

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Agriculture
Two Years Ended June 30, 2017

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**REVIEW: 4488
DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2017**

FINDINGS/RECOMMENDATIONS - 22

**IMPLEMENTED - 9
ACCEPTED AND PARTIALLY IMPLEMENTED - 6
ACCEPTED - 3
UNDERSTUDY STUDY - 3
NOT ACCEPTED - 1**

REPEATED RECOMMENDATIONS - 8

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 15

This review summarizes the auditors' report on the Department of Agriculture for the two years ended June 30, 2017, filed with the Legislative Audit Commission on March 27, 2018. The auditors conducted a compliance examination in accordance with State law and *Government Auditing Standards*.

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

Raymond Poe is the current Director of the Department of Agriculture, and he served in that capacity for most of the audit period. Two interim Directors (Phillip Nelson and Warren Goetsch) served briefly as Director during the first four and one-half months of the audit period. Prior to his appointment as Director, Mr. Poe was a State Legislator, representing a district in and around Springfield. He was also a businessman and farmer.

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

Division	FY17	FY16	FY15
Administrative Services	57	58	47
Fair and Non-fair	15	15	15
Food Safety and Animal Protection	124	129	134
Natural Resources	59	59	65
Agriculture Industry Regulation	75	73	76
Total Employees	330	334	337

Appendix A summarizes the Department's services and activities.

Appropriations and Expenditures

Appendix B summarizes appropriations and expenditures by fund for FY17-FY15. During FY17, the Department operated without enacted appropriations until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the Department incurred non-payroll obligations within Fund 0001 and Fund 0045, which the Department was unable to pay until the passage of Act 100-0021. Public Act 100-0021 authorized the Department to pay for all costs incurred prior to July 1, 2018, using either its FY17 or FY18 appropriations for non-payroll expenditures.

- During FY17, the Department incurred \$23,955 in Prompt Payment Interest.
- At the end of field work, the auditors noted that the Department was holding FY17 invoices totaling approximately \$1,389,900.
- The auditors also noted that the Department was unable to provide the number of invoices held for both Fiscal Years and the total amount of the invoices held for FY16.

During FY16, the Department operated without enacted appropriations until PA99-0409 and PA99-0524 were signed into law on August 20, 2015, and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Claire County in *AFSCME Council 31 v. Munger* ordered the Comptroller to draw and issue warrants for wages of State employees at their normal rates of pay. The Department incurred non-payroll obligations which the Department was unable to pay until the passage of the Public Acts listed above. Public Act 99-0524 authorized the Department to pay FY16 costs using FY17 appropriations for non-payroll expenditures.

- During FY16, nine vendors participated in the Vendor Support Initiative Program (VSI) for 96 invoices totaling \$466,316.
- The Department incurred \$39,025 in Prompt Payment Interest.

The General Assembly appropriated a total of \$102,266,300 million to the Department in FY17. Of the total, \$14.5 million was appropriated from the General Revenue Fund, \$31.6 million from the Agricultural Premium Fund, \$9.3 million from the Partners for Conservation Fund, and the remaining \$46.7 million from 21 other funds in FY17. Total expenditures from appropriated funds were \$75,851,344 in FY17 compared to \$58,398,756 in FY16, which is an increase of \$17.4 million, or 29.8%. Lapse period expenditures for FY17 were almost \$6.9 million, or 8.9%. The Department's non-appropriated expenditures totaled about \$2.61 million with about \$2.57 million transferred from the State Cooperative Extension Service Trust Fund to the University of Illinois to support the cooperative extension programs.

Appendix C shows expenditures by Division and Bureau. The majority of the variations in expenditures can be attributed to lack of appropriations as a result of the budget impasse. One notable variation was with the Division of County Fairs and Horseracing with a decrease of about \$1.86 million in FY16, due to a spending freeze on certain grant payments.

Cash Receipts

Appendix D provides a summary of cash receipts for FY17-FY15. Total cash receipts changed from \$58.3 million in FY15 to \$38.6 million in FY16 to \$41.6 million in FY17. The Illinois State Fair receipts increased by over \$1.6 million due to increase in attendance, gate and parking fees, and space rental revenues in FY17. Also in FY17, receipts to the State Cooperative Extension Service Trust Fund increased over \$2.5 million, due to appropriations for interfund transfers in the Partners for Conservation Fund. In FY16, the medical cannabis cultivation center application and renewal fee decreased over \$4.8 million or 64%, largely due to renewal of permits costing half the initial cultivation center permit fees from the previous fiscal year. The State Cooperative Extension Service Trust Fund decreased \$3.4 million due to no appropriations and no funding from the Agricultural Premium Fund in FY16.

