

**REPORT DIGEST**

**DEPARTMENT OF VETERANS' AFFAIRS  
CENTRAL OFFICE  
FINANCIAL AND COMPLIANCE AUDIT  
(In Accordance with the Single Audit Act of  
1984 and OMB Circular A-128)  
FOR THE TWO YEARS ENDED JUNE 30, 1994**

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

## **INTRODUCTION**

This report contains financial statements and a schedule of federal financial assistance for the entire Department. This report also encompasses single audit compliance testing results for the entire Department. The results of detailed State compliance audit testing of each Veterans' Home are included in the following audits:

Illinois Veterans' Home at LaSalle;  
Illinois Veterans' Home at Manteno; and  
Illinois Veterans' Home at Quincy.

## **FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **INADEQUATE POLICIES AND PROCEDURES**

The Department did not have adequate written policies and procedures for the use of the Veterans' Homes' Benefit Funds. The Department's procedures were not specific on allowable and unallowable uses, purchasing procedures and approval procedures. Furthermore, the Department's written policies and procedures for each Home were not consistent in wording and content. (Finding 1, page 8)

Good internal controls require adequate written policies and procedures to help ensure that expenditures are proper, reasonable, and necessary. The Benefit Funds at all three Veterans' Homes totalled \$657,000 at June 30, 1994.

The Department agreed with the finding and noted that all Veterans' Homes will be governed by the same policies and procedures. Policies and procedures will be developed and approved by the Chief Fiscal Officer and the Superintendents.

### **UNCLEAR STATUTES REGARDING DEPOSIT AND USE OF REVENUES**

The Department's statutes for operating the Veterans' Homes were unclear regarding the disposition of funds received by the Homes and the disposition of interest earned on funds held by the Homes for residents.

For example, one statutory cite states all money received by the Homes shall be deposited in the State treasury and used for the operations of the Homes and another cite states all money received, "including interest on funds deposited for residents," shall be used for the special comfort, pleasure, and amusement of the residents.

The statutes state further that interest on individual savings accounts or investments of the residents shall accrue to the resident. Since the Homes typically maintain only trust accounts for the residents, it is not clear whether interest on these accounts should accrue to the residents or be used for the special comfort, pleasure, and amusement of the residents. (Finding 2, page 9)

We could not determine whether each Home deposited and used revenues and interest as intended because of statutory ambiguities. The Department stated that the statutes were unclear due to various statutory amendments requested by the Department.

The Department agreed with the finding and is currently preparing legislation to revise the statutes.

### **FAILURE TO PAY GROUP INSURANCE**

The Department did not reimburse the Group Insurance Premium Fund for insurance coverage provided to employees of the Veterans' Homes whose salaries were paid from funds other than the General Revenue Fund. The Department had approximately 415 and 422 employees, during FY93 and FY94, respectively, who were paid from the Veterans' Home Funds for approximately six months of each fiscal year. The total group insurance reimbursement would have been approximately \$1,992,000 and \$2,019,940 for FY93 and FY94, respectively. (Finding 5, page 15)

The State Employees Group Insurance Act (5 ILCS 375/11) requires every department, which has employees paid from funds other than the General Revenue Fund, to cooperate with the Department of Central Management Services to ensure that the specified proportion of the State's cost for group insurance and other benefits are reimbursed to the General Revenue Fund.

Failure to pay into the Group Insurance Premium Fund puts the burden of paying these monies on the Department of Central Management Services and forces other funds to subsidize the insurance benefits of the employees without authorization from the Legislature.

The Department disagreed with the finding because according to the Bureau of the Budget the Home Funds are interchangeable with the General Revenue Fund and the Department need not reimburse the Department of Central Management Services for the cost of employee health and life insurance.

### **OTHER FINDINGS**

The remaining findings are less significant and the Department has responded that corrective action is in process. We will review progress towards implementation of the recommendations in the next audit.

Mr. Wilfred Kaltenbach, Chief Internal Auditor, provided responses to our findings and recommendations.

## **AUDITORS' OPINION**

We have stated the financial statements of the Department as of and for the years ended June 30, 1994 and 1993 are fairly presented in all material respects.

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WILLIAM G. HOLLAND, Auditor General

WGH:KS:jr

## **SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	12	13
Repeated audit findings	2	9
Prior recommendations implemented or not repeated	13*	2

\*Includes status of 2 federal compliance findings which were previously reported in separate audit reports of the LaSalle and Manteno Veterans' Homes.

## **SPECIAL ASSISTANT AUDITORS**

The audit was performed by the Auditor General's staff.

**STATE OF ILLINOIS**  
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**For The Two Years Ended June 30, 1994**

<b>EXPENDITURE STATISTICS</b>	<b>FY 1994</b>	<b>FY 1993</b>	<b>FY 1992</b>
<b>●Total Expenditures (All Funds)</b>	<b>\$6,500,056</b>	<b>\$6,339,623</b>	<b>\$6,548,792</b>
<u>OPERATIONS TOTAL</u>	\$5,238,801	\$4,714,791	\$5,078,543
% of <b>Total</b> Expenditures	81%	74%	78%
Personal Services	\$3,392,145	\$3,112,916	\$3,165,628
% of Operations Expenditures	65%	66%	62%
Average No. of Employees	113	112	110
Other Payroll Costs (FICA, Retirement)	\$539,328	\$493,727	\$798,648
% of Operations Expenditures	10%	10%	16%
Contractual Services	\$575,929	\$563,250	\$521,775
% of Operations Expenditures	11%	12%	10%
All Other Operations Items	\$731,399	\$544,898	\$592,492
% of Operations Expenditures	14%	12%	12%
<u>GRANTS TOTAL</u>	\$1,261,255	\$1,624,832	\$1,470,249
% of <b>Total</b> Expenditures	19%	26%	22%
<b>●Cost of Property and Equipment</b>	<b>\$964,961</b>	<b>\$954,758</b>	<b>\$860,611</b>

<b>AGENCY DIRECTOR(S)</b>
During Audit Period: Robert Poshard Currently: Robert Foster