



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS DEPARTMENT OF VETERANS' AFFAIRS

Compliance Examination
 For the Two Years Ended June 30, 2020

Release Date: April 15, 2021

FINDINGS THIS AUDIT: 25				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	0	0	0	2018		20-12, 20-20, 20-21, 20-22, 20-23	
Category 2:	13	12	25	2016		20-13, 20-17, 20-18	
Category 3:	0	0	0	2014		20-15	
TOTAL	13	12	25	2010		20-11	
				2008		20-8, 20-14	
FINDINGS LAST AUDIT: 15							

SYNOPSIS

- (20-12) The Department did not exercise adequate controls over the approval or preparation of vouchers.
- (20-13) The Department had weaknesses in performing reconciliations of obligations, contracts, object expense/expenditures, revenues, and appropriations to the Illinois Office of the Comptroller records.
- (20-14) The Department did not exercise adequate control over the reporting, recording, and inventorying of State property.
- (20-15) The Department did not exercise adequate control over a procurement as required by the Illinois Procurement Code.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**DEPARTMENT OF VETERANS' AFFAIRS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020**

EXPENDITURE STATISTICS	2020	2019	2018
*Total Expenditures.....	\$ 130,764,010	\$ 129,921,717	\$ 119,946,924
OPERATIONS TOTAL.....	*	*	\$ 118,111,987
% of Total Expenditures.....	*	*	98.5%
Personal Services.....	*	*	74,708,024
Other Payroll Costs (FICA, Retirement).....	*	*	16,685,048
All Other Operating Expenditures.....	*	*	26,718,915
AWARDS AND GRANTS.....	*	*	\$ 1,322,287
% of Total Expenditures.....	*	*	1.1%
REFUNDS.....	*	*	\$ 280,624
% of Total Expenditures.....	*	*	0.2%
PERMANENT IMPROVEMENTS.....	*	*	\$ 232,026
% of Total Expenditures.....	*	*	0.2%
Total Receipts.....	\$ 57,731,563	\$ 57,623,490	\$ 56,814,494
Average Number of Employees.....	1,201	1,220	1,198

AGENCY DIRECTOR

During Examination Period: Steven Curda (through 2/15/19), Linda Chapa LaVia (Acting) (effective 2/16/19)
Currently: Terry Prince (effective 4/1/21)

* The Department was not able to prepare the *Schedule of Appropriations, Expenditures, and Lapsed Balances* from its own records. As a result, detailed expenditure totals could not be included. The total expenditures for FY20 and FY19 were obtained from the Office of Comptroller's records. (Finding 25, pages 65-66)

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE CONTROLS OVER THE APPROVAL AND PREPARATION OF VOUCHERS

The Department did not exercise adequate controls over the approval or preparation of vouchers.

A few issues we noted during our examination of the Department's vouchers follows:

Vouchers were not approved within 30 days

- Seven of 180 (4%) vouchers tested, totaling \$11,966, were not approved within 30 days. The vouchers were approved between one and 22 days late.

Vouchers were not supported by purchase orders or receiving reports

- Two of 60 (3%) vouchers tested, totaling \$35,132, were not supported by a purchase order/requisition or receiving report.

Purchased equipment noted on vouchers could not be located on the Annual Inventory Report

- Ten of 60 (17%) vouchers tested, totaling \$344,804, for a variety of assets could not be located on the Department's Annual Inventory Report to the Department of Central Management Services (CMS). (Finding 12, pages 34-36)

We recommended the Department take action to comply with State laws and regulation over its voucher processing function, including reviewing and approving or denying vendor bills within 30 days from receipt, ensuring vouchers are properly supported and mathematically accurate, ensuring voucher expenditures are recorded in the correct fiscal year, ensuring interest due is paid to vendors, and ensuring purchased equipment is appropriately added to property control records at its correct value and properly recorded on the Annual Inventory Reports to CMS.

Department officials agreed

Department personnel agreed with our recommendations and stated the Department will ensure policies reflect requirements to ensure tracking and processing of all vouchers are completed in a timely manner to meet all reporting requirements.

WEAKNESSES IN PERFORMING RECONCILIATIONS

The Department had weaknesses in performing reconciliations of obligations, contracts, object expense/expenditures, revenues, and appropriations to the Office of the State Comptroller records.

A few issues we noted during our examination of reconciliations performed by the Department follows:

No reconciliations of the SA02 report performed during examination period

- The Department did not perform reconciliations of the Monthly Expense/Expenditure by Quarter Report (SA02) during the examination period for any of the veterans' homes or the Central Office.

