

State of Illinois Department of Military Affairs

STATE COMPLIANCE EXAMINATION

**FOR THE TWO YEARS ENDED
JUNE 30, 2024**

**Performed as Special
Assistant Auditors for the
Auditor General,
State of Illinois**

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

TABLE OF CONTENTS

<i>State Compliance Examination Report</i>	<u>Page</u>
Department Officials	1
Management Assertion Letter	2
State Compliance Report	
Summary	4
Independent Accountants' Report on State Compliance and on Internal Control over Compliance	8
Schedule of Findings	
Current Findings	11
Prior Findings Not Repeated	50

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

DEPARTMENT OFFICIALS

Adjutant General (06/01/24 - Present)	Major General Rodney C. Boyd
Adjutant General (07/01/22 - 05/31/24)	Major General Richard R. Neely
Assistant Adjutant General – Air	Major General Daniel McDonough
Assistant Adjutant General - Army (09/01/24 - Present)	Brigadier General Leonard Williams
Assistant Adjutant General - Army (06/01/24 - 08/31/24)	Vacant
Assistant Adjutant General - Army (07/01/22 - 05/31/24)	Major General Rodney Boyd
Military Executive - Chief of Staff (01/01/25 - Present)	Colonel (Ret) Kevin Little
Military Executive - Chief of Staff (07/01/22 - 12/31/24)	Brigadier General (Ret) William Cobetto
Chief Fiscal Officer (02/16/23 - Present)	Mr. Michael Runkles
Chief Fiscal Officer (07/01/22 - 02/15/23)	Ms. Elena Goutsalenko
Military Judge Advocate	Mr. Matthew Swearingen

DEPARTMENT OFFICE

The Department's primary administrative office is located at:

Camp Lincoln
1301 N. MacArthur Boulevard
Springfield, Illinois 62702



MANAGEMENT ASSERTION LETTER

June 23, 2025

Roth & Co., LLP
540 W. Madison Street, Suite 2450
Chicago, Illinois 60661

Roth & Co., LLP:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Military Affairs (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following specified requirements during the two-year period ended June 30, 2024. Based on this evaluation, we assert that during the years ended June 30, 2023, and June 30, 2024, the Department has materially complied with the specified requirements listed below.

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Other than what has been previously disclosed and reported in the Schedule of Findings, State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

SIGNED ORIGINAL ON FILE

Major General Rodney Boyd
The Adjutant General

SIGNED ORIGINAL ON FILE

Michael Runkles
Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Mathew Swearingen
General Counsel

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

ACCOUNTANT'S REPORT

The Independent Accountants' Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	16	18
Repeated Findings	12	11
Prior Recommendations Implemented or Not Repeated	6	7

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2024-001	11	2022/2018	Voucher Processing Internal Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2024-002	15	New	Receipt Processing Internal Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2024-003	18	2022/2004	Property Control Weaknesses	Material Weakness and Material Noncompliance
2024-004	23	2022/2018	Inadequate Controls over Contractual Services	Material Weakness and Material Noncompliance

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

SCHEDULE OF FINDINGS (CONTINUED)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings (Continued)				
2024-005	26	New	Inadequate Controls over the Identification of Subscription-Based Information Technology Arrangements	Material Weakness and Material Noncompliance
2024-006	28	2022/2012	Inadequate Internal Controls over Commodities	Material Weakness and Material Noncompliance
2024-007	30	2022/2012	Noncompliance with Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing	Material Weakness and Material Noncompliance
2024-008	33	New	Inadequate Controls over Travel	Material Weakness and Material Noncompliance
2024-009	35	2022/2016	Failure to Develop a Formal Fraud Risk Assessment Program	Significant Deficiency and Noncompliance
2024-010	37	2022/2020	Noncompliance with Vehicle Requirements	Significant Deficiency and Noncompliance
2024-011	38	2022/2022	Trainings Not Completed Within the Required Timeframe	Significant Deficiency and Noncompliance
2024-012	40	2022/2014	Inadequate Controls over Monthly Reconciliations	Significant Deficiency and Noncompliance
2024-013	43	New	Noncompliance with the Debt Transparency Act	Significant Deficiency and Noncompliance
2024-014	44	2022/2022	Inadequate Controls over Employee Records	Significant Deficiency and Noncompliance
2024-015	46	2022/2022	Inaccurate Agency Workforce Reports	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

SCHEDULE OF FINDINGS (CONTINUED)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings (Continued)				
2024-016	48	2022/2022	Failure to Fully Utilize the State's Enterprise Resource Planning System	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
A	50	2022/2020	Weaknesses in Preparation of GAAP Reporting Forms
B	50	2022/2022	Failure to Provide Records of Compliance with Statutory Mandates
C	50	2022/2022	Inadequate Controls over the Identification of Leases under Statement No. 87 of the Governmental Accounting Standards Board
D	50	2022/2022	Noncompliance with the Civil Administrative Code of Illinois and African American Employment Plan Act
E	51	2022/2020	Inadequate Computed Security Controls
F	51	2022/2020	Weaknesses in Cybersecurity Programs and Practices

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on May 29, 2025.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

EXIT CONFERENCE (CONTINUED)

Attending were:

Department of Military Affairs

Major General Rodney C. Boyd, The Adjutant General and Director of DMA
Kevin Little, Chief of Staff
Matthew Swearingen, General Counsel
Alicia Collins, Chief Internal Auditor
Michelle Lloyd, Military Administrative Assistant
Meta Darnell, Deputy Fiscal Officer
Leesa Seitz, State Procurement Officer
Elizabeth Roxworthy, Legislative Liaison
Megan Lindholm, IT Coordinator
Kerri Irvin, Executive Assistant
Anthony Boster, State Personnel Officer
Neil Barding, Property Custodian

Office of the Auditor General

Erica Oliver, OAG Manager

Roth & Company, LLP

Epifanio Sadural, Partner
Lou Jonathan Cabrera, Manager
Tiffany Floresca, Supervisor

The response to the recommendations were provided by Alicia Collins, Chief Internal Auditor, in a correspondence dated June 10, 2025.



INDEPENDENT ACCOUNTANTS' REPORT
ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Military Affairs (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2024. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of

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the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Department during the two years ended June 30, 2024.

Specified Requirement C

As described in the accompanying Schedule of Findings as items 2024-001 through 2024-008, the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Specified Requirement D

As described in the accompanying Schedule of Findings as items 2024-002, the Department had not ensured the State revenues and receipts collected by the Department were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 2024, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2024-009 through 2024-016.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.



Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2024-001 through 2024-008 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2024-009 through 2024-016 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
June 23, 2025



STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-001 **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)

The Department of Military Affairs' (Department) internal controls over its voucher processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology, we were able to limit our voucher testing at the Department to determine whether certain key attributes were properly entered by the Department's staff into the ERP. In order to determine the operating effectiveness of the Department's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

Our testing noted 9 of 140 (6%) attributes were not properly entered into the ERP. Therefore, the Department's internal controls over voucher processing were not operating effectively.

