



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, 2018

Release Date: June 20, 2019

FINDINGS THIS AUDIT: 15	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2016		18-5, 18-6	
Category 2:	8	7	15			18-7	
Category 3:	0	0	0	2014		18-4	
TOTAL	8	7	15	2010		18-3	
				2008		18-1, 18-2	
FINDINGS LAST AUDIT: 12							

**SYNOPSIS**

- (18-1) The Department did not exercise adequate control over the purchase, recording, and reporting of State property.
- (18-4) The Department did not exercise adequate control over their reporting of emergency purchases.
- (18-5) The Department had weaknesses in performing reconciliations of expenditures, receipts, and cash to the Illinois Office of the Comptroller records.

**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, 2018**

<b>EXPENDITURE STATISTICS</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Total Expenditures.....</b>	<b>\$ 119,946,924</b>	<b>\$ 113,634,601</b>	<b>\$ 118,566,553</b>
OPERATIONS TOTAL.....	\$ 118,111,987	\$ 111,619,256	\$ 117,390,956
% of Total Expenditures.....	98.5%	98.3%	99.0%
Personal Services.....	\$ 74,708,024	\$ 77,187,332	78,681,867
Other Payroll Costs (FICA, Retirement).....	\$ 16,685,048	\$ 13,506,280	17,058,230
All Other Operating Expenditures.....	\$ 26,718,915	\$ 20,925,644	21,650,859
AWARDS AND GRANTS.....	\$ 1,322,287	\$ 1,829,539	\$ 982,096
% of Total Expenditures.....	1.1%	1.6%	0.8%
REFUNDS.....	\$ 280,624	\$ 169,371	\$ 126,526
% of Total Expenditures.....	0.2%	0.1%	0.1%
PERMANENT IMPROVEMENTS.....	\$ 232,026	\$ 16,435	\$ 66,975
% of Total Expenditures.....	0.2%	0.0%	0.1%
<b>Total Receipts.....</b>	<b>\$ 56,814,494</b>	<b>\$ 55,593,132</b>	<b>\$ 55,703,898</b>
<b>Average Number of Employees (not examined).....</b>	<b>1,198</b>	<b>1,197</b>	<b>1,262</b>

<b>SELECTED ACTIVITY MEASURES (not examined)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Field Services</b>			
Number of outreach events.....	230	305	279
Number of veterans served.....	113,897	153,971	143,971
<b>Grants</b>			
Number of claims processed.....	4,865	4,749	4,402

<b>AGENCY DIRECTOR</b>
During Examination Period: Erica Jeffries (through 5/18/18), Elisabeth Pennix (5/19/18 - 6/5/18), Stephen Curda (Acting) (effective 6/6/18)
Currently: Linda Chapa LaVia (Acting)

**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. We noted the following during our examination of the Department's equipment records and controls over property:

**Errors noted in C-15 preparation**

- During our 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 Department's fiscal year 2017 Physical Inventory Report submitted to CMS, the Department reported it was unable to locate 267 items, totaling \$165,025. This represented 2% of the Department's total property. Two of these items were IT equipment items that the Department noted could potentially contain confidential information. In the Department's fiscal year 2018 Physical Inventory Report submitted to CMS, the Department reported it was unable to locate 958 items, totaling \$534,627. This represented 10% of the Department's total property. Twenty-five of these items were IT equipment items that the Department noted could potentially contain confidential information. The Department noted it is in their policy to not store confidential information on devices that are not encrypted, but they cannot guarantee this practice was followed.

**Property items not tagged, unable to  
be located, or not included in  
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 tagged, items not located, and an item not removed from property records despite support showing item sent to surplus.

**Items not entered in property  
records**

- During our equipment voucher testing, we noted the following:
  - Six of 40 (15%) equipment vouchers tested, totaling \$57,504, included equipment items that were not entered into the property records.
  - Two of 40 (5%) equipment vouchers tested, totaling \$12,623, included equipment items greater than \$500, but were not reported on the "Items Over \$500 Annual Report" submitted to CMS for fiscal year 2017.

**Items over \$500 not reported to  
CMS**

**Item overvalued by \$1,599**

- One of 40 (3%) equipment vouchers tested, totaling \$707, was incorrectly valued on the property records at \$2,306, resulting in the property records being overvalued by \$1,599.

**Deletions not timely removed from property records**

- Two of 40 (5%) deletions tested, totaling \$2,546, were not removed timely from the property records. The assets were transferred or disposed of in August 2016, but were not removed from the property records until February 7, 2018.