Property and Equipment

Appendix E contains a summary of property and equipment for which the Department of Agriculture was accountable during the period under review. The beginning balance was almost \$210 million at July 1, 2015 compared to an ending balance of over \$215.3 million at June 30, 2017. The \$215.3 million in property and equipment at June 30, 2017 was comprised of \$39.1 million in land; \$151.1 million in buildings; \$16.9 million in equipment; and \$8.1 million in construction in progress. The majority of the increase was due to building and improvements. More than \$2.3 million in equipment was transferred out of the Department. Finding No. 1 in the audit report concerns property control.

Accountants' Findings and Recommendations

Condensed below are the 22 findings and recommendations included in the audit report. Of these, eight are repeated from the previous audit. The following recommendations are classified on the basis of information provided by the Department of Agriculture, via electronic mail received October 25, 2018.

Recommendations

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

Recommendations – continued

Finding: The Illinois Department of Agriculture (Department) did not exercise adequate controls over State property. Some of the exceptions noted by the auditors during detailed testing of Department property items were as follows:

- Unable to locate 3 of 60 items totaling \$23,254 from the property listing.
- Unable to trace 24 of 60 items to the property listing.
- Sixteen of 120 items were not tagged.
- Twelve of 60 items appeared to be obsolete, but remained on the inventory listing and were not sent to CMS Surplus.
- There was a large storage room with various surplus items waiting to be retrieved by CMS. Auditors sampled a few piles of surplus items with attached surplus forms that had been signed between December 14, 2012 and December 13, 2016. These items totaled approximately \$240,803 and are still included in the Department's property listing.
- The Department was not able to provide adequate supporting documents for additions or deletions during FY16 and FY17. As a result, auditors were not able to perform additions and deletions testing of State property items.

During testing of the quarterly Agency Report of State Property (Form C-15), auditors noted the following:

- Adequate supporting documents for the additions and deletions for FY16 and FY17 were missing. As a result, auditors were not able to verify the accuracy of the amounts reported or reconcile Department records with Comptroller's record for equipment expenditures. In addition, auditors were unable to determine whether C-15 errors noted in the prior examination were corrected by the Department.
- Three of eight Form C-15s were not submitted timely.
- Five of eight Form C-15s contained mathematical errors in totals and the amounts reported as beginning balances for the current quarter did not agree with the ending balances from the previous quarter.

Department management stated the exceptions were due to lack of proper transition during staff turnover.

Response: Accepted. New procedures resulting from the Department's conversion into the new Enterprise Resource Program with SAP replacing much of the current software and programs that are used by the Department today that are very out of date should clear up much of the confusion surrounding property and assets held by the Department.

Updated Response: Partially Implemented. The Department has been working diligently to locate and record all property pertinent to the agency's records and this finding. The Bureau of Fiscal Services has also just hired a new accountant who will be the property control manager for the agency to oversee that all inventory is properly managed.

- 2. Strengthen internal control, ensure documentation is available to support completeness of population, and documentation for system changes is maintained. Further, date and enhance Development Standards and Version Control Procedures to ensure new system developments and modifications to existing systems are developed and implemented in a manner that ensures they are adequately planned, developed, tested, documented, approved, and implemented. (Repeated-2015)**

Finding: The Department had deficiencies in their Development Standards and Version Control Procedures. In addition, the Department did not provide the complete population of system changes or supporting documentation for changes.

During the review, the accountants requested the Department to provide the population of changes made to computer systems in order to determine if the Department had complied with its change control procedures. In response to the accountant's request, the Department stated that change logs and other supporting documentation of changes were not maintained.

Department personnel stated that with the limited resources and a newly-hired staff, it was a challenge to have completed the desired documentation of change control procedures.

Without adequate systems development or change management procedures, there is an increased likelihood of systems that fail to meet expectations and requirements, and a greater risk of unauthorized, improper, or erroneous changes to computer systems.

Response: Accepted. With the creation of the Department of Innovations and Technology (DoIT) and the transfer of employees from the Department to DoIT, it has been unclear as to the division of responsibilities between the two agencies. Having a clear understanding that the Department is responsible for maintaining these procedures will assist in creating the documentation necessary.

Updated Response: Accepted. The Department continues to work with its DoIT employees to ensure procedures are updated.

- 3. Improve controls over requests for leaves of absence.**

Finding: The Department did not maintain adequate controls over requests for leaves of absence.

During testing of employees on leaves of absence (LOA), auditors noted the following:

Recommendations – continued

- Three of 5 Initial Leave Forms were missing the Director’s approval date.
- All 5 Initial Leave Forms were not signed and dated by the employees.
- Two of 5 Return Leave Forms were missing the Director’s approval date.
- Four of 5 Return Leave Forms were not signed and dated by the employees.
- Three of 5 Initial Leave Forms had approval dates after the effective dates of LOA.

Department management stated competing priorities and employee oversight resulted in these exceptions.

Response: Accepted. Moving forward, the Department will ensure that the necessary documentation has been signed or give an indication as to why it was unable to be signed within the necessary timeframe.

