implemented. DNR is now sending notices/letters to the lessee reminding them of the deadline when the reports are due and contacts the lessee to request items that are past due.

17. The auditors recommend DNR review the reporting requirements to ensure accurate and adequate information is reported on the Certification of Inventory, Agency Fee Imposition Report, and SCO-560 forms.

FINDING: *(Required Reports Not Properly Completed) - New*

DNR did not ensure required reports were completed properly.

During testing, auditors noted the following:

- DNR did not accurately prepare the annual Certification of Inventory (Certification) submitted to CMS:

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- In FY19 Certification, DNR reported an inventory discrepancy of \$157,603 instead of \$314,225. In addition, DNR reported the value of total inventory as \$247,974,422 instead of \$100,354,507. As a result, the discrepancy ratio reported by the DNR was only 0.1% when it should have been 0.3% that could have triggered the requirement from the CMS for re-examination and a written explanation and/or onsite investigation.
- In FY20 Certification, DNR reported a discrepancy of \$50,374 instead of \$117,812 in the annual count. In addition, the value of total inventory was reported at \$11,096,305 instead of 115,746,969. As a result, DNR reported an erroneous discrepancy ratio of 0.5% instead of 0.1%.
- DNR did not accurately prepare its Agency Fee Imposition Report (Report). During review of the FY19 Report, auditors noted the following:
 - Registration fees for snowmobile trail pass, totaling \$4,950, had no supporting documents on-file;
 - Watercraft registration fees, concession income, licenses and permits, and sale of stamps, totaling \$556,689, were not included on the Report; and
 - Camping fees, rental fees, hunting and license permits, and events registration fees were not reconciled to the supporting documents and were underreported by \$709,763.
- DNR did not properly complete the Accounting for Leases-Lessee (SCO560) forms. During review, auditors noted two of five (40%) SCO-560 forms tested did not provide the appropriation codes and detail object codes used to make payments for leased assets.

DNR personnel indicated the errors in the Certifications were due to a misunderstanding of the reporting requirements. DNR personnel also indicated that due to oversight the appropriation codes were not specified on SCO-560 forms and fees were not properly included or supported in the Agency Fee Imposition Report.

RESPONSE:

DNR agrees with the recommendation to review the reporting requirements to ensure accurate and adequate information is reported on the Certification of Inventory, Agency Fee Imposition Report, and SCO-560 forms.

UPDATED RESPONSE:

Implemented. Certification of Inventory - This has been corrected. Certification is sent with the full equipment inventory value for DNR instead of just the value of the discrepancy locations.

18. **The auditors recommend DNR ensure contracts and agreements are timely executed and contracts are timely filed with the Office of Comptroller and also recommend DNR ensure all contractual agreements include required contractual clauses. Further, auditors recommend DNR conduct necessary employee training to generate reports from the new system to ensure monthly reconciliations of SC14 or SC15 reports are performed.**

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

DNR did not exercise adequate controls over its contractual agreements and contract obligations.

- During testing of contractual agreements, intergovernmental agreements, and real property leases, auditors noted the following:
 - 5 of 40 (13%) contractual agreements were not timely filed with the Office of Comptroller, ranging from two to 97 days late.
 - 8 of 25 (32%) intergovernmental agreements were executed seven to 155 days after the beginning of the agreement period.
 - 3 of 7 (43%) real property lease contracts did not have the required disclosure of the right to audit records.
- DNR did not perform reconciliations of its contractual agreements with the Office of Comptroller's monthly Agency Contract Report (SC14) or Obligation Activity Report (SC15) during FYs19 and 20.

DNR personnel indicated the missing clause, untimely agreement execution, and untimely filing of contracts with the Office of Comptroller were due to oversight. DNR personnel also indicated the failure to perform reconciliations with the monthly SC14 and SC15 reports was due to DNR's inability to generate reports from the new accounting system to perform reconciliations.

RESPONSE:

DNR agrees with the recommendations. DNR will work on ensuring contracts and agreements are timely executed and contracts are timely filed with the Office of Comptroller as well as implementing procedures to ensure all contractual agreements include required contractual certifications and clauses DNR will work on performing monthly reconciliations of SC14 and SC15 reports.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff considers Partially Implemented.

Regarding the late execution of IGA's , staff have been informed of the proper business practice surrounding commencement of services before an agreement is fully executed and the requirements of 30 ILCS 10/3001. IGAs are to follow the same procedures as competitively procured agreements requiring contract execution before the commencement of services.