The Statewide Accounting Management System (SAMS) Manual (Procedure 17.20.20) requires the Department to, after receipt of goods or services, verify the goods or services received met the stated specifications and prepare a voucher for submission to the Office of Comptroller to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure. Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Department maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Finally, the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State's resources.

Due to this condition, we qualified our opinion because we determined the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-001 **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)
(Continued)

Even given the limitations noted above, we conducted an analysis of the Department's expenditures data for Fiscal Years 2023 and 2024 and noted the following:

- The Department owed 25 vendors interest totaling \$3,548 in fiscal years 2023 and 2024; however, the Department had not approved these vouchers for payment to the vendors.

The State Prompt Payment Act (Act) (30 ILCS 540) requires agencies to pay vendors who had not been paid within 90 days of receipt of a proper bill or invoice interest.

- The Department did not timely approve 7,089 of 22,508 (31%) vouchers processed during the examination period, totaling \$42,647,488. We noted these vouchers were approved between 1 and 346 days after receipt of a proper bill or other obligating document.

The Code (74 Ill. Admin. Code 900.70) requires the Department to timely review each vendor's invoice and approve proper bills within 30 days after receipt. The Code (74 Ill. Admin. Code 1000.50) also requires the Department to process payments within 30 days after physical receipt of Internal Service Fund bills.

The FCIAA (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- For four of 35 (11%) vouchers tested, totaling \$140,724, the Department failed to maintain supporting documentation showing the dates invoices were received.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-001 **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)
(Continued)

The Code (74 Ill. Admin. Code 900.30) requires the Department to maintain written or electronic records reflecting the date on which the goods were received and accepted, or the services were rendered, the proper bill was received, and approval was given. In addition, the State Records Act (5 ILCS 160/8) requires the head of the Department preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Department has been unsuccessful in implementing corrective action.

Department management indicated these exceptions were due to unfamiliarity of the new staff with the procedural timelines in processing and approving the vouchers for payment within the ERP.

Failure to properly enter the key attributes into the State's ERP when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills and obligations due may result in noncompliance, unnecessary interest charges, and cash flow challenges for payees. In addition, failure to approve vouchers for payment of interest due and maintain adequate documentation represent noncompliance with the Act. (Finding Code No. 2024-001, 2022-005, 2020-013, 2018-016)

RECOMMENDATION

We recommend the Department design and maintain internal controls to provide assurance its data entry of key attributes into the ERP is complete and accurate. Further, we recommend the Department timely approve proper bills and obligations due and approve vouchers for payment of interest due to vendors.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-001 **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)
(Continued)

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department acknowledges that internal controls over voucher processing were not operating effectively during the examination period. The Department is actively adjusting its staffing plan to ensure adequate coverage and continuity. Targeted ERP training will be implemented to enhance staff proficiency, and internal monitoring will be strengthened to ensure timely processing and proper documentation of all financial transactions.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-002 **FINDING** (Receipt Processing Internal Controls Not Operating Effectively)

The Department of Military Affairs' (Department) internal controls over its receipt processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology, we were able to limit our receipt testing at the Department to determine whether certain key attributes were properly entered by the Department's staff into the ERP. In order to determine the operating effectiveness of the Department's internal controls related to receipt processing, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the ERP based on supporting documentation. The attributes tested were (1) amount, (2) fund being deposited into, (3) date of receipt, (4) date deposited, and (5) SAMS Source Code.

During our testing of 28 receipts during the year, we noted 24 of 140 (17%) attributes were not properly entered into the ERP. Therefore, the Department's internal controls over receipt processing **were not operating effectively**.

In addition, during our testing of four refund receipts during the year, we noted six of 16 (38%) attributes were not properly entered into the ERP. Therefore, the Department's internal controls over refund receipt processing **were not operating effectively**.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Department to maintain a detailed record of all moneys received, which is to include date of receipt, the payor, purpose and amount, and the date and manner of disbursement. Additionally, Statewide Accounting Management System (Manual) (Procedure 25.10.10) requires the Department to segregate the moneys into funds and document the source of the moneys. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to the operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-002 **FINDING** (Receipt Processing Internal Controls Not Operating Effectively)
(Continued)

Due to this condition, we qualified our opinion because we determined the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even given the limitations noted above, we conducted an analysis of the Department's receipts data for fiscal years 2023 and 2024 to determine compliance with the Act. We noted:

- The Department did not deposit 17 receipt items, \$10,000 or more, on the day received.
- The Department did not deposit 10 receipt items, exceeding \$500 but less than \$10,000, within 48 hours.
- The Department did not deposit one receipt item, less than \$500 on the 1st or 15th of the month, whichever was earlier.

The Act (30 ILCS 230/2(a)) requires the Department to pay into the State treasury any single item of receipt exceeding \$10,000 on the day received. Additionally, receipt items totaling \$10,000 or more are to be deposited within 24 hours. Further, receipt items, in total exceeding \$500 but less than \$10,000, are to be deposited within 48 hours. Lastly, receipt items totaling less than \$500 are to be deposited once the total exceeds \$500, or on the 1st or 15th of the month, whichever is earlier.

Department management indicated the exceptions were due to staff turnover and lack of staff proper training.

Failure to properly enter the key attributes into the State's ERP when processing a receipt hinders the reliability and usefulness of data extracted from the ERP, which can result in improper recording of revenues and accounts receivable. Failure to timely deposit receipts delays the recognition of available cash within the State Treasury, could delay the payment of State obligations, and is noncompliance with the Act. (Finding Code No. 2024-002)

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-002 **FINDING** (Receipt Processing Internal Controls Not Operating Effectively)
(Continued)

RECOMMENDATION

We recommend the Department design and maintain internal controls to provide assurance its data entry of key attributes into ERP is complete and accurate. Further, we recommend the Department timely deposit receipts into the State's treasury.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department recognizes that internal controls over receipt processing were not effective during the examination period. The Department is working to fill and retain key fiscal positions and has increased training efforts to ensure compliance with statutory requirements. Strengthened internal controls and monitoring procedures have been implemented to improve the timely and accurate processing of receipts.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-003 **FINDING** (Property Control Weaknesses)

The Department of Military Affairs (Department) did not maintain sufficient controls over its property and related fiscal records.

During testing, we noted the Department did not maintain detailed supporting documentation for its quarterly Agency Report of State Property (Form C-15) filed with the Office of Comptroller (Comptroller). As of June 30, 2023, and 2024, the Department reported total property of \$518.4 million and \$522.4 million, respectively. Due to the lack of detailed documentation, the following compliance examination procedures could not be performed:

- The State property listing provided by the Department in response to audit requests could not be reconciled with the ending balances reported in the Form C-15 Reports for the quarters ended June 30, 2023 and June 30, 2024 and to the balances reported in the annual inventory certifications submitted to the Department of Central Management Services (CMS).
- Annual additions, deletions and net transfers report provided by the Department could not be agreed to activity reports in the quarterly Form C-15 Reports submitted to the Comptroller.
- During testing, the Department failed to provide documentation of supporting calculations for the SCO-537/538 forms, and therefore, we were unable to test if the Department appropriately recorded the purchase as a building improvement, land improvement, or site improvement.