Updated Response: Implemented.

4. Comply with the Fiscal Control and Internal Auditing Act. (Repeated-2013)

Finding: The Department did not comply with the Fiscal Control and Internal Auditing Act.

Auditors noted the Department completed one of 16 internal audits of major systems of internal accounting and administrative control for FY16 and FY17.

Department management stated audits of all major systems of internal accounting and administrative control were not completed due to insufficient staff allocated to internal audit.

Response: Accepted. The Department has entered into an intergovernmental agreement with the Department of Central Management Services to provide internal auditing functions. We do not anticipate this to be an issue moving forward.

Updated Response: Implemented

5. Complete and file with the Comptroller’s Office the required forms for Petty Cash Funds and the Change Fund.

Finding: The Department was unable to provide the required forms for the Petty Cash Funds and the Change Fund, and therefore, auditors were unable to determine if they were filed timely with the Comptroller.

Auditors noted the Department did not provide the Petty Cash Fund Usage Report (Form C-18) for all seven Petty Cash Funds. In addition, the Department was unable to

REVIEW: 4488

provide the Petty Cash Internal Control Certification (Form C-86) for all seven Petty Cash Funds and one Change Fund.

Department management stated the exceptions were due to insufficient staff.

Response: The Bureau of Budget and Fiscal Services for the Department had fallen behind during the audited timeframe in its reporting duties for Petty Cash Funds. The reporting functions have since been caught up and should not be an issue moving forward.

Updated Response: Implemented.

6. Comply with the mandate in the Agricultural Co-Operative Act.

Finding: The Department did not comply with the Agricultural Co-Operative Act.

During testing auditors noted that eight of 29 agricultural co-operative associations did not file the required annual reports with the Department. In addition, three of six foreign co-operative associations did not file the required annual reports with the Secretary of State and the Department.

Department management stated the exceptions were due to insufficient staff allocated to this area.

Response: Accepted. The controls which the Department maintains are limited and are unable to force an outside entity or other unit of government to comply with the provisions of the Act. This remains as an unfunded mandate.

Updated Response: Under Study.

7. Strengthen controls over revenue and cash receipts to ensure fees are collected, deposited, and adequately supported in accordance with State statutes. Make timely deposits to maximize interest earned.

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

During detailed testing of 60 receipts totaling \$11,513,583, auditors noted the following:

- For 10 of 495 checks, the corresponding deposit slips were not found.
- For 73 of 495 checks, the Department could not provide supporting documentation.
- Twenty-nine of 495 checks were not deposited timely, ranging from two to 22 days late.

Recommendations – continued

Department management stated the exceptions were due to insufficient staff allocated to this area.

Updated Response: Partially Implemented. The Department is currently working with CMS and their internal audit team and are in the middle of doing an audit of our revenues and receipts to identify any areas of risk where we can take corrective action now to ensure that we adhere to the proper procedures and put in place the proper controls necessary to ensure that the agency doesn't have any further repeat findings in this area.

8. Improve cash and expenditure reconciliation procedures and timely resolve difference noted.

Finding: The Department did not perform required reconciliations in a timely manner. In addition, when the Department did perform the reconciliations and noted differences, the Department failed to notify the Comptroller's Office and resolve the differences in the Department's monthly reconciliations.

During a review of the Department's monthly cash balance and expenditure reconciliations, auditors noted the following:

- For FY16, the Department failed to perform the November monthly expenditure reconciliation. Auditors calculated an irreconcilable difference of \$101,893.
- For FY16, the Department did not complete any monthly reconciliations of ending available cash balances to the SB05 for the Agriculture Premium Fund. For FY17, the Department did not complete any monthly reconciliations of ending available cash balances for six funds. The twelve months of incomplete reconciliation for these funds contained irreconcilable differences ranging from \$2,192 to \$9,166,096.

Department management stated the exceptions were due to lack of staff.

Updated Response: Partially Implemented. The Bureau of Budget and Fiscal Services continues to utilize a contracted 3rd party to help ensure the Department's reconciliations are done correctly and in a timely manner. The contracted 3rd party is assisting the bureau with training employees to ensure they clearly understand the requirements for reconciliations.

9. Comply with the mandate in the State Finance Act.

Finding: The Department did not comply with the State Finance Act when it did not report the aggregate dollar amount of bills held on June 30 for both FY16 and FY17 to the State Comptroller.

Department management stated the information was not reported due to lack of proper transition from staff turnover.

Response: Accepted. The Department has since followed the Debt Transparency Act which should resolve the issues as the Department's unpaid liabilities are now reported on a monthly basis in place of annually.

Updated Response: Implemented.

10. Comply with the Department of Agriculture Law or seek legislative change.

Finding: The Department of Agriculture did not comply with Department of Agriculture Law. Auditors noted the Department did not seek or receive funding to pay 25% of the cost of conducting county soil surveys done in accordance with the Code of Federal Regulations.