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

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

DNR 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, 2020, the fair value of balances held in this Fund totaled \$174,686.

DNR 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 Statement for the State Investments Portfolio (Policy). Auditors noted DNR did not comply with the Policy as follows:

- The money management firm utilized by DNR was not listed as an approved broker by the State Treasurer.
- DNR did not maintain an adequate system of internal controls over investment of public funds.

In addition, auditors noted DNR did not post investment related information to its website each month.

DNR 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. Also, 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.

RESPONSE:

DNR agrees with the recommendation and will work on developing an investment policy or ensure compliance with the existing State Treasurer’s Investment Policy. DNR will work on posting investment information on its website by the 15th of the month.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff consider Partially Implemented.

20. The auditors recommend DNR 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 2018*

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DNR did not maintain adequate controls over reconciliations of fuel at various sites.

During testing of 60 monthly fuel reconciliations at 10 Department sites, auditors noted the following:

- 4 (7%) fuel reconciliations contained mathematical and summarization errors resulting in inaccurate monthly reconciliations.
- 21 (35%) fuel reconciliations had overages or shortages that did not have documentation supporting management's investigation of the overages or shortages.
- 43 (72%) fuel reconciliations did not contain any evidence of supervisory review and approval.
- 7 (12%) fuel reconciliations were performed without using stick measurements in the reconciliation process.
- 2 (3%) fuel reconciliation reports could not be located.
- 1 (2%) fuel reconciliation report was not performed.

DNR'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.

This finding was first reported in FY10. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to improve its controls over fuel reconciliations.

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

Failure to 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.

RESPONSE:

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

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff consider Partially Implemented.

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21. The auditors recommend DNR ensure its internal audit function complies with the provisions of the Act and the International Standards for the Professional Practice of Internal Auditing.

FINDING: *(Internal Audit Deficiencies) – First reported 2014, last reported 2018*

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

During testing, auditors noted the following:

- DNR'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. During FY19, DNR implemented the Enterprise Resource Planning (ERP) System. The internal audit function was involved in a consulting capacity during the pre-implementation of the ERP; however, there was no internal audit report issued to discuss the scope and results of the participation by the internal audit function. During FYs19 and 20, the internal audit function initiated communication and obtained preliminary information from system owners to conduct future internal audit reviews of new system implementations.
- DNR's internal audit function did not audit DNR's major systems of internal accounting and administrative controls such as obligation, expenditure, receipt, and use of public funds of the State and of the funds held in trust on a periodic basis so that all systems are reviewed every two years.
- The two-year audit plan for FYs19 and 20 was submitted 68 days late to the Director.
- DNR's internal audit function did not undergo an external quality assurance review since its creation in 2010.
- DNR's internal audit function did not evaluate the design, implementation, and effectiveness of DNR's ethics related objectives, programs, and activities.

This finding was first reported in FY14. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to address internal audit deficiencies.

DNR personnel indicated limited staffing affected their ability to complete all required internal audit activities. During FY19, an Interim Chief Internal Auditor was appointed; however, a permanent Chief Internal Auditor was not hired until July 2019. Currently, the Internal Audit Department has no staff auditors.

RESPONSE:

DNR agrees with the recommendation to ensure its 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, DNR's internal audit function has been utilizing the services of an intern. This will assist the Chief Internal Auditor in addressing the compliance issues noted. In addition, DNR's internal

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

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff consider Partially Implemented.

- 22. The auditors recommend DNR implement controls and additional reviews over its Reports to ensure they are complete, accurate, and timely submitted. In addition, auditors recommend DNR file corrected Reports in accordance with the Illinois State Auditing Act and maintain proper documentation supporting the Reports in accordance with the State Records Act.**

FINDING: *(Inaccurate and Incomplete Agency Workforce Reports) – First reported 2016, last reported 2018*

DNR did not ensure its Agency Workforce Reports (Report) were accurately completed and timely submitted to the Office of Governor and the Secretary of State.

During review of DNR's Reports, auditors noted the following:

- DNR could not provide supporting documentation for professional and contractual employment categories on its FY19 Report. In addition, DNR could not provide supporting documentation for professional, contractual, and open positions categories for its FY18 Report.
- DNR did not ensure the count and percentages on the FYs 18 nor 19 Reports agreed with the supporting documentation.
- DNR did not submit the Reports timely. The FY19 Report was submitted to the Secretary of State 5 days late. The FY18 Report was submitted 23 days late to the Office of the Governor and 26 days late to the Secretary of State.
- DNR did not submit the amended FY16 Report to the Office of the Governor and the Secretary of State and the amended FY17 Report to the Office of the Governor. In addition, the amended FY17 Report was submitted to the Secretary of State 468 days after the release of the prior year compliance examination report.