Due to these conditions, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Department's equipment.

The State Property Control Act (Act) (30 ILCS 605/4) requires the Department to be accountable for the supervision, control, and inventory of all property under its jurisdiction and control. In addition, the State Records Act (5 ILCS 160/9) requires the Department to establish and maintain a program for agency records management, which should include effective controls over the maintenance of records. The Statewide Accounting Management System (SAMS) Manual (Procedure 07.30.20) states the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handles that data properly. SAMS (Procedure 07.30.20) also requires the Department to reconcile their records to the SAMS system on a monthly basis, and this reconciliation must be completed within 60 days of the month end.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-003 **FINDING** (Property Control Weaknesses) (Continued)

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, the accountants performed the following tests:

List to Floor and Floor to List Testing:

- Two of 60 (3%) equipment items were not found in the Department's property listing.
- One of 60 (2%) equipment items were not properly marked with the Department's inventory decal or tag to indicate it was property of the State of Illinois.
- One of 60 (2%) equipment items had no inventory tag.
- One of 60 (2%) equipment items was unable to be located.

Additions Testing:

- Sixteen of 60 (27%) equipment items, totaling \$194,839 were recorded in the Department's property records more than 90 days after acquisition, ranging from 217 to 1,876 days late.
- Four of 60 (7%) equipment items, totaling \$24,055 were not recorded at original cost when purchased by the Department.

Voucher Testing:

- One of five (20%) State property expenditure vouchers tested, totaling \$192,231, was a purchase of new furniture of \$500 or more, but was not supported by a properly completed State Property Surplus - New Furniture Affidavit, filed to the administrator of CMS prior to purchase.
- One of five (20%) State property expenditure vouchers tested, totaling \$3,545, was for acquisition of three laptops. One laptop with acquisition cost of \$1,182 was incorrectly recorded by the Department as \$38,184 in property control records, resulting in an overstatement of \$37,002 in its annual report to CMS.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-003 **FINDING** (Property Control Weaknesses) (Continued)

- One of five (20%) State property expenditure vouchers tested, totaling \$20,497, for acquisition of four printers were incorrectly recorded by the Department as \$22,225 in its property control records. Specifically, the delivery charges were not added, and discounts were not deducted in the acquisition value of these printers, resulting in an overstatement of \$1,728 in its annual report to CMS.
- Thirty three of 40 (83%) permanent improvement vouchers tested, totaling \$7,556,130, were remodeling, renovation, and site improvement expenditures, but were not added to the Department's property records.

The Act (30 ILCS 605/4 and 6.02) requires the Department to be accountable for the supervision, control, and inventory of all items under its jurisdiction and control. The Act (30 ILCS 605/7a) also requires agencies that desire to purchase new furniture of \$500 or more to first check with the administrator of CMS if any of the surplus furniture under the administrator's control can be used in place of new furniture.

The Code (44 Ill. Admin. Code 5010.240(e)) requires the Department to record an item's acquisition value in its property records including delivery and installation costs.

The SAMS Manual (Procedure 29.10.10) requires the Department to maintain current property records, including the cost, acquisition date, location, description of asset, date of disposition, and authorization of disposition. Additionally, the Code (44 Ill. Admin. Code 5010.210) requires all equipment, regardless of value, to be clearly marked with the Department's inventory decal to indicate it is property of the State of Illinois. Additionally, equipment with a value that is greater than \$2,500 and equipment that is subject to theft with a value less than \$2,500 must be marked with a unique identification number to be assigned by the agency holding the property. Finally, the Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) requires the Department to adjust property records within 90 days of acquisition of equipment.

Annual Real Property Utilization Report

- The Department did not properly file its Annual Real Property Utilization Report with the CMS. Specifically, the Department did not include a list of improvements to real property during the previous years.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-003 **FINDING** (Property Control Weaknesses) (Continued)

The State Property Control Act (30 ILCS 605/7.1(b)) states that all responsible officers shall submit an Annual Real Property Utilization Report to CMS, or annual update of such report, on forms required by the CMS, by July 31 each year. The report shall include a list of any improvements to real properties during previous year.

Quarterly Transfers from the Capital Development Board (CDB)

- For five of five (100%) CDB projects tested, totaling \$882,545 as of June 30, 2024, the Department failed to record transfers-in from CDB to the Department's property records.

The Act (30 ILCS 605/4 and 6.02) requires the Department to be accountable for the supervision, control, and inventory of all items under its jurisdiction and control. Additionally, the Code (44 Ill. Admin. Code 5010.400) requires the Department to adjust property records within 90 days of acquisition, change, or deletion of equipment. Further, the State Records Act (5 ILCS 160/9) requires the Department to establish and maintain a program for agency records management, which should include effective controls over maintenance of records.

Historical Artifacts

List to Floor and Floor to List Testing:

- Six of 25 (24%) historical artifacts tested were not found in the Department's artifacts listing.
- One of 25 (4%) historical artifacts tested was not tagged.

The Military Code of Illinois (Code) (20 ILCS 1805/25) requires the Adjutant General to have charge of and carefully preserve the colors, flags, guidons, and military trophies of war belonging to the State. Good internal controls over historical artifacts include maintaining accurate records of the location of items with historical and cultural value.

This finding was first reported during the period ended June 30, 2004. In the subsequent years, the Department has been unsuccessful in implementing appropriate corrective action or procedures.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-003 **FINDING** (Property Control Weaknesses) (Continued)

Department management indicated the exceptions were due to employee turnover, staff unfamiliarity with the correct procedures, and software changes.

Failure to maintain accurate property and equipment records and file reports represents noncompliance with State laws and regulations and increases the potential for fraud and theft of State property. (Finding Code No. 2024-003, 2022-001, 2020-001, 2018-001, 2018-015, 2016-001, 2014-001, 12-2, 10-1, 08-2, 06-2, 04-3)

RECOMMENDATION

We recommend the Department take actions to strengthen its internal controls over the recording and reporting of its State property and equipment transactions to ensure property records accurately reflect equipment on-hand in accordance with State regulations, and equipment items are properly inventoried and tagged. Further, we recommend the Department implement a corrective action plan to complete a full inventory to identify and correct its accumulated property and equipment errors.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has migrated from the legacy AIS property system to the ERP property management system and is actively tracking equipment to ensure record accuracy. Additionally, the Department has strengthened its internal controls to ensure timely submission of required property reports. Corrections have been made to capture CDB net transfers properly, and manual entries have been instituted to supplement ERP reporting.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-004 **FINDING** (Inadequate Controls over Contractual Services)

The Department of Military Affairs (Department) did not maintain adequate controls over its contractual services and interagency agreements.

During our review of 41 contracts (totaling \$3.2 million) executed, we noted the following:

- One (2%) contract, totaling \$136,190, had no disclosure of financial interest statement included in the public procurement file.

The Illinois Procurement Code (Code) (30 ILCS 500/50-35(a)) requires the Department to obtain disclosure of financial interests from vendors for contracts with annual value of more than the small purchase threshold.