Department management stated this is an unfunded mandate.

Response: Accepted. This is an unfunded mandate to which practices are no longer conducted.

Updated Response: Under Study.

11. Comply with the State Employee Housing Act.

Finding: During testing of statutory mandates, the Department was not able to provide any procedures developed to determine whether housing provided to employees and non-employees is subject to taxation. The Department has three residences on the Illinois State Fairgrounds: the Director's House, the Fair Manager's House, and one condemned house. Both the Director's House and the Fair Manager's House were occupied occasionally from July 2015 to September 2015 and in February 2017.

Department management stated the exceptions were due to unfamiliarity with this requirement.

Response: Accepted. The Department will develop procedures to determine whether housing provided to employees and non-employees is subject to taxation.

Updated Response: Implemented.

Recommendations – continued

12. Comply with the Illinois Refrigerated Warehouses Act.

Finding: During testing of statutory mandates, auditors noted the Department did not inspect and supervise all refrigerated warehouses and make such inspection of articles of food therein as it deems necessary, at least annually. For five of 14 (36%) licensed refrigerated warehouses reviewed, facilities were not inspected during FY16 and FY17.

Department management stated the exceptions noted were due to competing priorities.

Response: Accepted. The competing priorities have been resolved and the Department fully expects to comply with the State mandate moving forward.

Updated Response: Implemented.

13. Strengthen controls over maintenance of State vehicles. (Repeated-2011)

Finding: The Department demonstrated weaknesses in the maintenance of State vehicles. During testing of 40 vehicles for proper vehicle maintenance, auditors noted the following:

- One hundred thirty-two instances in 37 of 40 vehicles tested where the vehicle did not have oil changes performed in accordance with the Department of Central Management Services (DCMS) guidelines. The number of miles that oil changes were overdue ranged from 13 to 12,866 miles, while the time oil changes were overdue ranged from 2 to 15 months.
- Twenty-eight of 40 (70%) vehicles tested did not have proper signature on the maintenance charge tickets or invoices provided for the vehicle.

During testing of five vehicle accidents, one Motorist Report of Accident (SR-1) and cover letter tested was submitted 13 days after the date of the accident. The requirement states seven calendar days.

Department management stated these exceptions were due to competing priorities and bureau automotive liaisons not being able to monitor compliance more closely.

Response: Accepted. Working with the new internal auditor(s) through the Department of Central Management Services, the Department plans to implement best practices to strengthen controls through proper documentation of all State vehicle maintenance requirements.

Updated Response: Accepted. The internal audit for administration of state vehicles is set for the second half of the current fiscal year.

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

Finding: The Department had weaknesses in its administration of the locally-held funds. Auditors reviewed the eight quarterly Form C-17s submitted to the Comptroller for FY16 and FY17 for all 12 of the Department's locally-held funds and noted the following:

- One Form C-17s tested did not have adequate documentation to support the "Cash on Hand and in Banks" line item during FY17.
- All 16 Form C-17s tested for the Henry White Fund and Zell Farm Fund did not have adequate documentation to support the "Cash on Hand and in Banks" line item during FY16 and FY17.
- Two Form C-17s tested did not accurately reflect the receipt and disbursement processed during FY17.

Additionally, bank account reconciliations for the Department's imprest accounts and noted they were untimely submitted for the month of April in FY16, and for the months of August, September, and October in FY17. Late submission ranged from 3 to 9 days late.

There were inadequate segregation of duties for the following five Department locally-held funds. Instances consisted of one individual performing two or more of the following functions: opens the mail, enters financial information, makes deposits, and performs bank reconciliations.

Department management stated the exceptions were due to staff turnover.

Updated Response: Partially Implemented. The Bureau of Budget and Fiscal Services continues to utilize a contracted 3rd party to help ensure the Department properly manages its locally held funds. The contracted 3rd party is assisting the bureau with training to ensure they clearly understand the requirements for locally held funds.

- 15. Ensure the Agency Fee Imposition Report is accurate and timely submitted to the Comptroller. Also, maintain the underlying support for the amounts reported to the Comptroller. (Repeated-2015)**

Finding: The Department did not submit an Agency Fee Imposition Report for FY16 and submitted its FY17 Agency Fee Imposition Report 66 days late. Furthermore, the Department did not properly reconcile information reported in the FY17 Agency Fee Imposition Report to Department records. Auditors noted inaccuracies between the information reported and Department records.

Recommendations – continued

Auditors noted the fees reported for six of 15 funds on the 2017 Agency Fee Imposition Report did not agree to Department records as follows:

- Fees were not included in the report, totaling \$19,141.
- Supporting documentation of the Agency Fee Imposition Report had mathematical inaccuracies.
- Quantity of charged fees and fee charged rate on the supporting documentation did not agree to the Agency Fee Imposition Report.