**Freight charges not added to asset values**

- Four of 40 (10%) additions tested did not properly include freight charges in the asset values listed in the property records, resulting in the assets being undervalued by \$367. Additionally, one of 40 (3%) items had an asset value in the property records that did not agree to the supporting documentation

**Asset overvalued by \$35**

- provided, resulting in the asset being overvalued by \$35. (Finding 1, pages 14-19) **This finding was first reported in 2008.**

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

**Department officials agree**

Department personnel agreed with our recommendation and stated staff have become more familiar with how to process ACTS equipment transactions to reduce similar errors in the future. *(For the previous Department response, see Digest Footnote #1.)*

## **INADEQUATE REPORTING OF EMERGENCY PURCHASES**

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

The Department made emergency purchases, totaling \$1,208,869, during the examination period. During our testing of the Department's emergency purchases, we noted the following issues:

**Failure to timely publish actual cost in Illinois Procurement Bulletin**

- For two of seven (29%) emergency purchases tested, totaling \$519,291, the Department did not publish timely information about the actual cost of the emergency purchase in the Illinois Procurement Bulletin as required by the Illinois Procurement Code (Code). The actual cost of the purchases was published 69 to 269 calendar days after the contracts were established. Additionally, the Office of the Auditor General was not notified timely of the actual cost.

**OAG not timely notified of the actual cost**

**Illinois Procurement Bulletin reference numbers did not agree with Emergency Purchase Affidavits**

- For two of seven (29%) emergency purchases tested, with an estimated cost totaling \$210,145, the Illinois Procurement Bulletin reference numbers listed on the online electronic bulletins did not correspond to the Emergency Purchase Affidavits submitted by the Department. (Finding 4, pages 23-24) **This finding was first reported in 2014.**

We recommended the Department timely publish extensions, estimated costs, actual costs of emergency purchases, and accurate information in the Illinois Procurement Bulletin as required by the Code and the Fiscal Control and Internal Auditing Act.

**Department officials agree**

Department personnel agreed with our recommendation and stated the Department will timely create and provide notifications of emergency purchases, for the State Procurement Officer to publish, as required by the Code and personnel will be reminded to be more careful to include the correct reference numbers on emergency purchase affidavits. *(For the previous Department response, see Digest Footnote #2.)*

**WEAKNESSES IN PERFORMING RECONCILIATIONS**

The Department had weaknesses in performing reconciliations of expenditures, receipts, and cash to the Illinois Office of the Comptroller records.

**No reconciliations performed between October 2016 and March 2017**

The Department went live with its new accounting system on October 1, 2016. Because of difficulties experienced during implementation, no reconciliations were performed between the Department's records and those of the Comptroller between October 1, 2016 and March 31, 2017. In addition, during the implementation process, the Department did not perform a reconciliation between their legacy accounting system and the new accounting system to ensure the complete and accurate transfer of balances for commodity inventory, equipment inventory, receipts, expenditures, appropriations general ledger accounting and GAAP balances.

**Reconciliation between legacy system and new system not performed**

In addition, we noted the following exceptions as a result of our testing of the reconciliations performed by the Department during the examination period:

**SB04 reconciliations not dated**

- During our testing of the Department's monthly receipt reconciliations to the Comptroller's Monthly Receipt Report (SB04), we noted four of four (100%) reconciliations tested were not dated. Because of the lack of a documented date on the reconciliations, we could not determine if the reconciliations were completed in a timely manner.

**SB01 reconciliations not dated or not completed**

**Reconciliation in-transit vouchers do not trace to SB01s**

**IOC not timely notified of differences**

**SB05 reconciliation not dated**

**Department officials agree**

- During our testing of the Department’s monthly expenditure reconciliations to the Comptroller’s Monthly Appropriation Status Report (SB01), we noted:
  - Eleven of 20 (55%) reconciliations tested were either not dated or not completed. For those reconciliations lacking a documented date, we could not determine if the reconciliations were completed in a timely manner.
  - In-transit vouchers on 15 of 242 (6%) appropriation codes tested on the reconciliations were not able to be traced to the three-subsequent month’s SB01s. The Department was unable to provide an explanation for the vouchers being in transit for multiple months. The Comptroller was not timely notified of differences between the Department and Comptroller records.
  
- During our testing of monthly cash reconciliations of Department records to the Comptroller’s Monthly Cash Report (SB05), we noted the June 2017 reconciliation for Fund 0775 did not have a date of when the reconciliation was performed, therefore, we could not determine if the reconciliation was completed in a timely manner. (Finding 5, page 25-26)

We recommended the Department strengthen internal controls over expenditures, receipts, and cash reconciliations to ensure they are performed timely and accurately. Furthermore, we recommended the Department document the dates all monthly report reconciliations are completed and timely notify the Comptroller of any differences noted. Lastly, we recommended the Department perform reconciliations when system conversions occur.

Department personnel agreed with our recommendation and stated the Department will establish procedures for electronically dating reconciliations.

**OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Department. 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, 2018, 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

FJM:APA

### DIGEST FOOTNOTES

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

2016 – Agree. The Department has 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.

#### **#2 – Inaccurate Reporting of Emergency Purchases – Previous Agency Response**

2016 – Agree. The Department plans to timely publish emergency purchases on the Illinois Procurement Bulletin Board as required by the Code.