This finding was first reported in FY16. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to improve its controls over the preparation of a complete and accurate Agency Workforce Reports.

DNR personnel indicated the inaccuracies in the reports and the non-submission or untimely submission of the reports were due to oversight, employee turnover and competing priorities for responsible employees.

RESPONSE:

DNR agrees with the recommendation. DNR will implement controls and additional reviews over its reports to ensure they are complete, accurate and timely submitted. DNR

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will maintain proper documentation supporting the Reports in accordance with the State Records Act.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff consider Partially Implemented.

23. The auditors recommend DNR enforce its policies concerning the prior approval and documentation of employee overtime.

FINDING: *(Inadequate Controls over Overtime) – First reported 2014, last reported 2018*

DNR did not exercise adequate control over employees' overtime.

DNR paid overtime totaling \$1,405,481 and \$1,214,897 during FY19 and 20, respectively. During testing of 40 overtime payments, auditors noted 34 (85%) payments were not timely authorized and approved prior to working overtime, ranging from one to 922 days late.

This finding was first reported in FY14. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to improve its controls over overtime.

DNR personnel indicated the conditions noted were due to oversight and competing priorities for the responsible personnel.

RESPONSE:

DNR agrees with the recommendation. DNR has made several changes, including automating accrued time, including overtime, modifying the Pay Variance system to include additional signatures for oversight DNR is going to a new timekeeping system in FY22 which should help eliminate issues with overtime as it will require advance approvals.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff consider Partially Implemented.

24. The auditors DNR improve its voucher processing system to ensure vouchers are timely approved and paid. DNR should ensure receipts, charge tickets, and invoices are maintained to support payments made and improve its process to document the receipt of a proper bill and approval.

FINDING: *(Inadequate Controls over Voucher Processing) – First reported 2014, last reported 2018*

DNR did not have adequate controls over voucher processing.

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During testing of 338 vouchers, auditors noted the following:

- 95 (28%) vouchers, totaling \$8,909,575, were approved for payment one to 316 days late.
- 7 (2%) vouchers, totaling \$1,113,794, did not have documentation of the receipt date of the vendor's bill. Of those, one voucher, totaling \$600,000, did not have the approval by the immediate supervisor or any authorized designee. As a result, auditors were unable to determine the timeliness of approval and payment of these vouchers.
- 50 (15%) vouchers, totaling \$1,245,052, were paid from two to 360 days late.
- 3 (1%) vouchers, totaling \$28,125, did not have purchase orders or other obligation documentation.
- 5 (1%) vouchers for purchases of fuel, totaling \$169,440, did not have supporting charge tickets. As a result, auditors were unable to determine if the fuel charges were for State vehicles.

This finding was first reported in FY14. In subsequent years, the Department has been unsuccessful in implementing appropriate procedures to improve its controls over voucher processing.

DNR personnel indicated, as they did in the prior year, the untimely approvals and payments of vouchers were either due to oversight or delays in receiving all necessary invoices and documentations from statewide sites, many of which were short staffed during the examination period. In addition, DNR personnel indicated purchase orders, or obligating documents for purchases were either misplaced or not prepared due to misapplication of the policy or process. Further, DNR personnel indicated due to the high volume of fuel transactions, all charge tickets were not collected and preserved. Also, DNR personnel stated other exceptions noted are due to a combination of oversight, human errors, and understaffing.

RESPONSE:

DNR agrees with the recommendation. DNR has taken steps to improve the voucher processing system with the implementation of a new State-wide accounting system. DNR has improved its procedures to ensure vouchers are timely approved and paid.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff consider Partially Implemented.

25. The auditors recommend DNR issue Off-Highway Vehicle Usage Stamps and collect the related fees or seek legislative remedy.

FINDING: *(Failure to Issue Off-Highway Vehicle Usage Stamps) - New*

DNR failed to issue Off-Highway Vehicle Usage Stamps and collect related monies as required by the Recreational Trails of Illinois Act (Act).

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This finding was first reported in FY14. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to ensure compliance with the Act.