- Six (15%) contracts, totaling \$586,764, were submitted to the Office of Comptroller (Comptroller) between 3 and 222 days late. Further, the Department did not provide to the auditors copies of the Late Filing Affidavit with these contracts.

The Illinois Procurement Code (Code) (30 ILCS 500/20-80(b)) and the Statewide Accounting Management System (SAMS) (Procedure 15.10.40) require the Department to file contracts exceeding \$20,000 with the State Comptroller within 30 days of execution. In addition, the Code (30 ILCS 500/20-80(c)) and SAMS (Procedure 15.10.40) require the Department to complete a Late Filing Affidavit and file it with the State Comptroller setting forth the reasons why the contract was not filed within 30 days of execution.

- One (2%) contract, totaling \$25,500, the Department did not provide to the auditors copy of the Contract Obligation Document (COD) it filed with the Comptroller.

SAMS (Procedure 15.20.10) requires agencies to file the COD with the Comptroller to establish obligations against the contracts.

- One (2%) contract, totaling \$86,526, was executed and published in the Illinois Procurement Bulletin prior to approval of purchase requisition.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls. This would include controls to ensure contracts are fully supported with purchasing documentation including purchase requisition prior to the procurement process.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-004 **FINDING** (Inadequate Controls over Contractual Services) (Continued)

- Two (5%) contracts, totaling \$146,620, omitted some or all of the following applicable contract certifications required by laws, rules and regulations:
 - State Board of Elections Certification (30 ILCS 500/20-160(b))
 - Contractor's/Lessor's Federal Taxpayer Identification Number and Legal Status Disclosure Certification (SAMS 15.20.50)
 - Child Labor Act (30 ILCS 584/10)
 - Forced Labor Act (30 ILCS 583/10)
 - Domestic Products Certification (30 ILCS 517/15)
 - Conflicts of Interest (30 ILCS 500/50-13, 50-35(a))
- Two (5%) contracts, totaling \$308,494, had incorrect vendors taxpayer identification numbers.

SAMS (Procedure 15.10.20 and 15.20.50) requires contracts and leases to contain certain signatures, clauses, and certifications. In addition, the State Records Act (5 ILCS 160/8) requires the Department to cause to be made and preserved records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of person directly affected by the agency's activities.

During our review of the Department's interagency agreements, we noted one (33%) of 3 interagency agreements was executed five days after the beginning of contract term.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are used efficiently and effectively and in compliance with applicable laws. This would include controls to ensure agreements are fully executed prior to the start of the agreements term.

This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Department has been unsuccessful in implementing appropriate corrective action.

Department management indicated the conditions were due to oversight and employee error.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-004 **FINDING** (Inadequate Controls over Contractual Services) (Continued)

Failure to maintain adequate controls over contracts may expose the State to unnecessary legal risks and could result in unnecessary expenses. (Finding Code No. 2024-004, 2022-008, 2020-005, 2018-011)

RECOMMENDATION

We recommend the Department implement controls to provide assurance:

- 1) each contract includes all applicable contract certifications and disclosure of financial interest statements in accordance with laws, rules and regulations;
- 2) each contract is timely filed with the Comptroller;
- 3) each contract requiring a Late Filing Affidavit has an affidavit prepared and filed with Comptroller;
- 4) COD is submitted to the Comptroller;
- 5) purchase requisition is properly approved prior to the procurement process;
- 6) accurate taxpayer identification numbers are provided by the vendors; and
- 7) interagency agreements are properly executed prior to the start of the contract term.

DEPARTMENT RESPONSE

The Department agrees with the overall finding that improvements are needed to strengthen internal controls over contractual services and interagency agreements. The Department is enhancing documentation practices and providing additional staff training to ensure compliance with procurement and contract requirements.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-005 **FINDING** (Inadequate Controls over the Identification of Subscription-Based Information Technology Arrangements)

The Department of Military Affairs (Department) did not have adequate controls in place to support the implementation of Governmental Accounting Standards Board Statement No. 96 (GASB 96).

We requested the Department to provide population of Subscription-Based Information Technology Arrangements (SBITA) contracts within the scope of GASB 96. In response to this request, the Department provided copies of contracts identified during the examination period. In reviewing the documents provided, we noted a contract that fell within the scope of GASB 96; however, the Department was unable to provide a population consisting solely of contracts that fell within the scope of GASB 96.

Due to these conditions, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Department's GASB 96 contracts.

Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole, we performed testing on a sample of SBITA.

For one (100%) contract totaling \$44,948, the Department did not prepare and submit the Accounting for Subscription-Based Information Technology Arrangements Form (SCO-560S) to enable the Office of Comptroller to calculate the subscription asset and liability as required by GASB Statement No. 96. In addition, the Department did not recognize subscription assets on its books and did not report the subscription assets on the Department's Capital Asset Summary (SCO-538) submitted to the Office of Comptroller.

GASB 96 defines a SBITA as "a contract that conveys control of the right to use another party's Information Technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction." GASB 96 became effective for the State of Illinois on July 1, 2022, with all existing SBITAs revalued and recognized as of this date. This definition of a SBITA is not limited to contracts which may be termed as a SBITA, as SBITAs meeting GASB 96's SBITA definition may be embedded within other agreements or contracts.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-005 **FINDING** (Inadequate Controls over the Identification of Subscription-Based Information Technology Arrangements) (Continued)

The State Records Act (5 ILCS 160/9) requires the Department to establish and maintain a program for agency records management, which should include effective controls over maintenance of records. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recoded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The Statewide Accounting Management System Manual (Procedure 27.20.60S) requires the Department to properly complete Form SCO-560S that falls within the scope of GASB 96.

Department management indicated the exception was due to oversight.

Failure to maintain adequate controls over implementation of GASB 96 may result in misstatements of accounting records including the SCO-538. Without the Department providing complete and adequate documentation to enable testing, we were unable to provide useful and relevant feedback to the General Assembly regarding the Department's GASB 96 SBITA. (Finding Code No. 2024-005)

RECOMMENDATION

We recommend the Department strengthen controls to ensure GASB 96 is implemented as it applies to the Department. Further, we recommend the Department review all SBITA transactions, determine whether current contracts are properly classified under GASB 96, and ensure timely and proper filing of contracts and related documents.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has provided targeted training on identifying, classifying, and reporting subscription-based IT arrangements and has strengthened internal controls to ensure proper documentation and timely reporting.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-006 **FINDING** (Inadequate Internal Control over Commodities)

The Department of Military Affairs (Department) did not exercise adequate internal control over its commodities inventories.

The Department uses a web-based database for tracking commodities inventory. The database allows Readiness Centers' (armories) Managers throughout the State to email orders to the Storekeeper and the Department to maintain an items-on-hand count.

During our testing, we noted the Department performed an inventory count in Fiscal Year 2024 but did not prepare reconciliation to identify differences with its system records. On July 30, 2024, the Department performed another inventory count and noted differences on six (6%) of 96 commodities amounting to \$1,672.

Due to this condition, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Department's year end commodities inventories balances.