Department management stated the exceptions were caused by the Department falling behind in its reporting duties due to significant staff shortages and the inability to replace staff, due to a hiring freeze, from turnover during an 18-month time period which spanned most of the compliance audit time period.

Response: Accepted. The Department has already submitted and is current with the submission of the Agency Fee Imposition Report to the Comptroller.

Updated Response: Implemented.

16. Provide the required grant information to the Chief Information Officer of the State.

Finding: The Department did not comply with the Grant Information Collection Act. During testing of the administration of 18 grant agreements, auditors noted the Department did not provide the required grant information to the Chief Information Officer of the State for publication at data.illinois.gov.

Department management stated they were not aware of this requirement.

Response: Accepted. The Department will work with the grant administrators as well as the Department of Innovation and Technology technical leads for the Department to ensure that the information from the grant agreements gets to the State's Chief Information Officer.

Updated Response: Implemented.

17. Comply with the Wind Energy Facilities Agricultural Impact Mitigation Act.

Finding: During testing of statutory mandates, auditors noted the Department did not adopt rules for the implementation and administration of agricultural impact mitigation agreements as required by law.

REVIEW: 4488

Department management stated they did not adopt rules in relation to the implementation and administration of agricultural impact mitigation agreements as they did not see it necessary since they are following the State mandate as their guidelines.

Response: Not Accepted. The Act indicates that the Department shall adopt rules to assist in the implementation of the statute; however, the Department had deemed that the statutory provisions provided adequate clarity to the provisions such that additional clarity through rulemaking was not necessary.

18. Comply with the Illinois Noxious Weed Law. (Repeated-2009)

Finding: The Department did not comply with the Illinois Noxious Weed Law. During testing of 25 counties, auditors noted the following:

- for 24 counties, the Department did not receive from the counties the Written Report and Comprehensive Work plan during Calendar Year 2015;
- for 22 counties, the Department did not receive from the counties the Written Report and Comprehensive Work plan during Calendar Year 2016; and
- for 3 of 25 counties tested, the Department did not receive timely the Written Report and Comprehensive Work plan during Calendar Year 2016. The plan was submitted to the Department two to nine months after December 31, 2016.

Department management stated the exceptions were due to insufficient staff allocated to follow-up on the counties.

Response: Accepted. The Department has attempted and successfully changed statute in prior years and currently distributes a letter of non-compliance to counties who do not submit annual plans of work, annual reports, or propose noxious weed superintendents. The Department believes that we are implementing the provisions of the Illinois Noxious Weed Law and utilizing best practices to do so.

Updated Response: Under Study.

19. Submit accurate financial information to the Comptroller.

Finding: The Department did not submit accurate financial information to the Illinois Office of the Comptroller.

Auditors noted the Wholesome Meat Fund's (total Federal Current Year Expenditures, Total Reimbursable Costs, Current Year Receivables, and Current Year Revenue were overstated by \$1,193,819. After further review of the supporting details, auditors noted an amount was reported as \$1,326,465 instead of \$132,646.

Department management stated the exception noted was an oversight in identifying the data entry error.

Recommendations – continued

Response: Accepted. The finding in this case was due to human error that was not detected prior to submission of the report. The Department will implement the proper procedures to ensure the accuracy of reporting to the Comptroller in the future.

Updated Response: Implemented.

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

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

During a review of the Quarterly Summary of Accounts Receivable (Form C-97), Aging of Total Gross Receivables (Form C-98), and Collections Activity for Accounts over 180 Days Past Due (Form C-99) for all quarters during FY16 and FY17, auditors noted the following:

- Six of eight quarters for the General Revenue Fund did not have adequate supporting documentation for Forms C-97 and C-98.
- Seven of eight quarters did not have adequate documentation for Form C-99.
- One of eight quarters did not have the corresponding Form C-99 completed properly.
- All June 30, 2017 Quarterly Summary of Accounts Receivable (Forms C-97, C- 98, and C-99) for 16 funds were not timely submitted, ranging from three to 30 days late.
- The Department was unable to provide a consolidated Accounts Receivable Aging Schedule for both FY16 and FY17, and therefore auditors were unable to review the amounts for reasonableness.

Auditors could not complete testing for two of 60 items totaling \$14,106 accounts receivable balances at June 30, 2016 and June 30, 2017 because the Department could not provide sufficient documentation related to the accounts.

The Department's policy relating to the Comptroller's Offset System was inconsistent with the procedures outlined in SAMS and the Illinois State Collection Act. Department policy states debts over \$1,000 and 90 days past due are to be placed in the Comptroller's Offset System, while SAMS and the Collection Act require debts over \$250 and 90 days past due to be placed in the Comptroller's Offset System.

