



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

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF VETERANS' AFFAIRS**

Compliance Examination  
 For the Two Years Ended June 30, 2014

Release Date: April 30, 2015

FINDINGS THIS AUDIT: 11				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>1</b>	<b>1</b>	2012		14-11	
<b>Category 2:</b>	2	8	10	2010		14-5, 14-9, 14-10	
<b>Category 3:</b>	<u>0</u>	<u>0</u>	<u>0</u>	2008	<b>14-1</b>	14-2, 14-6, 14-7	
<b>TOTAL</b>	<b>2</b>	<b>9</b>	<b>11</b>	2006		14-3	
<b>FINDINGS LAST AUDIT: 22</b>							

**SYNOPSIS**

- **(14-1)** The Department exercised inadequate control over the purchase, recording, and reporting of State property.
- **(14-2)** The Department failed to adequately review its travel expenditures.
- **(14-4)** The Department did not exercise adequate control over the reporting of emergency purchases.

**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.

{Expenditures and Activity Measures are summarized on next page.}

**DEPARTMENT OF VETERANS' AFFAIRS  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2014**

EXPENDITURE STATISTICS	2014	2013	2012
<b>Total Expenditures.....</b>	<b>\$ 114,282,618</b>	<b>\$ 110,403,069</b>	<b>\$ 109,487,774</b>
OPERATIONS TOTAL.....	\$ 111,776,228	\$ 108,362,902	\$ 105,611,003
% of Total Expenditures.....	97.8%	98.2%	96.5%
Personal Services.....	77,204,790	74,027,911	72,322,203
Other Payroll Costs (FICA, Retirement).....	12,523,196	13,101,291	11,182,153
All Other Operating Expenditures.....	22,048,242	21,233,700	22,106,647
AWARDS AND GRANTS.....	\$ 2,151,949	\$ 1,881,182	\$ 3,321,228
% of Total Expenditures.....	1.9%	1.7%	3.0%
REFUNDS.....	\$ 286,058	\$ 150,041	\$ 491,158
% of Total Expenditures.....	0.2%	0.1%	0.4%
PERMANENT IMPROVEMENTS.....	\$ 68,383	\$ 8,944	\$ 64,385
% of Total Expenditures.....	0.1%	0.0%	0.1%
<b>Total Receipts.....</b>	<b>\$ 54,025,627</b>	<b>\$ 50,191,147</b>	<b>\$ 50,138,011</b>
<b>Average Number of Employees (not examined).....</b>	<b>1,240</b>	<b>1,214</b>	<b>1,241</b>

SELECTED ACTIVITY MEASURES (not examined)	2014	2013	2012
<b>Field Services</b>			
Number of outreach events	211	298	244
Number of veterans served	141,554	181,572	145,365
<b>Grants</b>			
Number of claims processed	4,798	5,173	6,012

AGENCY DIRECTOR	
During Examination Period:	Ms. Erica Borggren (through 7/9/14) Mr. Rodrigo Garcia (Acting, 7/10/14 - 1/11/15) Mr. Harry Sawyer (Interim, 1/12/15 - 2/16/15)
Currently:	Ms. Erica Jeffries (effective 2/17/15)

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER THE PURCHASE,  
RECORDING AND REPORTING OF STATE  
PROPERTY**

The Department did not exercise adequate control over the purchase, recording and reporting of State property. Some of the conditions we noted follow:

**Could not produce current property listing**

- The Department was unable to produce a property listing updated more recently than October 2013 for the examination period ended June 30, 2014. Numerous transactions subsequent to October 2013 were not recorded in Department records and/or were not reported to the Department of Central Management Services.

**Transactions not recorded**

- Nine of 28 (32%) equipment vouchers processed prior to October 2013 were not entered in the Department's property records. These transactions included 42 pieces of equipment totaling \$23,625.

**Lease not properly recorded**

- One of 2 (50%) leases tested required a Form SCO-560 (Accounting for Leases – Lessee) to be filed when the lease was executed; however, it was not. Additionally, the lease should have been classified as capital and reported on the quarterly Agency Report of State Property (Form C-15) as such, but it was not.

**Additions reported inaccurately**

- During our testing of Forms C-15, we noted the Department inaccurately reported additions on 8 of 8 (100%) quarters. (Finding 1, pages 12-14) **This finding was first reported in 2008.**

We recommended the Department strengthen internal controls over the recording and reporting of State property by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. We also recommended the Department follow proper procedures when entering into new leases for property and when procuring furniture.