The Statewide Accounting Management System (SAMS) Manual (Procedure 02.50.20) requires detailed subsidiary records to be maintained for significant categories of inventories, which must periodically be reconciled to control accounts. The SAMS Manual (Procedure 03.60.20) also requires the Department to perform an annual physical count of inventory on hand and to reconcile the results to inventory records to ensure the completeness and accuracy of those records. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance State property is safeguarded against loss or misappropriation and assets are properly recorded and accounted for to maintain accountability over the State's resources.

This finding was first reported during the period ended June 30, 2012. In the subsequent years, the Department has been unsuccessful in implementing appropriate corrective action.

Department management indicated the exception was due to procedural deficiencies within the Department in monitoring commodities, as well as the transition and integration into a new software management program during the review period.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-006 **FINDING** (Inadequate Internal Control over Commodities) (Continued)

Failure to maintain accurate and complete inventory records could result in shortages, overstocking, theft, or waste of commodities. Moreover, without the Department providing complete and adequate documentation to enable testing, the accountants were unable to complete their procedures and provide useful and relevant feedback to the General Assembly regarding the Department's commodities. (Finding Code No. 2024-006, 2022-003, 2020-003, 2018-004, 2016-003, 2014-010, 12-4)

RECOMMENDATION

We recommend the Department implement procedures to maintain accurate records of its commodities inventory and reconcile its inventory records as required.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has implemented a monthly inventory data collection process and established a backup records retention program. Additionally, the Department is transitioning to the ERP Warehouse Management system to improve inventory tracking and control.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-007 **FINDING** (Noncompliance with Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing)

The Department of Military Affairs (Department) failed to fully comply with the Fiscal Control and Internal Auditing Act (Act) and International Standards for the Professional Practice of Internal Auditing (internal auditing standards).

During our review of the Department's internal audit activities for Fiscal Years 2023 and 2024, we noted the following:

- The Department did not have a two-year audit plan for the fiscal year ended June 30, 2024.
- Audits of the Department's major system of internal accounting and administrative controls were not completed during fiscal years 2023 and 2024, thus there were no internal audit reports completed and issued during the two fiscal years ended June 30, 2024.

The Act (30 ILCS 10/2003(a)) requires the internal auditing program to include: (1) a two-year plan, identifying audits scheduled for the pending fiscal year, approved by the chief executive officer before the beginning of the fiscal year; (2) audits of major systems of internal accounting and administrative control to be performed at least once every two years and must include testing of the obligation, expenditure, receipt and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations; and grants received or made by the designated State agency to determine that grants are monitored, administered, and accounted for in accordance with applicable laws and regulations; and (3) reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

- The Chief Internal Auditor did not submit a written report to the Adjutant General for FY 2023. For FY 2024, while a written report was submitted, there is no proof of submission, and the report did not document how the audit plan was carried out, the significant findings, or the extent to which recommended changes were implemented.

The Act (30 ILCS 10/2003(a)) requires by September 30 of each year the chief internal auditor to submit to the chief executive officer a written report detailing how the audit plan for that year was carried out, the significant findings, and the extent to which recommended changes were implemented.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-007 **FINDING** (Noncompliance with Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing) (Continued)

- The Department failed to perform internal assessments for Fiscal Year 2023.
- The Department's internal audit function failed to undergo an external quality assurance review since its creation in 2018.

The internal auditing standards (Sections No. 1310 to 1312) require the quality assurance and improvement program to include both internal and external assessments. Internal assessments must include ongoing monitoring of the performance of the internal audit activity, and periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices. The international auditing standards (Section No. 1312) also requires an internal audit to undergo an external quality assurance review at least once every five years.

- The Department failed to evaluate the design, implementation, and effectiveness of the Department's ethics-related objectives, programs, and activities.

The internal auditing standards (Section 2110.A1) require the internal audit activity to evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

This finding was first reported during the period ended June 30, 2012. In the subsequent years, the Department has been unsuccessful in implementing all required internal audit procedures.

Department management indicated, as they did in the prior year, competing priorities and numerous training requirements, along with the familiarization of specific State requirements and mandates, resulted in the deficiencies noted.

Failure to properly prepare and approve a two-year audit plan, failure to submit a written report to the Adjutant General, failure to conduct required internal audits and internal assessments, and the failure to evaluate the design, implementation, and effectiveness of the Department's ethics-related objectives, programs, and activities inhibit the Department's ability to monitor the effectiveness of its system of internal controls and results in noncompliance with the Act and internal auditing standards. (Finding No. 2024-007, 2022-002, 2020-002, 2018-002, 2016-002, 2014-004, 12-1)

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-007 **FINDING** (Noncompliance with Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing) (Continued)

RECOMMENDATION

We recommend the Department implement controls and develop policies and procedures to ensure compliance with the Act and internal auditing standards.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department had a two-year internal audit plan for Fiscal Years 2022–2023 and developed a subsequent plan for Fiscal Years 2024–2025. The Department acknowledges a plan should have been prepared for Fiscal Year 2023–2024 in accordance with statutory requirements. Going forward, the Department will prepare annual updates to the audit plan based on prior plan execution to ensure full compliance. Additional resources have been secured to support the completion and timely reporting of audits. The Department has also coordinated an external quality assurance review with other Illinois agencies and incorporated an evaluation of the Department’s ethics program into its internal audit plan.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-008 **FINDING** (Inadequate Controls over Travel)

The Department of Military Affairs (Department) did not maintain adequate internal controls over travel.

During our review of 25 travel vouchers, we noted the following:

- Three of 25 (12%) out-of-State travel requests totaling \$6,241 were submitted 3 days late to the Governor's Office of Management and Budget (GOMB).

The Illinois Administrative Code (Code) (80 Ill. Adm. Code 2800.700(b)) requires travel outside of Illinois be approved by GOMB prior to the travel. All requests are required to be submitted to GOMB at least 30 days in advance of the departure date.

- Ten of 25 (40%) travel vouchers, totaling \$16,035, included mileage reimbursements. The travelers did not provide supporting documents on mileage reimbursements for using privately owned vehicles for State business.

The Code (80 Ill. Adm. Code 8200.240(d)) requires when a privately owned vehicle is used, the travel voucher shall show, at minimum, commuting mileage (if applicable), the dates, points of travel and mileage. If the distance traveled between any given points is greater than the usual route between these points shown on a road map, the reason for the greater distance shall be explained and detailed separately.

- Three of 25 (12%) travel vouchers, totaling \$6,457, included reimbursements to the travelers for hotel stays in which the nightly rates and per diem rates exceeded the rates allowed by the Governor's Travel Control Board. The lodging expenses in excess of the allowed rate totaled \$361. In addition, the per diem rates expenses in excess of the allowed rate totaled \$60.

The Code (80 Ill. Admin. Code 3000 Appendix A) identifies the maximum reimbursement rates allowed for lodging, per diem, and mileage.