DNR personnel indicated, as they did in the prior year, DNR has agreed not to issue Off-Highway Vehicle Usage Stamps and collect related monies until the State provides an Off-Highway Vehicle trail system for public use.

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

RESPONSE:

DNR agrees that it has not issued Off-Highway Vehicle Usage Stamps. DNR has decided not to issue Off-Highway Vehicle Usage Stamps until the State provides an off-road park for off-highway vehicle usage. DNR has also decided not to open the park until the visitor facilities are constructed and operational.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff considers Partially Implemented.

26. The auditors recommend DNR comply with the requirements of the Act or seek legislative remedy.

FINDING: *(Noncompliance with the Non-Game Wildlife Protection Act) – New*

DNR did not comply with the provisions of the Illinois Non-Game Wildlife Protection Act (Act).

During testing, auditors noted DNR had not committed or expended 5% of the Illinois Wildlife Preservation Fund (Fund) on grants for the maintenance of wildlife rehabilitation facilities during FY's 19 nor 20. Auditors also noted the grant program related to the maintenance of wildlife rehabilitation facilities was suspended during the budget impasse and did not resume after funding returned to normal.

DNR personnel indicated it did not restart the grant program, because it was not cost effective after consideration of staff expenses managing small grants to comply with the requirements of the Grant Accountability and Transparency Act (GATA)..

RESPONSE:

DNR agrees with the recommendation. DNR will attempt to comply with the requirements of the Act or seek legislative remedy.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff considers Partially Implemented.

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27. The auditors recommend DNR evaluate its procedures for monitoring employee performance evaluations to ensure the evaluations are timely completed.

FINDING: *(Inadequate Controls over Employee Performance Evaluations) - New*

DNR did not exercise adequate control over employee performance evaluations.

During testing, auditors noted the following:

- 20 of 60 (33%) employees' annual performance evaluations were not completed.
- 27 of 60 (45%) employees' annual performance evaluations were not timely completed, with evaluations performed two to 356 days late.
- Probationary period evaluations were not prepared for 2 of 10 (20%) newly hired employees.
- A probationary period evaluation was not timely performed for 1 of 10 (10%) newly hired employees. The evaluation was performed 11 days late.

DNR personnel indicated the failure to complete or timely complete performance evaluations was a mixture of oversight, workload demands, worksite location, and timing constraints of supervisors and employees to meet for discussion of the evaluation.

RESPONSE:

DNR agrees with the recommendation and will evaluate procedures for monitoring performance evaluations to ensure the evaluations are annually completed and performed timely. DNR intends to begin training relating to performance evaluations in an effort to emphasize the importance of timely and accurate performance evaluations.

UPDATED RESPONSE:

Accepted. No change to original response. LAC staff considers Partially Implemented.

28. The auditors recommend DNR continue its effort to develop and implement a comprehensive disaster recovery plan that reflect DNR's current environment and aligns with management's intentions. Additionally, DNR should work with DoIT and provide essential information to ensure plans, facilities, and other operational provisions are appropriately aligned.

Finally, once a comprehensive plan has been developed and implemented, DNR should ensure it is tested at least annually.

FINDING: *(Lack of Contingency Planning or Testing to Ensure Recovery of Computer Systems) – First reported 2012, last reported 2018*

DNR had not provided adequate planning for the recovery of its applications and data.

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While DNR started the process of preparing disaster contingency plans for selected applications, auditors noted DNR did not have a comprehensive disaster recovery plan and had not conducted a recovery testing during the examination period.

Although DNR utilized DoIT as their IT service provider, DNR has a shared responsibility with the service provider to ensure the security, availability, and integrity of its applications and data.

This finding was first reported in FY12. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures to establish a disaster recovery plan and test the plan.

DNR personnel indicated, as they did in the prior year, their efforts to perform full disaster recovery planning and testing have been limited by insufficient staffing levels.

RESPONSE:

DNR agrees with the recommendation and will continue its effort to develop and implement a comprehensive disaster recovery plan. DNR will continue to work with DoIT and provide essential information to ensure plans, facilities, and other operational provisions are appropriately aligned.

UPDATED RESPONSE:

Partially Implemented. DNR has completed the Business Impact Analysis and is currently working full time to complete the Contingency Plans for each application it supports. Currently there are 4 applications completed.

29. The auditors recommend DNR 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 and also recommend DNR obtain SOC reports or perform independent reviews of internal controls of service providers associated with the outsourced services.

