



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, 2016

Release Date: April 27, 2017

FINDINGS THIS AUDIT: 12	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2014		16-4	
Category 2:	8	4	12	2010		16-3	
Category 3:	0	0	0	2008		16-1, 16-2	
<b>TOTAL</b>	<b>8</b>	<b>4</b>	<b>12</b>				
FINDINGS LAST AUDIT: 11							

**SYNOPSIS**

- (16-1) The Department did not exercise adequate control over the purchase, recording, and reporting of State property.
- (16-4) The Department did not exercise adequate control over their reporting of emergency purchases.
- (16-10) The Department did not comply with the Veterans' and Military Discount Program Act.

**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, 2016**

EXPENDITURE STATISTICS	2016	2015	2014
<b>Total Expenditures.....</b>	<b>\$ 118,566,553</b>	<b>\$ 120,986,792</b>	<b>\$ 114,282,618</b>
OPERATIONS TOTAL.....	\$ 117,390,956	\$ 118,222,208	\$ 111,776,228
% of Total Expenditures.....	99.0%	97.7%	97.8%
Personal Services.....	78,681,867	79,210,695	77,204,790
Other Payroll Costs (FICA, Retirement).....	17,058,230	15,384,321	12,523,196
All Other Operating Expenditures.....	21,650,859	23,627,192	22,048,242
AWARDS AND GRANTS.....	\$ 982,096	\$ 2,483,471	\$ 2,151,949
% of Total Expenditures.....	0.8%	2.1%	1.9%
REFUNDS.....	\$ 126,526	\$ 191,286	\$ 286,058
% of Total Expenditures.....	0.1%	0.1%	0.2%
PERMANENT IMPROVEMENTS.....	\$ 66,975	\$ 89,827	\$ 68,383
% of Total Expenditures.....	0.1%	0.1%	0.1%
<b>Total Receipts.....</b>	<b>\$ 55,703,898</b>	<b>\$ 56,645,366</b>	<b>\$ 54,025,627</b>
<b>Average Number of Employees (not examined).....</b>	<b>1,262</b>	<b>1,279</b>	<b>1,240</b>

SELECTED ACTIVITY MEASURES (not examined)	2016	2015	2014
<b>Field Services</b>			
Number of outreach events.....	279	184	211
Number of veterans served.....	143,971	121,820	141,554
<b>Grants</b>			
Number of claims processed.....	4,402	5,172	4,798

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) Ms. Erica Jeffries (effective 2/17/15)
Currently:	Ms. Erica Jeffries

**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:

**Department did not add equipment purchases to the property records**

- During equipment voucher testing, we noted five vouchers with equipment purchases not entered into the property records. There were nine items, totaling \$5,143, which were not entered. Of these items, three items exceeding \$500, totaling \$4,160 were not reported to the Department of Central Management Services (CMS).

**No documented approval for scrapped items**

- Four or 25 (16%) deletions tested, totaling \$7,456, did not have any documentation to support the deletion was approved to be scrapped.

**Errors noted in C-15 preparation**

- During testing of the Department's preparation of the Agency Report of State Property (C-15), we noted errors in eight of eight (100%) quarters tested.

**Unable to locate property items which may contain confidential information**

- In the Physical Inventory Reports submitted to CMS in fiscal years 2015 and 2016, the Department reported it was unable to locate 290 items, totaling \$414,874, and 242 items, totaling \$348,869, respectively. Additionally, the Department noted three of the fiscal year 2015 items and eight of the fiscal year 2016 items were computers, which the Department indicated could potentially contain confidential information. The Department noted its policy is to not store confidential information on devices that are not encrypted, but it cannot ensure this practice was followed. (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.

**Department officials agree**

Department personnel agreed with our recommendation and stated they have initiated a new accounting system which combines the payment for, recording, and reporting of State property into a single system. When fully implemented, this new system will allow all purchased property to be recorded and reported in a complete and accurate manner. *(For the previous Department response, see Digest Footnote #1.)*

## **INADEQUATE CONTROLS OVER EMERGENCY PURCHASES**

The Department did not exercise adequate control over their reporting of emergency purchases.

### **Information not timely published in the Procurement Bulletin**

The Department made ten emergency purchases, totaling \$779,422, during the examination period. During our testing of the Department's emergency purchases, we noted six (60%) instances in which the Department did not file and/or publish information according to the Illinois Procurement Code (Code). The information was filed and/or published 11 to 111 business days after the contract was established. (Finding 4, pages 18)

We recommended the Department timely publish extensions, estimated costs and actual costs of emergency purchases in the Illinois Procurement Bulletin as required by the Code.

### **Department officials agree**

Department personnel agreed with our recommendation and stated the Department plans to timely publish emergency purchases on the Illinois Procurement Bulletin Board as required by the Code.

## **NONCOMPLIANCE WITH THE VETERANS' AND MILITARY DISCOUNT PROGRAM ACT**

The Department did not comply with the Veterans' and Military Discount Program Act (Act), effective August, 2015.

### **Failed to establish a Veterans' and Military Discount Program**

During our testing, we noted the Department failed to establish and administer a Veterans' and Military Discount Program as required by the Act. (Finding 10, page 26)

We recommended the Department establish and administer a Veterans' and Military Discount Program as required by the Act.

### **Department officials agree**

Department personnel agreed with our recommendation and stated the Department is coordinating the Veterans and Military Discount program via the Department's website. Interested businesses have been invited to submit a form describing their discount offer. The Department's webpage is then updated to reflect the discount offer after the form is received.

## **OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Department. We will review the Agency'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, 2016, 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**

BRUCE L. BULLARD  
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

FJM:APA

## DIGEST FOOTNOTES

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

2014 – Accepted. The Department has entered property transactions and is continuing with new inventory system implementation after unforeseen difficulties.