Department management indicated the exceptions were due to oversight.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-008 **FINDING** (Inadequate Controls over Travel) (Continued)

Failure to exercise adequate internal controls over travel increases the risk that errors, irregularities, and unnecessary expenditures will occur and not be detected. In addition, failure to obtain advance approval from GOMB for out-of-State travel may result in unauthorized travel and noncompliance with the Governor's Travel Control Board Rules. Finally, failure to maintain adequate documentation supporting mileage reimbursements represents noncompliance with the Code. (Finding Code No. 2024-008)

RECOMMENDATION

We recommend the Department strengthen its controls to ensure travel expenditures comply with State laws and regulations. We also recommend the Department obtain approval from GOMB for out-of-State travel at least 30 days in advance of the traveler's departure date.

DEPARTMENT RESPONSE

The Department agrees with the finding. The issues arose from employee oversight and inconsistent procedures regarding travel documentation. Corrective actions include:

- Implementation of targeted training on travel regulations.
- Drafting and forthcoming distribution of a comprehensive travel procedures.
- Revising procedures to centralize travel voucher processing with fiscal staff.

The Department remains committed to improving internal controls and ensuring compliance with all travel requirements.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-009 **FINDING** (Failure to Develop a Formal Fraud Risk Assessment Program)

The Department of Military Affairs (Department) did not have a formal, adequate fraud risk assessment program in place.

The Department relied on current internal controls and various other informal activities that had been implemented to prevent and detect fraud, but did not have a formal, comprehensive, written fraud risk assessment policy in place. During the examination period, we noted the Department did not develop its fraud risk policy until June 30, 2024.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Additionally, it is management's responsibility to prevent and detect fraud.

This finding was first reported during the period ended June 30, 2016. In the subsequent years, the Department has been unsuccessful in implementing all required fraud risk assessment procedures.

Department management indicated, as they did in the prior examination, this issue was due to competing priorities.

The Department managed expenditures of \$69 million and \$82 million in fiscal year 2023 and fiscal year 2024, respectively. Without an adequate program to identify and address the specific risks associated with fraud, fraudulent activities may go undetected and could result in misstatements in the Department's financial reporting to the State or misappropriation of Department assets. (Finding Code No. 2024-009, 2022-009, 2020-009, 2018-010, 2016-011)

RECOMMENDATION

We recommend Department management establish a continuous fraud prevention and detection program. We specifically recommend the Department implement a formal, written policy regarding the evaluation of fraud risk and a system of controls to help prevent and detect potentially fraudulent activity within its organization. We also recommend the Department ensure the fraud program includes evaluating whether appropriate internal controls have been implemented in any areas identified as posing a higher risk of fraudulent activity, as well as controls over the financial reporting process.

2024-009 **FINDING** (Failure to Develop a Formal Fraud Risk Assessment Program)
 (Continued)

The Department agrees with the finding. The Department developed and finalized its fraud policy on June 30, 2024. The policy has been reviewed and approved by senior leadership and will continue to be implemented and refined as necessary to strengthen internal controls and promote fraud prevention across the Department.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-010 **FINDING** (Noncompliance with Vehicle Requirements)

The Department of Military Affairs (Department) did not follow State laws and regulations regarding the operation of its automobiles. As of June 30, 2024, the Department had 43 vehicles.

During testing of vehicle maintenance records for eight vehicles, we noted two (25%) vehicles did not receive adequate tire rotations during the fiscal years tested. In addition, four (50%) vehicles did not receive a timely oil change.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.400) requires the Department to ensure all State-owned or leased vehicles undergo regular service and/or repair in order to maintain the vehicles in a road worthy, safe, operating condition.

This finding was first reported during the period ended June 30, 2020. In the subsequent years, the Department has been unsuccessful in implementing all required fraud risk assessment procedures.

Department management indicated the exceptions were due to challenges in scheduling maintenance of vehicles caused by consistent demands for the use of vehicles.

Failure to perform regular maintenance on State vehicles could result in more significant expenditures related to the repair or replacement of the vehicles, and results in noncompliance with the Code. (Finding Code No. 2024-010, 2022-010, 2020-010)

RECOMMENDATION

We recommend the Department strengthen its internal controls to ensure compliance with State law and regulations applicable to the operation of its automobiles.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has strengthened internal controls to ensure compliance with required maintenance schedules and policies.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-011 **FINDING** (Trainings Not Completed Within the Required Timeframe)

The Department of Military Affairs (Department) employees did not complete all mandatory trainings within the required timeframe.

During our sample testing of 22 employees in determining the Department's compliance with various training requirements, we noted the following:

- One of four (25%) new hires did not complete the initial ethics training timely during calendar year 2023. The employee completed the training 100 days late.

The State Officials and Employees Act (Act) (5 ILCS 430/5-10(c)) requires new employees entering a position requiring ethics training to complete an initial ethics training course within 30 days after commencement of employment.

- One of four (25%) new hires did not complete the initial sexual harassment training timely during calendar year 2023. The employee completed the training 100 days late.

The Act (5 ILCS 430/5-10.5(a)) requires the Department's new employees complete sexual harassment training within 30 days after commencement of employment.

Department management indicated the issues were due to oversight and staff unfamiliarity of the training requirements.

Failure to complete trainings within 30 days after beginning of employment may lead to employees being unaware of specific requirements for State employees and Department and State policies regarding ethics and sexual harassment. As a result, there is a risk the Department could be exposed to legal and financial risks due to noncompliance. (Finding Code No. 2024-011, 2022-011)

RECOMMENDATION

We recommend the Department implement controls to ensure its new employees complete ethics and sexual harassment training within 30 days of commencing employment at the Department.

2024-011 **FINDING** (Trainings Not Completed Within the Required Timeframe)
(Continued)

The Department agrees with the finding. The instances noted in the audit involved one employee and do not indicate a systemic issue. The Department has internal controls in place to prevent oversights; however, this was an isolated situation. The Department will continue to reinforce existing controls to ensure compliance.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-012 **FINDING** (Inadequate Controls over Monthly Reconciliations)

The Department of Military Affairs (Department) did not maintain adequate controls over its reconciliations.

During testing of the reconciliation of the Office of Comptroller (Comptroller) Monthly Obligation Activity Report (SC15) or the monthly Agency Contract Report (SC14), we noted the following:

- One of 8 (13%) reports for Fiscal Year 2023 did not have documentation of when the reconciliation was performed; therefore, we were unable to determine if the reconciliation was performed timely.
- Seven of 8 (88%) reports during the review period were not signed by the preparer and reviewer of the reconciliation. As a result, we could not determine who prepared and reviewed the reconciliation.
- One of 8 (13%) reports for Fiscal Year 2024 was not reconciled by the Department.