REVIEW: 4488

Department management stated the exceptions were caused by the Department falling behind in its reporting duties due to significant staff shortages and the inability to replace staff, due to a hiring freeze, from turnover during an 18-month time period which spanned most of the compliance audit time period.

Updated Response: Partially Implemented. The Bureau of Budget and Fiscal Services now has two people that can work on Receipt Deposit Transmittals and also has conducted an internal audit with CMS to ensure that we are back on track for processing receivables properly. The Bureau is working to ensure that the new SAP accounting software properly processes, records, and helps reconcile with the Department's receivables as well.

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

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

Per Executive Order 2016-01, the Department's IT functions were consolidated into the Department of Innovation and Technology (DoIT). As a result, the Department and DoIT have a shared responsibility over disaster recovery planning.

Although the Department shares some responsibilities with DoIT, the Department has the ultimate responsibility to ensure it has the capability to recover its application and data.

Department personnel stated that over the years, the Department had been dependent on DoIT for the necessary backup and recovery of files, when needed. It had been a challenge to document comprehensive disaster recovery procedures, much more to initiate testing of the recovery plan due to staff shortages, as well as key personnel leaving the Department.

Response: With the creation of DoIT and the transfer of employees from the Department to DoIT, it has been unclear as to the division of responsibilities between the two agencies. Having a clear understanding that the Department is responsible for maintaining these procedures will assist in creating the documentation necessary.

Updated Response: Partially Implemented. The disaster recovery plan will be produced using the DoIT Enterprise Project Management Portal. Over the last year we

Recommendations – concluded

have completed an internal application rationalization and decommissioned 63 applications. The remaining 60 applications are in the process of being documented in the DoIT EPM Portal. We are approximately 80% complete with this exercise and expect to produce the disaster recovery order plan by end of November.

- 22. Annually, assess each program accepting credit card payments and match the payment method to the appropriate Self-Assessment questionnaire (SAQ); complete the appropriate SAQ(s) for the environment and maintain documentation supporting validation efforts; maintain contact with service providers and the Treasurer’s Office to ensure sufficient knowledge and awareness of Payment Card Industry (PCI) Compliance status, issues, and guidance; and develop policy and procedures and formally assign responsibility for accepting, tracking, and monitoring credit card transactions.**

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

The Department accepted credit card payments for transactions such as license fees, license renewals, inspections, testing, and fines. In FY16 and FY17, the Department handled over 1,300 deposits for approximately \$2.6 million and over 1,400 deposits for approximately \$4.4 million, respectively.

Upon review of the Department’s efforts to ensure compliance with PCI DSS, the accountants noted the Department had not:

- Formally assessed each program accepting credit card payments, the methods in which payments could be made, matched these methods to the appropriate Self-Assessment Questionnaire (SAQ), and contacted service providers and obtained relevant information and guidance as deemed appropriate;
- Completed an SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data;
- Maintained agreements with service providers or obtained and reviewed documentation supporting the providers’ PCI compliance; and
- Developed policy and procedures or assigned responsibility for accepting, tracking, and monitoring credit card transactions.

PCI DSS was developed to detail security requirements for entities that store, process, or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder.

Department management stated they had no awareness of the requirements and the need for compliance.

REVIEW: 4488

Response: The Department plans to work with the new internal auditor(s) through the Department of Central Management Services to implement best practices and ensure that the proper procedures are in place for employees who take and process credit card information to have the appropriate SAQs on an annual basis.

Updated Response: Accepted. Over the last year all credit card processing has been migrated to the Illinois State Treasurer provided ePay processors (Forte and JetPay). This is the case for online transactions and credit card swipe terminals.

Emergency Purchases

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

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

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

There were no affidavits filed for emergency purchases in FY16. During FY17, the Department filed two affidavits for emergency purchases totaling \$383,515.25 as follows:

- \$174,225.00 to provide support for harness racing at the State Fairs in Springfield and DuQuoin; and

REVIEW: 4488

- \$209,290.25 for waste removal at the Illinois State Fair.

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 July 2017, the Department had 218 employees assigned to locations other than official headquarters.