FINDING: *(Weaknesses with Payment Card Industry Data Security Standards) – First reported 2016, last reported 2018*

DNR contracted with a vendor to operate, manage, and modify DNR Direct, an online network that allows citizens to purchase licenses, permits and to make reservations at State campgrounds.

Through DNR Direct, DNR 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. DNR accepted credit card payments for these various privileges totaling \$37,852,539 and

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\$35,352,252 for FYs19 and 20, respectively. Credit card payments were accepted by DNR via bank point-of-sale terminals and the Internet.

Specifically, auditors noted the DNR 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.
- Obtained and reviewed the service provider's System and Organization Controls (SOC) reports.

This finding was first reported in FY16. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures over compliance with PCI DSS requirements.

DNR personnel indicated the failure to demonstrate compliance with the PCI DSS requirements was due to limited staffing resources.

RESPONSE:

DNR agrees with the recommendation. DNR will continue working on the Self-Assessment Questionnaire and will also continue to work on obtaining the SOC report as well as explore repercussions available concerning the delinquency of the report.

UPDATED RESPONSE:

Accepted. DNR has just signed a contract with the Treasurer's office for a new Credit Card processing system. The new system will provide the requested reporting capabilities. LAC staff considers Partially Implemented.

30. DNR has the ultimate responsibility for ensuring confidential and personal information is protected from accidental or unauthorized disclosure. Specifically, auditors recommend DNR:

- **Perform a comprehensive risk assessment to identify and ensure adequate protection of all forms of confidential or personal information;**
- **Ensure hardcopy confidential information is adequately secured and properly disposed of;**
- **Ensure laptops are protected with encryption;**
- **Ensure computer equipment items containing confidential information are properly disposed of; and**
- **Should immediately assess if missing laptops contained confidential information.**

FINDING: *(Weaknesses in Cybersecurity Programs and Practices) – First reported 2012, last reported 2018*

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As a result of DNR's mission, they collect, process and maintain large volumes confidential and sensitive information, including names, addresses, driver's license numbers, credit card numbers, and social security numbers for various applicants' licenses.

During examination of DNR's cybersecurity program, practices, and control of confidential information, auditors noted DNR:

- Had not performed a comprehensive risk assessment to identify all forms of confidential or personal information to ensure adequate physical and logical security controls are established to safeguard data and resources.
- Did not maintain sufficient controls over documents containing personal/confidential information. During our walk-throughs of the facility, we noted documents containing personal/confidential information (including person's name, address, date of birth, social security number) were located in unsecured bins and trays in areas of public access.
- Did not ensure laptops were encrypted to protect data at rest. During testing of 40 laptops, auditors noted two (5%) did not have encryption installed.
- Did not have adequate controls over lost or missing computer equipment items. Five items reported as missing during DNR's inventory process were laptops where DNR could not determine if any confidential information was stored on these laptops and whether notification was required as outlined in the Personal Information Protection Act.

This finding was first reported in FY12. In subsequent years, DNR has been unsuccessful in implementing appropriate procedures over securing confidential information.

DNR personnel indicated a comprehensive risk assessment was not performed due to staffing constraints. Additionally, DNR personnel indicated documents containing confidential information located in unsecured bins and trays were due to employees not following proper procedures in handling and protecting confidential information that was covered in the mandatory annual security awareness training. DNR personnel further indicated the laptops were not properly encrypted due to oversight on one laptop and the other one being procured before the laptop encryption policy was enacted. Lastly, DNR personnel indicated the inability to determine if confidential information was maintained on lost or missing computer equipment was due to lack of a comprehensive risk assessment and process to identify confidential and personal information.

RESPONSE:

DNR agrees with the recommendation. DoIT-DNR performed a risk assessment, and a mitigation plan is addressing 10 action items across 8 controls. Cybersecurity Training is provided to all staff annually. The training includes IT related security matters as well as physical workplace security topics.

During the prior audit, the Department of Natural Resources (Department) did not have adequate control and oversight over the valuation of donated intangible assets and the

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responsibility to value assets was not clearly assigned to a responsible individual or division.

During the current audit, our sample testing indicated the Department implemented control and oversight over the valuation of donated intangible assets. The Office of Realty and Capital Planning was assigned the responsibility to value donated intangible assets.

UPDATED RESPONSE:

Implemented. No change to original response.

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, DNR had 140 employees assigned to locations others than official headquarters.