**Department officials agree**

Department personnel accepted our recommendation and stated they have now entered property transactions and have continued with implementation of their new inventory system following unforeseen difficulties. *(For the previous Department response, see Digest Footnote #1.)*

## **INADEQUATE CONTROLS OVER TRAVEL EXPENDITURES**

The Department did not exercise adequate control over its travel expenditures. Some of the conditions we noted follow:

### **Excess travel reimbursements**

- Eight of 80 (10%) vouchers tested contained instances where employees were not reimbursed within the travel reimbursement allowance. Excess payments to employees totaled \$2,050.

### **No prior approval for travel**

- Twenty-nine of 80 (36%) vouchers tested contained instances where the employee did not obtain proper prior approval for travel.

### **Reimbursements for travel between residences and headquarters**

- Three of 80 (4%) vouchers tested contained instances where an employee received reimbursement for travel between their residence and headquarters. In addition, the headquarters on these travel vouchers did not agree with the headquarters as listed in the employee's personnel file. The amount reimbursed for mileage was \$531. (Finding 2, pages 15-16) **This finding has been repeated since 2008.**

We recommended the Department strengthen its review of travel vouchers to ensure reimbursements are in accordance with all applicable statutes, rules, and regulations. We also recommended the Department establish a policy for timely travel voucher submission and seek reimbursement from the people who were overpaid.

### **Department officials agree**

Department personnel accepted our recommendation and stated they are revising the Department's travel policy. (*For the previous Department response, see Digest Footnote #2.*)

## **INADEQUATE CONTROLS OVER EMERGENCY PURCHASES**

The Department did not exercise adequate control over the reporting of emergency purchases. Some of the conditions we noted follow:

### **Cost information not published in the Procurement Bulletin**

- The Department was granted 7 extensions for emergency purchases during Fiscal Years 2013 and 2014. Two of 7 (29%) extensions were not published in the procurement bulletin in accordance with the Illinois Procurement Code (Code). An estimated cost and actual cost of the 2 extensions were not published in the online electronic procurement bulletin until 460 days after the contract ended. Furthermore, the Office of the Auditor General (OAG) was not notified of the estimated and actual costs until 460 days after the contract ended.
- The Department also made 10 emergency purchases that were not extensions. We noted in 4 of 10 (40%)

emergency purchases, the Department did not publish information about the actual cost of emergency purchases in the procurement bulletin as required by the Code. Additionally, the OAG was not notified timely of the actual cost for these purchases. The actual costs were not published in the procurement bulletin from 174 to 229 days after the contracts ended. The OAG was not notified of the actual costs until 174 to 233 days after the contracts ended. (Finding 4, pages 19-20)

We recommended the Department publish extensions, estimated costs, and actual costs of emergency purchases in the online electronic bulletin timely in accordance with the Code. In addition, we recommended the Department file affidavits of emergency purchases with the OAG noting estimated and actual costs timely in accordance with the Code.

**Department officials agree**

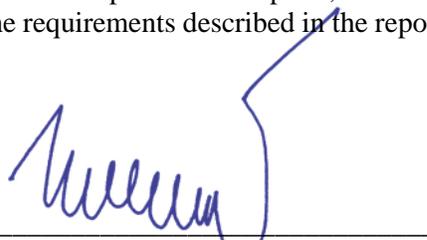
Department personnel accepted our recommendation and stated the Department will ensure emergency purchases are posted to the Bulletin and filed with the OAG timely.

**OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Department. We will review the Department's progress toward implementation of our recommendations in our next audit.

**ACCOUNTANT'S OPINION**

We conducted a compliance examination of the Department as required by the Illinois State Auditing Act. The auditors qualified their report on State compliance for Finding 2014-001. Except for the noncompliance described in this finding, the auditors stated the Department complied, in all material respects, with the requirements described in the report.



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WILLIAM G. HOLLAND  
Auditor General

WGH:CMD

**SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this examination were Sikich, LLP.

## **DIGEST FOOTNOTES**

### **#1 – Inadequate Controls Over the Purchase, Recording and Reporting of State Property – Previous Agency Response**

2012 – Accepted. In response to the prior audit finding, the Department began the process of identifying and acquiring a new inventory system. The new inventory system is currently being implemented, and the Department will increase efforts to ensure the proper processing and reporting of purchased property.

### **#2 – Inadequate Controls Over Travel Expenditures – Previous Agency Response**

2012 – Accepted. The Department will increase efforts to ensure the accuracy of travel documentation and the proper control of expenditures.