REVIEW: 4488
ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2017

APPENDIX A

Summary of Services and Activities

	<u>FY17</u>	<u>FY16</u>	<u>FY15</u>
<u>Agriculture Products Inspection</u>			
Number of inspections	4,951	5,358	5,974
Number of enforcement actions	320	386	700
Percent of feed, seed and fertilizer facilities and products found compliant with regulations	91.30%	95.79%	90.00%
<u>Animal Disease Laboratory</u>			
Total tests performed	N/A	53,971	76,111
Meat samples tested	N/A	4,231	2,040
Rabies samples tested	N/A	410	439
<u>Animal Health</u>			
Number of inspections on livestock dealers, branch locations and auction markets	30	9	83
Number of animals tested by field veterinarians for all diseases	43	38	35
<u>Animal Welfare</u>			
Number of Animal Welfare inspections	1,115	777	900
Number of formal complaint and hearing notices issued for violations of the Animal Welfare Act	21	37	29
Number of Animal Welfare complaints	214	294	272
<u>Egg Inspection</u>			
Number of enforcement actions taken (warning letters and hearings)	320	348	348
Number of licensed in-state egg suppliers	1,010	998	925
Number of licensed out-of-state egg suppliers	297	313	328
Number of egg inspections	3,709	3,018	2,803
Number of dozen eggs taken off sale	141,570	39,524	103,348
<u>Environmental Programs</u>			
Pesticide applicators licensed	36,564	36,290	37,468
Pesticide misuse investigations conducted	178	142	130
Nursery dealers licensed	2,723	2,512	3,204
Livestock notices of intent to construct	134	126	150
Waste management plans certified	14	9	24
Livestock managers certified	217	243	467
<u>Fairs and Horse Racing</u>			
Number of Illinois State Fair attendees	401,648	357,409	411,547
Number of DuQuoin State Fair attendees	109,305	105,622	315,808
Illinois State Fair revenue generated	\$ 6,088,800	\$ 6,080,100	\$ 6,034,800
DuQuoin State Fair revenue generated	\$ 1,358,220	\$ 1,248,500	\$ 1,284,500
Number of registered thoroughbreds conceived and /or foaled in Illinois	666	795	991
Number of registered standardbreds conceived and foaled in Illinois	614	821	1,239
Number of registered quarter horses conceived and foaled in Illinois	9	19	45

Appendix A - continued

	<u>FY17</u>	<u>FY16</u>	<u>FY15</u>
<u>Fairs and Horse Racing - continued</u>			
Number of thoroughbred stakes races and restricted races	N/A	110	352
Number of standardbred stakes races and restricted races	N/A	423	676
Number of quarter horse stakes races and restricted races	-	-	N/A
Total purses paid	N/A	\$ 12,000,000	\$ 25,000,000
<u>Land and Water Resources</u>			
Sustainable agriculture grants approved	N/A	N/A	-
Conservation practices program projects approved	42	N/A	-
Streambank stabilization restoration program projects approved	12	N/A	-
Number of participants in workshops and courses	738	687	789
Acres of farmland in conservation tillage	9,245,000	8,400,000	8,600,000
<u>Marketing</u>			
Number of custom reports and inquiries	1,131	1,431	1,776
Number of IDOA's own trade shows/missions developed	18	17	15
Number of trade leads generated from Department marketing activities	N/A	N/A	21
Number of participants in IDOA sponsored trade shows	294	1,067	419
<u>Meat Inspection</u>			
Number of enforcement actions taken (warning letters and hearings)	59	56	18
Livestock inspected (head)	756,224	805,448	805,043
Number of inspected plants/brokers	1,017	980	995
Number of planned/random compliance reviews	1,309	3,915	3,361
<u>Warehouses</u>			
Number of grain examinations	471	710	756
Number of grain licenses issued	1,375	1,391	1,365
Number of grain dealer/warehouse formal enforcement actions	20.0	14.0	7.0
<u>Weights and Measures</u>			
Devices inspected	118,005	126,723	113,582
Enforcement actions	9,597	7,582	7,697
Percent of instances where inappropriate device is used	8.2%	8.1%	6.8%
Percent of devices that measure accurately	91.8%	90.5%	92.6%
Number of citizen complaints about accuracy of commercial weighing and measuring devices	295	284	286

REVIEW: 4488
ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2017

APPENDIX B

Summary of Appropriations and Expenditures
By Fund

	Expenditures		
	FY17	FY16	FY15
<u>Appropriations, All Funds</u>	\$ 102,266,300	\$ 77,036,449	\$ 108,604,539
<u>Expenditures</u>			
General Revenue Fund	\$ 11,647,411	\$ 13,982,874	\$ 19,870,667
Agriculture Lab Services Revolving Fund	404,936	543,548	503,732
Agricultural Premium Fund	18,561,992	12,429,751	21,146,687
Compassionate Use of Medical Cannabis Fund	1,441,416	1,161,205	55,220
Weights and Measures Fund	5,586,922	4,995,551	5,259,186
Fair and Exposition Fund	900,000	900,000	900,000
Motor Fuel and Petroleum Standards Fund	26,803	-	27,000
Fertilizer Control Fund	1,352,640	648,064	1,013,168
Used Tire Management Fund	40,000	40,000	40,000
Feed Control Fund	1,564,121	1,030,633	1,612,916
Livestock Management Facilities Fund	50,000	47,046	30,000
Illinois State Fair Fund	7,211,986	6,493,942	7,335,020
Federal Agricultural Marketing Service Fund	24,953	3,674	3,451
Agricultural Master Fund	901,897	786,391	894,918
Wholesome Meat Fund	7,115,256	6,613,672	6,793,622
Pesticide Control Fund	5,754,494	5,693,771	6,142,594
Partners for Conservation Fund	8,863,271	594,068	8,813,247
Quarter Horse Breeders Fund	505	-	4,350
Budget Stabilization Fund	1,939,107	-	-
Agriculture Pesticide Control Fund	394,950	351,153	553,025
Illinois Standardbred Breeders Fund	64,844	95,150	1,031,929
Illinois Thoroughbred Breeders Fund	226,582	273,858	1,277,627
Illinois Animal Abuse Fund	-	-	4,000
Agriculture Federal Projects Fund	1,777,258	1,714,405	1,452,140
Total Expenditures All Funds	\$ 75,851,344	\$ 58,398,756	\$ 84,764,499

