STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL
William G. Holland, Auditor General

SUMMARY REPORT DIGEST

# DEPARTMENT OF VETERANS' AFFAIRS

**COMPLIANCE ATTESTATION EXAMINATION**
**For the Two Years Ended: June 30, 2012**

**Release Date: November 14, 2013**

**Summary of Findings:**

| | |
|---|---|
| **Total this audit:** | **22** |
| **Total last audit:** | **25** |
| **Repeated from prior audit:** | **18** |

## SYNOPSIS

- The Department lacked adequate documentation of the outcome of its application process.
- The Department improperly utilized its Members' Benefit Fund to subsidize operations.
- The Department inaccurately reported direct patient care statistics to the General Assembly.
- The Department did not enforce compliance with its grant agreements.
- The Department inaccurately compiled and reported the activities and information of its field services offices staffed by Veterans' Service Officers (VSOs) and field offices did not appear to be operating as intended by the Department.

{Expenditures and Activity Measures are summarized on the reverse page.}

**DEPARTMENT OF VETERANS' AFFAIRS**
**COMPLIANCE EXAMINATION**
**For the Two Years Ended June 30, 2012**

| EXPENDITURE STATISTICS | 2012 | 2011 | 2010 |
|---|---|---|---|
| **Total Expenditures** | **$ 109,487,774** | **$ 97,851,808** | **$ 94,154,801** |
| OPERATIONS TOTAL | $ 105,611,003 | $ 93,656,359 | $ 90,943,356 |
| % of Total Expenditures | 96.5% | 95.7% | 96.6% |
| Personal Services | 72,322,203 | 8,492,841 | 59,615,574 |
| Other Payroll Costs (FICA, Retirement) | 10,876,394 | 3,083,605 | 8,606,505 |
| All Other Operating Expenditures | 22,412,406 | 82,079,913 | 22,721,277 |
| AWARDS AND GRANTS | $ 3,321,228 | $ 4,081,298 | $ 3,022,340 |
| % of Total Expenditures | 3.0% | 4.2% | 3.2% |
| REFUNDS | $ 491,158 | $ 74,966 | $ 64,589 |
| % of Total Expenditures | 0.4% | 0.1% | 0.1% |
| PERMANENT IMPROVEMENTS | $ 64,385 | $ 39,185 | $ 124,516 |
| % of Total Expenditures | 0.1% | 0.0% | 0.1% |
| **Total Receipts** | **$ 50,138,011** | **$ 42,297,463** | **$ 38,320,660** |
| **Average Number of Employees** | **1,241** | **1,202** | **1,142** |

| SELECTED ACTIVITY MEASURES (NOT EXAMINED) | 2012 | 2011 | 2010 |
|---|---|---|---|
| **Field Services** | | | |
| **Number of permanent full-time offices** | **50** | **49** | **49** |
| **Number of part-time itinerant offices** | **43** | **68** | **64** |
| **Grants** | | | |
| **Number of claims processed** | **5,372** | **6,204** | **8,495** |

| AGENCY DIRECTOR | |
|---|---|
| During Examination Period: | Mr. Dan Grant (7/1/10 to 8/7/11) |
| | Ms. Erica Borggren (8/8/11 to current) |
| Currently: | Ms. Erica Borggren |

## INTRODUCTION

This report presents our Department-wide compliance attestation examination for the two years ended June 30, 2012. At June 30, 2012 the Department operated four separate homes in Illinois (Anna, LaSalle, Manteno, and Quincy).

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### INADEQUATE DOCUMENTATION MAINTAINED

The Department did not maintain adequate documentation of the outcome of its application process to document compliance with the operating policies of the Prince Home at Manteno (Home) program.

The Home is a residential program for homeless and disabled veterans. Enrollment in the Home's program averaged 14 and 15 veterans during Fiscal Years 2011 and 2012, respectively. Expenditures for the Home's program totaled $162,617 and $736,844 in Fiscal Years 2011 and 2012, respectively.

Some of the conditions we noted follow:

**Applications not complete**

- Eighteen of 30 (60%) applications tested were not considered complete prior to the in-person interview. Missing information from the applications included staff or applicant signatures, dates, incomplete release of information form, and other required information.

**Applications not properly reviewed**

- Two of 30 (7%) applications tested were not properly reviewed in order to determine whether to deny or accept the applicant based on the Home's selection criteria.

**Interview results not documented**

- For 2 of 30 (7%) applications tested, the Home's clinical staff did not document results of the interview with a potential resident on the required form. (Finding 1, pages 14-16)

We recommended the Department ensure proper documentation of the application process and its outcomes are maintained to demonstrate compliance with operating policies.

**Department agreed with auditors**

Department officials accepted our recommendation and stated they have hired clerical staff to provide administrative support to the Prince Home. The Department also noted they are in the process of revising the Home's operating procedures and processes.

## IMPROPER USE OF MEMBERS' BENEFIT FUND

The Prince Home at Manteno (Home) improperly utilized its Members' Benefit Fund to subsidize operations. During testing, the following conditions were noted:

**Members' Benefit Fund monies used for operations**

- During Fiscal Year 2011, the Home utilized monies in its Members' Benefit Fund for operational commodity purchases totaling $16,584. No commodity expenditures were noted from appropriated funds during Fiscal Year 2011.

