



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF MILITARY AFFAIRS

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

Release Date: March 28, 2013

Summary of Findings:

Total this audit:	6
Total last audit:	4
Repeated from last audit:	2

SYNOPSIS

- The Department failed to establish an internal audit function.
- The Department's controls over its property and related records needs to be improved.
- The Department needs to improve its documentation associated with cadets in the Lincoln's Challenge Academy.

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

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

EXPENDITURE STATISTICS	2012	2011	2010
Total Expenditures.....	\$ 38,261,415	\$ 38,433,009	\$ 39,103,401
OPERATIONS TOTAL.....	\$ 36,175,453	\$ 34,816,238	\$ 35,159,025
% of Total Expenditures.....	94.5%	90.6%	89.9%
Personal Services.....	\$ 6,715,446	\$ -	\$ 6,087,968
Other Payroll Costs (FICA, Retirement).....	497,064	-	447,998
All Other Operating Expenditures.....	28,962,943	34,816,238	28,623,059
AWARDS AND GRANTS.....	\$ 2,085,962	\$ 3,616,771	\$ 3,799,526
% of Total Expenditures.....	5.5%	9.4%	9.7%
PERMANENT IMPROVEMENTS.....	\$ -	\$ -	\$ 144,850
% of Total Expenditures.....	0.0%	0.0%	0.4%
Total Receipts.....	\$ 27,037,120	\$ 24,420,064	\$ 21,933,847
Average Number of Employees.....	225	234	233

SELECTED ACTIVITY MEASURES (Not Examined)	2012	2011	2010
Illinois National Guard			
% of GRF approp. expended	88%	*	*
IL National Guard personnel supported	12,862	*	*
Lincoln's Challenge Academy			
Number of graduates	661	632	553
Number of graduates with a GED	489	441	348
Illinois Military Family Relief Fund			
Number of grants	3,455	2,813	3,358

AGENCY DIRECTOR	
During Examination Period:	Major General Dennis Celletti (Acting), (6/7/12-12/20/12), Major General William Enyart (through 6/6/12)
Currently:	Brigadier General Daniel Krumrei (effective 12/21/12)

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

FAILURE TO ESTABLISH AN INTERNAL AUDIT FUNCTION

The Department did not comply with the Fiscal Control and Internal Auditing Act (Act) requirements for internal audit.

No internal audit program

The Department had not appointed a chief internal auditor or established a program of internal auditing. (Finding 1, page 9)

We recommended the Department establish an internal audit program and appoint a chief internal auditor.

Department agrees with auditors

Department officials agreed with the recommendation and stated they will establish a program by entering into an agreement with the Department of Veterans Affairs to share this function. The Department further stated they are developing a Memorandum of Agreement and should have an active program shortly.

NEED TO IMPROVE CONTROLS OVER PROPERTY

The Department did not maintain sufficient controls over its property and related records. We noted the following:

Property additions and deletions not recorded timely

- The Department did not timely record 15 of 25 (60%) equipment additions tested, totaling \$60,282, on its property records. These items were recorded from 3 to 121 days late. In addition, the Department did not timely record 4 of 25 (16%) deletions tested totaling \$2,092. These items were deleted from 35 to 197 days late.

Property not located

- The Department could not locate 3 of 150 (2%) items from the property listing selected for testing totaling \$3,779.
- Five of 75 (7%) property items observed and selected for testing could not be traced to the property listing. (Finding 2, pages 10-11) **This finding was first reported in 2004.**

We recommended the Department strengthen controls over property control. Specifically, the Department should implement procedures to ensure all equipment transactions are recorded timely. Further, the Department should ensure all property under its jurisdiction is properly recorded and maintained.

Department agrees with auditors

Department officials agreed with the recommendation and stated they are working to implement tighter controls. (For the previous Department response, see Digest footnote #1)

CADET FILES LACK DOCUMENTATION

The Department’s Lincoln’s Challenge Academy did not maintain all documentation to substantiate cadets met the requirements for enrollment. We noted the following:

No documentation

- Thirteen of 15 (87%) cadet files tested did not have documentation noting that the juveniles dropped out of school.

No background checks

- Eleven of 15 (73%) cadet files tested did not contain evidence that background checks were conducted before admission. (Finding 5, pages 14)

We recommended the Department ensure all cadets meet the required criteria for entry into the program and maintain documentation to substantiate the qualifications.

Department agrees with auditors

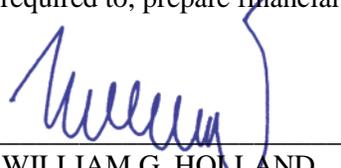
Department officials agreed with our recommendation and stated corrective procedures have been put in place. Further, the admission process is under review and the admissions checklists will be adjusted.

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 engagement.

AUDITOR’S OPINION

We conducted a compliance examination of the Department as required by the Illinois State Auditing Act. We have not audited any financial statements of the Department for the purpose of expressing an opinion because the Department does not, nor is it required to, prepare financial statements.



WILLIAM G. HOLLAND
Auditor General

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AUDITORS ASSIGNED

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

DIGEST FOOTNOTES

#1 – PROPERTY CONTROL WEAKNESSES – Previous Department Response

We agree. The Department will continue to review procedures and processes to ensure that all property under its jurisdiction is properly recorded and maintained.