During testing of the reconciliations between the records maintained by the Comptroller and the Department's records during the examination period, we noted the following:

- Four of 8 (50%) reconciliations of the Monthly Revenue Status Reports (SB04) during the review period were not signed by the reviewer of the reconciliation. As a result, we could not determine who reviewed the reconciliation.
- Four of 8 (50%) reconciliations of the SB04 during the review period were not signed by the preparer and reviewer of the reconciliation. As a result, we could not determine who prepared and reviewed the reconciliation.
- One of 8 (13%) reconciliations of the SB04 for Fiscal Year 2024 did not have documentation when the reconciliation was performed; therefore, we were unable to determine if the reconciliation was performed timely.
- 27 of 72 (38%) reconciliations of the Monthly Appropriations Status Reports (SB01) during the review period were not signed off by the reviewer of the reconciliation. As a result, we could not determine who reviewed the reconciliation.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-012 **FINDING** (Inadequate Controls over Monthly Reconciliations) (Continued)

- Four of 56 (7%) reconciliations of the Monthly Cash Reports (SB05) for Fiscal Year 2024 did not have documentation when the reconciliations were performed; therefore, we were unable to determine if the reconciliation were performed timely.
- 28 of 56 (50%) reconciliations of SB05 during the review period were not signed by the preparer and reviewer of the reconciliation. As a result, we could not determine who prepared and reviewed the reconciliation.
- 12 of 56 (21%) reconciliations of SB05 were completed 14 to 203 days late.

The Statewide Accounting Management System (SAMS) (Procedure 07.30.20) requires the Department to reconcile its records on a monthly basis within 60 days of the month end. The SAMS Procedure also notes the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. The Department's reconciliation is the primary control that ensures these requirements are being satisfied.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

This finding was first reported during the period ended June 30, 2014. In the subsequent years, the Department has been unsuccessful in implementing adequate corrective action.

Department management indicated, as they did in the prior examination, these issues were due to oversight, and failure to properly document the dates when the reconciliations were performed.

Failure to prepare and review the reconciliations in a timely manner could result in errors not being timely detected and corrected, hinders accountability over State funds, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2024-012, 2022-012, 2020-006, 2018-005, 2016-009, 2014-006)

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-012 **FINDING** (Inadequate Controls over Monthly Reconciliations) (Continued)

RECOMMENDATION

We recommend the Department ensure monthly reconciliations of its activity to the Comptroller's records are timely performed, reviewed and documented properly.

DEPARTMENT RESPONSE

The Department agrees with the finding. The staff have been trained on proper reconciliation procedures, emphasizing manual documentation of preparation and review dates. Two levels of review are now required to ensure compliance with SAMS requirements.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-013 **FINDING** (Noncompliance with the Debt Transparency Act)

The Department of Military Affairs (Department) did not timely file its monthly Debt Transparency Reports (SCO-961 Report) with the Office of Comptroller (Comptroller).

During our testing of 24 monthly SCO-961 Reports that were due during the examination period, we noted three (13%) Reports were submitted to the Comptroller between 1 to 4 days late.

The State Finance Act (30 ILCS 105/9.08(a)) requires each State agency to provide each month a SCO-961 Report to the Comptroller identifying: (i) current State liabilities held at the agency, by fund source; (ii) whether the liabilities are appropriated; and (iii) an estimate of interest penalties accrued under the State Prompt Payment Act under criteria prescribed by the Comptroller.

In addition, the Statewide Accounting Management System (Procedure 33.17.20) requires the Board to file the SCO-961 Report on the 10th calendar day of each month.

Department management indicated the late submission of the Reports were due to key employee turnover.

Failure to submit SCO-961 Reports on a timely basis inhibits the Comptroller's ability to accumulate meaningful information on liabilities of the State and resulted in noncompliance with State laws. (Finding Code No. 2024-013)

RECOMMENDATION

We recommend the Department strengthen its controls to ensure SCO-961 Reports are timely filed with the Comptroller.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department notes that all late reports were submitted within 4 days after the due date. Cross-training initiatives and internal monitoring have been implemented to improve the timeliness of report submissions going forward.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-014 **FINDING** (Inadequate Controls over Employee Records)

The Department of Military Affairs (Department) did not maintain adequate controls over employee records.

During our testing of employee files for Fiscal Years 2023 and 2024, we noted the following:

Performance Evaluation

- One of 22 (5%) employees did not have a performance evaluation timely completed in Fiscal Year 2023. The performance evaluation was approved by the Department's Head 418 days after the evaluation date.

The Illinois Administrative Code (80 Ill. Adm. Code 302.270) requires performance records include an evaluation of employee performance prepared by each agency on prescribed forms not less often than annually.

Leave Accrual

- Four of 22 (18%) employees' vacation time accruals had mathematical errors resulting in misstatements from the employees' leave balances from being understated by 0.75 hours to overstated by 15.75 hours.

Good internal controls over time and attendance include ensuring accrued benefit time is properly calculated. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance that accrued benefit time is properly calculated.

Employment Eligibility Verification (I-9) forms

- One of 22 (5%) employees' I-9 form was completed and signed by the newly hired employee two days after the first day of employment.

According to the instructions for Form I-9 published by the Department of Homeland Security (OMB No. 1615-0047), employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before acceptance of an offer of employment. The employer is responsible for ensuring that all parts of Form I-9 are properly completed.

Department management indicated, as they did in the prior examination, exceptions were due to employee error and oversight.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-014 **FINDING** (Inadequate Controls over Employee Records) (Continued)

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees, and serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. Failure to ensure accrued leave balances are properly calculated can result in employees using benefit time they do not have and reduces the overall reliability of Statewide financial reporting of the compensated absences liability. Further, failure to properly complete Form I-9 results in noncompliance with Federal regulations. (Finding Code No. 2024-014, 2022-014)

RECOMMENDATION

We recommend the Department strengthen procedures to ensure timely performance of employee evaluations, accurate calculation of accrued benefit time, and timely completion of I-9 forms.

DEPARTMENT RESPONSE

The Department agrees with the finding. The incorrect approval date on the performance evaluation was due to a clerical error, with the year mistakenly recorded as 2024 instead of 2023.

Errors in leave balances resulted from employee oversight during manual corrections of a Department-wide payroll system issue. The volume and complexity of adjustments contributed to the miscalculations. Additional validation procedures have been implemented to prevent future errors.

The delay in completing an employee's I-9 Form was due to an unforeseen building issue that required remote work on the start date. The form was completed upon the employee's return two days later.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-015 **FINDING** (Inaccurate Agency Workforce Reports)

The Department of Military Affairs (Department) did not include complete and accurate information on its Agency Workforce Report (Report) submissions to the Governor's Office and the Office of the Secretary of State during the examination period.

During testing, we noted the Department inaccurately calculated totals and percentage totals in both Reports filed during the examination period.

In addition, during our prior examination of the two years ended June 30, 2022, we noted problems with the Department's Report for both Fiscal Year 2020 and Fiscal Year 2021 as described in Finding 2022-015. As such, we recommended the Department file corrected Report for these years with the Governor's Office and the Office of the Secretary of State within 30 days after the Department's Compliance Examination report released by the Auditor General. However, we noted the Department did not file the corrected Reports with the Governor's Office and Office of the Secretary of State for either fiscal year.

The State Employment Records Act (5 ILCS 410/15) requires the Agency Workforce Report to collect and maintain the total number of persons employed by the Department who are part of the State workforce, and the number and statistical percentage of women, minorities, and persons with physical disabilities employed within the agency workforce.