**Grant program established without authorization**

- The Home established a grant program using monies in its Members' Benefit Fund during the examination period. The Program Director implemented the Homeless and Disabled Program to provide services for eligible veterans to prevent homelessness, as well as to provide services to veterans who have departed the Home in good standing. (Finding 3, pages 19-20)

We recommended the Department strengthen controls over Members' Benefit Fund monies and process transactions in accordance with the Department of Veterans Affairs Act.

**Department agreed with auditors**

Department officials accepted our recommendation and noted they discontinued the use of the Members' Benefit Fund for commodities purchases in Fiscal Year 2011. The Department also noted they discontinued the use of the Members' Benefit Fund for homelessness prevention assistance in Fiscal Year 2013.

## INACCURATE REPORTING OF DIRECT PATIENT CARE STATISTICS

The Department did not accurately report direct patient care statistics to the General Assembly. Some of the conditions we noted follow:

**Inaccurate patient care statistics reported**

- Three of 12 (25%) entries on the June 2012 report were calculated incorrectly. The hours reported per patient were between 0.11 and 0.31 more than calculated.

**Incomplete reports**

- Two of 48 (4%) entries on the reports did not include the number of direct care staff employed in providing direct patient care at the homes.
- Two of 48 (4%) entries on the reports did not meet the minimum required standards and the number of staff required for compliance was not indicated in the report. (Finding 8, pages 30-31)

We recommended the Department prepare accurate and complete reports on direct patient care statistics for submission and review by the members of the General Assembly.

**Department agreed with auditors**

Department officials accepted our recommendation and stated they will take measures to ensure the statistics are reported accurately.

## INADEQUATE CONTROLS OVER GRANT AGREEMENTS AND RELATED REPORTING

**Negative impact on monitoring ability**

The Department did not enforce compliance with its grant agreements' requirements regarding timely submission of required reports. As a result, the Department's ability to monitor State grants was negatively impacted.

We noted 6 of 40 (15%) grants tested, totaling $387,687, where the grantees did not submit or timely submit semi-annual progress reports as required by the grant agreement.

**Grantees did not submit or timely submit progress reports**

- Three of these 6 grantees did not submit their required 6-month progress report at all.
- Three of these 6 grantees submitted the required 6-month progress reports between 4 and 15 days late. (Finding 13, pages 44-45)

We recommended the Department adequately monitor its grants to ensure all required reports are received from grantees. We also recommended the Department improve procedures to document its monitoring efforts.

**Department agreed with auditors**

Department officials accepted our recommendation and stated they will increase efforts to bring grant recipients into compliance with their reporting requirements.

## DEPARTMENT INACCURATELY COMPILED AND REPORTED THE ACTIVITIES OF ITS VETERANS' SERVICE OFFICERS

The Department inaccurately compiled and reported the activities and information of its field service offices staffed by Veterans' Service Officers (VSOs). In addition, we noted field offices did not appear to be operating as intended by the Department. Some of the conditions we noted follow:

**Records could not be provided for testing**

- For 3 of 72 (4%) months selected for testing, the monthly statistical reports and the underlying documentation could not be provided by the Department. In addition, for 5 of 72 (7%) months, the weekly statistical reports could not be provided by the Department.

**Lack of physical security**

- For 1 of 10 (10%) field offices tested, there was a lack of adequate physical guards to protect the Department's confidential information.

**Differences in operating hours**

- For the 10 field offices tested and 15 of 50 (30%) itinerant offices with telephones, we inquired anonymously about hours of operation with the VSO. We then compared the hours stated by the VSO with the hours listed on the Department's website. Three of 10 (30%) field offices tested stated hours of operation which varied from the hours listed on the Department's website. For 2 of 15 (13%) itinerant offices tested, the telephone was not answered on days called. Three of 15 (20%) itinerant offices tested stated hours of operation which varied from the hours listed on the Department's website. (Finding 17, pages 52-54)

We recommended the Department strengthen controls and enforce procedures to ensure VSOs and their supervisors maintain accurate and complete records. In addition, we recommended the Department provide accurate hours of operations for its locations to the public.

**Department agreed with auditors**

Department officials accepted our recommendation and stated they have implemented a new database application to promote completeness and accuracy of records.

## OTHER FINDINGS

The remaining findings pertain to: 1) improper management of waiting lists, admissions and applications, 2) inadequate documentation of resident personal property, 3) notification of applicants, 4) corrective action not taken to prevent inappropriate involvement by employees in resident personal finances, 5) non-implementation of Post Traumatic Stress Disorder Outpatient Counseling Program, 6) inaccurate reporting of direct patient care statistics and accounts receivable, 7) excessive quantity of refunds processed, 8) employee evaluations, 9) inaccurate Agency Workforce Reports, and 10) inadequate controls over State property, travel expenditures, contractual agreements, locally held funds, receipts and refunds, employee attendance records, commodities inventories and voucher processing. We will follow up on our findings during the next examination of the Department.

## ACCOUNTANT'S REPORT

The auditors qualified their report on State Compliance for findings 12-3 and 12-17. Except for the noncompliance described in these findings, the auditors stated the Department complied, in all material respects, with the requirements described in the report.

WILLIAM G. HOLLAND
Auditor General

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AUDITORS ASSIGNED

This engagement was performed by staff of the Office of the Auditor General.