REVIEW: 4488
ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2017

APPENDIX C

Schedule of Expenditures

	<u>FY17</u>	<u>FY16</u>	<u>FY15</u>
By Division			
Administrative Services	\$ 12,292,553	\$ 14,904,474	\$ 14,130,593
Agriculture Industry Regulation	4,217,716	1,898,318	4,520,386
County Fairs and Horseracing	5,879,632	5,663,758	7,656,726
By Bureau			
Computer Services	2,091,906	1,078,572	1,441,857
Marketing and Promotion	3,046,760	2,874,702	3,646,032
Animal Industries	2,291,545	686,922	3,574,423
Meat and Poultry Inspection	10,475,094	6,768,835	10,381,403
Land and Water Resources	6,374,689	1,536,513	7,063,597
Environmental Programs	7,921,969	6,491,823	7,318,430
Buildings and Grounds - Springfield	11,802,113	8,869,442	14,920,336
Buildings and Grounds - DuQuion	1,342,221	673,835	3,110,114
DuQuoin State Fair	1,054,938	607,893	1,659,196
Weights and Measures	5,618,792	5,182,464	5,286,186
Compassionate Use of Medical Cannabis	1,441,416	1,161,205	55,220
Total Expenditures	<u>\$ 75,851,344</u>	<u>\$ 58,398,756</u>	<u>\$ 84,764,499</u>

REVIEW: 4488
ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2017

APPENDIX D

Cash Receipts

Funds	FY17	FY16	FY15
General Revenue Fund	\$ 1,870,827	\$ 1,749,312	\$ 1,822,381
Agriculture Laboratory Services Fund	403,906	594,111	544,521
Agricultural Premium Fund	1,810,950	1,800,776	1,630,214
Compassionate Use of Medical Cannabis Fund	2,275,450	2,774,250	7,622,200
Weights and Measures Fund	5,051,835	5,252,653	4,995,914
Motor Fuel and Petroleum Standards Fund	67,450	29,700	28,875
Fertilizer Control Fund	1,642,144	1,607,934	1,564,967
Regulatory Fund	87,975	89,075	86,110
Feed Control Fund	2,417,543	2,601,276	2,145,023
Livestock Management Facilities Fund	33,817	37,760	40,420
Illinois State Fair Fund	8,075,594	6,426,448	6,542,242
Agricultural Marketing Service Fund	25,000	3,700	3,700
Federal Agricultural Master Fund	1,119,064	996,229	961,324
Wholesome Meat Fund	6,689,671	6,758,219	8,325,145
Pesticide Control Fund	6,210,231	5,844,898	6,171,962
State Cooperative Extension Service Trust Fund	2,588,683	-	13,443,900
Illinois Racing Quaterhorse Breeders Fund	-	50	50
Agriculture Pesticide Control Act Fund	389,981	601,754	722,334
Illinois Standardbred Breeders Fund	200	750	500
Illinois Thoroughbred Breeders Fund	1,400	800	3,050
Illinois Agrifirst Program Fund	560	800	480
Agriculture Federal Projects Fund	842,410	1,454,834	1,631,710
Total	\$ 41,604,691	\$ 38,625,329	\$ 58,287,022

REVIEW: 4488
ILLINOIS DEPARTMENT OF AGRICULTURE
TWO YEARS ENDED JUNE 30, 2017

APPENDIX E

Summary of Property and Equipment

	<u>FY17</u>	<u>FY16</u>
Beginning Balance, July 1	<u>\$ 210,265,771</u>	<u>\$ 209,997,077</u>
Additions	7,125,345	524,991
Deductions	(267,366)	(140,299)
Transfers	<u>(1,776,613)</u>	<u>(115,998)</u>
Ending Balance, June 30 *	<u>\$ 215,347,137</u>	<u>\$ 210,265,771</u>
Comprised of *		
Equipment	\$ 16,913,735	\$ 18,673,621
Buildings	151,101,951	144,260,699
Land	39,180,216	39,180,216
Construction in Progress	<u>8,151,235</u>	<u>8,151,235</u>
	<u>\$ 215,347,137</u>	<u>\$ 210,265,771</u>