In addition, the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) requires the Department to prepare and file with the Governor and the Secretary of State a corrected Report within 30 days after the Department's Compliance Examination report was released by the Auditor General.

Department management indicated these issues were due to employee error and oversight on filing the corrected reports.

Failure to include complete and accurate information on each annual Report could deter efforts by State officials, administrators, and residents to achieve a more diversified State workforce. In addition, failure to file the corrected Report for both Fiscal Year 2020 and Fiscal Year 2021 resulted in the Governor's Office and Office of the Secretary having inaccurate information about the Department's workforce and resulted in noncompliance with the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)). (Finding Code No. 2024-015, 2022-015)

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-015 **FINDING** (Inaccurate Agency Workforce Reports) (Continued)

RECOMMENDATION

We recommend the Department prepare its annual Report in accordance with the requirements of the State Employment Records Act. In addition, we recommend the Department file corrected reports for Fiscal Years 2020-2023 within 30 days after the release of this compliance examination report with both the Governor's Office and the Secretary of State, as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)).

DEPARTMENT RESPONSE

The Department agrees with the finding. The error in the workforce report was due to a one-time human calculation error and does not reflect a systemic issue or internal control deficiency. To prevent future occurrences, the Department has implemented additional review procedures to ensure greater accuracy prior to report submission.

The Department will ensure corrected Workforce Reports for FYs 2020-2022 will be submitted to the Governor's Office and the Office of the Secretary of State by July 15, 2025. Additionally, the errors noted on the FY 2023 – 2024 Compliance Examination will be submitted to the appropriate offices within 30 days of the release of the report.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024

2024-016 **FINDING** (Failure to Fully Utilize the State’s Enterprise Resource Planning System)

The Department of Military Affairs (Department) did not utilize all capabilities of the State’s Enterprise Resource Planning (ERP) System which resulted in unnecessary inefficiency.

The State’s implementation of an ERP centralized the finance, procurement, grants management, and asset management processes by replacing outdated manual systems and technologies. The ERP can enhance transparency of data, reduce processing time, and improve the timeliness of financial reporting. During the examination period, the ERP’s processing integrity was sufficient to enable reliance upon ERP’s processing of transactions.

For commodities and property inventories, the ERP has several functionalities which reduce the amount of manual transactions and processing time, such as the “shopping cart” feature that creates a purchase order, tracks receipt of the goods or service along with the vendor’s related invoice, helps generate the voucher fields necessary for the processing of payment to the vendor, records inventory and property transactions, and enables financial reporting to the Comptroller’s Office.

During our examination, we noted the following:

- The Department billed entities for various services; however, the Department did not fully utilize the Public Sector Collection & Disbursements (PSCD) - Accounts Receivable ERP module. The PSCD maintains transactions related to accounts receivable. The Department’s accounts receivable amounted to approximately \$1.8 million and \$0.7 million as of June 30, 2023 and June 30, 2024, respectively.
- The Department purchased commodities and supplies from vendors; however, the Department did not fully utilize the Material Management and Warehouse Management ERP modules. The Material Management records transactions related to the purchase of commodities and supplies. Warehouse Management maintains, tracks and processes movement of goods and inventory.

Government Auditing Standards (§ 1.02) states the concept of accountability for use of public resources and government authority is key to our nation’s governing processes. Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-016 **FINDING** (Failure to Fully Utilize the State's Enterprise Resource Planning System) (Continued)

effectively, efficiently, economically, and ethically within the context of the statutory boundaries of the specific government program.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws. Good internal controls over compliance include ensuring the full capabilities of the ERP are used to efficiently process, record, and report transactions.

Department management indicated these deficiencies were due to challenges in integrating the ERP's functionalities with their established business processes.

Failure to fully utilize the State's ERP could result in outdated systems not being supported, untimely financial information and the lack of full transparency and result in the inefficient usage of State resources. (Finding Code No. 2024-016, 2022-016)

RECOMMENDATION

We recommend the Department work with the Department of Innovation and Technology to transition and fully utilize the PSCD - Accounts Receivable, Material Management, and Warehouse Management modules of the ERP.

DEPARTMENT RESPONSE

The Department agrees with the finding. Initially, the Department did not utilize the ERP shopping cart feature due to operational constraints. Upon reevaluation, the Department has conducted multiple training sessions and plans to implement the full capabilities of the Accounts Receivable module within ERP by July 1, 2025, to enhance efficiency and alignment with ERP best practices. The Department has conducted additional training and has begun use of the shopping cart functionality within the Material Management and Warehouse modules.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2024

A. **FINDING** (Weaknesses in Preparation of GAAP Reporting Forms)

During the prior examination, the Department did not correctly report federal grant financial information in the year-end Generally Accepted Accounting Principles (GAAP) Reporting Packages to the Office of Comptroller and in the Schedule of Expenditures of Federal Awards (SEFA).

During the current examination, our testing indicated the Department properly reported federal grant financial information in the year-end GAAP Reporting Packages to the Office of Comptroller and in the SEFA. (Finding Code No. 2022-004, 2020-004)

B. **FINDING** (Failure to Provide Records of Compliance with Statutory Mandates)

During the prior examination, the Department did not provide adequate documentation or support for testing compliance with multiple statutory mandates. Specifically, the Department could not provide support to verify the termination of officer's commissions. In addition, the Department could not provide requested documents of mandates selected for testing.

During the current examination, the Department provided support for and documentation of mandates selected for testing. (Finding Code No. 2022-006)

C. **FINDING** (Inadequate Controls over the Identification of Leases under Statement No. 87 of the Governmental Accounting Standards Board)

During the prior examination, the Department did not have adequate controls in place to support the implementation of Statement No. 87 of the Governmental Accounting Standards Board (GASB 87).

During the current examination, our sample testing indicated the Department's internal controls to support the implementation of GASB 87 had improved since the last examination. (Finding Code No. 2022-007)

D. **FINDING** (Noncompliance with the Civil Administrative Code of Illinois and African American Employment Plan Act)

During the prior examination, the Department failed to fully comply with the requirements of the Civil Administrative Code of Illinois (Code) and African American Employment Plan Act (Act). Specifically, the Department did not submit the 2021 annual report on the State Hispanic Employment Plan, the State Asian-American Employment Plan, the African American Employment Plan, and the Native American Employment Plan to the Department of Central Management Services and the Department of Human Rights on forms prescribed by these Departments.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2024

During the current examination, our sample testing indicated the Department complied with the Code and the Act regarding submission of the annual report. (Finding Code No. 2022-013)

E. **FINDING** (Inadequate Computer Security Controls)

During the prior examination, the Department had not established adequate computer security controls. Specifically, the Department's user access rights for Central Time and Attendance System and eTime were not periodically reviewed.

During the current examination, our sample testing of the Department's computer security controls over user access rights had improved since the last examination. (Finding Code No. 2022-017, 2020-015)

F. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

During the prior examination, the Department had not implemented adequate internal controls related to its cybersecurity programs and practices.

During the current examination, no exceptions were noted during our testing of the Department's cybersecurity programs and practices. (Finding Code 2022-018, 2020-016)