Reconciliations of the SB01 report were not performed accurately

- Five of 24 (21%) reconciliations of the Monthly Appropriation Status Report (SB01) were not performed accurately, showing appropriation codes that did not reconcile.

No reconciliations of the SC14 report performed during examination period

- The Department did not perform Monthly Agency Contract Report (SC14) reconciliations for any of the veterans' homes or the Central Office during the examination period. (Finding 13, pages 37-39) **This finding has been repeated since 2016.**

We recommended the Department strengthen internal controls over expenditures, receipts, contractual and cash reconciliations to ensure they are performed timely and accurately. We also recommended the Department document the dates all monthly reconciliations are completed and timely notify the Comptroller of any differences noted.

Department officials agreed

Department personnel agreed with our recommendations and stated they were creating a policy to address reconciliations and implementing appropriate training for fiscal staff.

INADEQUATE CONTROLS OVER THE REPORTING, RECORDING, AND INVENTORYING OF STATE PROPERTY

The Department did not exercise adequate control over the reporting, recording, and inventorying of State property.

A few issues we noted during our testing of State property follows:

Equipment additions not timely or accurately added to property records

- Eight of eight Agency Report of State Property (C-15) reports were inaccurate.
- Ten of 40 (25%) equipment additions tested were not added to the Department's property records timely, ranging from two to 722 days late. Additionally, one of 40 (3%) equipment additions was recorded on the property records twice, resulting in the Department's property records being overstated by \$44,907.

Department unable to locate property items totaling \$522,934 in Fiscal Year 2019 and totaling \$271,810 in Fiscal Year 2020

- The Department reported it was unable to locate 491 property items, totaling \$522,934, on its Fiscal Year 2019 Annual Inventory Report to the Department of Central Management Services (CMS), which represented 5% of the Department's total property. It reported it was unable to locate 371 property items,

totaling \$271,810, on its Fiscal Year 2020 Annual Inventory Report to CMS, which represented 2% of the Department's total property.

Property items located but not included in records, items not located, and items not appropriately removed from property records

- Exceptions noted during our testing of the Department's (includes Central Office, Homes, and Field Service Offices) property records included items located but not included in property records, items not located, and items not removed from property records despite support showing items were transferred. (Finding 14, pages 40-45) **This finding has been repeated since 2008.**

We recommended the Department strengthen internal control over the recording and reporting of State property by strengthening its inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements.

Department officials agreed

Department personnel agreed with our recommendation.

INACCURATE REPORTING OF EMERGENCY PURCHASES

The Department did not exercise adequate control over a procurement as required by the Illinois Procurement Code.

Failure to competitively solicit services from vendor for Fiscal Year 2019

During our testing, we noted the Department did not comply with emergency purchase requirements for one of five (20%) emergency purchases, totaling \$198,759. The Department failed to competitively solicit services from a vendor for Fiscal Year 2019 services and did not timely utilize either sole source or emergency purchase procedures. Further, the Department did not enter into a contract for the Fiscal Year 2019 services until June 20, 2019, at which time the Department declared an emergency purchase retroactive to the beginning of the fiscal year. The Department received services throughout Fiscal Year 2019 from the vendor without a written contract in place, during which time the Department was billed monthly by the vendor but was unable to issue payment. As a result, the Department accrued \$6,626 of late payment interest to the vendor. (Finding 15, pages 46-47) **This finding has been repeated since 2014.**

Contract with vendor not established until 10 days before the end of the fiscal year

Department billed monthly during Fiscal Year 2019 despite contract not in place, accruing \$6,626 in late payment interest

We recommended the Department conduct competitive procurements in compliance with the Illinois Procurement Code or follow requirements for exceptions to competition.

Department officials agreed

Department personnel agreed with our recommendation and stated they would further define the standards of care to ensure that any such services were always under contract.

OTHER FINDINGS

The remaining findings pertain to failure to provide requested engagement documentation in a timely manner, noncompliance with various State mandates, weaknesses in the Department's internal audit function and over State vehicles, employee performance evaluations not being performed timely, failure to ensure employees completed mandatory training, inadequate controls over personal services, inaccurate Agency Workforce Reports and Agency Fee Imposition Reports, incorrect calculation of resident maintenance fees, untimely deposit of receipts, inaccurate compilation and reporting of field service offices activities and information, computer security weaknesses, lack of disaster contingency planning or testing to ensure recovery of applications and data, lack of adequate controls over the review of internal controls over service providers, weaknesses in change management, and failure to demonstrate the completeness and accuracy of the report components. We will review the Department's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2020, as required by the Illinois State Auditing Act. The accountants stated the Department complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Sikich, LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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