

**STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2004

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2004

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STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2004

AGENCY OFFICIALS

ILLINOIS DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE

| | |
|--|-------------------------------|
| Executive Director (March 3, 2003 through present) | Mr. Roy Dolgos |
| Executive Director (July 1, 2002 through March 2, 2003) | Mr. John Johnston |
| Assistant Director (August 1, 2003 through present) | Ms. Rochelle Crump |
| Assistant Director (July 1, 2002 through August 15, 2003) | Mr. George Cramer |
| Deputy Director for Programs and Services (May 1, 2003 through present) | (position eliminated) |
| Deputy Director for Programs and Services (July 1, 2002 through April 30, 2003) | Mr. Harold Fritz |
| Deputy Director for Operations (May 1, 2003 through present) | (position eliminated) |
| Deputy Director for Operations (July 1, 2002 through April 30, 2003) | Mr. Daniel Boatright |
| Fiscal Officer | Mr. Curt Stephens |
| Legislative Liaison | Ms. Lisa Tisdale |
| Chief Internal Auditor (January 1, 2003 through present) | (position transferred to CMS) |
| Chief Internal Auditor (July 1, 2002 through December 31, 2002) | Mr. Don Bullerman |

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2004

CENTRAL OFFICE LOCATIONS

833 South Spring Street
P.O. Box 19432
Springfield, IL 62794-9432

James R. Thompson Center
100 West Randolph
Suite 4-650
Chicago, IL 60601-3219



STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS

P.O. BOX 19432, 833 S. SPRING STREET, SPRINGFIELD, ILLINOIS 62794-9432
TELEPHONE: 217/782-6641 * FAX: 217/524-0344 * TDD:217/524-4645

ROD R. BLAGOJEVICH
GOVERNOR

ROY L. DOLGOS
DIRECTOR

MANAGEMENT ASSERTION LETTER

Office of the Auditor General
Iles Park Plaza
740 East Ash
Springfield, Illinois
62703-3154

October 28, 2004

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Agency. 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 Agency's compliance with the following assertions during the two-year period ended June 30, 2004. Based on this evaluation, we assert that during the year(s) ended June 30, 2003 and June 30, 2004, the Agency has materially complied with the assertions below.

- A. The agency 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 agency 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 agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the agency 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. The money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the

accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

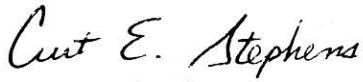
Yours very truly,

Illinois Department of Veterans' Affairs



Roy L. Dolgos

Director



Curt E. Stephens

Fiscal Officer

COMPLIANCE REPORT

SUMMARY

The compliance testing performed in this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

| <u>Number of</u> | <u>This Report</u> | <u>Prior Report</u> |
|---|--------------------|---------------------|
| Findings | 3 | 2 |
| Repeated findings | 0 | 0 |
| Prior recommendations implemented or not repeated | 2 | 4 |

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> |
|--|-------------|--|
| FINDINGS (STATE COMPLIANCE) | | |
| 04-1 | 9 | Efficiency initiative payments |
| 04-2 | 12 | Inadequate monitoring procedures |
| 04-3 | 14 | Inadequate controls over telecommunications |
| PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE) | | |
| 04-4 | 17 | Equipment control deficiencies |
| 04-5 | 17 | Noncompliance with internal audit requirements |

EXIT CONFERENCE

The Department declined a formal exit conference in a letter dated February 4, 2005. Responses to the recommendations were provided by Curt Stephens in a letter dated February 10, 2005.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Department of Veterans' Affairs – Central Office's (Department) compliance with the 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, 2004. The management of the State of Illinois, Department of Veterans' Affairs – Central Office is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Veterans' Affairs – Central Office compliance based on our examination.

- A. The State of Illinois, Department of Veterans' Affairs – Central Office 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 State of Illinois, Department of Veterans' Affairs – Central Office 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 State of Illinois, Department of Veterans' Affairs – Central Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the State of Illinois, Department of Veterans' Affairs – Central Office 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 State of Illinois, Department of Veterans' Affairs – Central Office on behalf of the State or held in trust by the State of Illinois, Department of Veterans' Affairs – Central Office 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 the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Department of Veterans' Affairs – Central Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Department of Veterans' Affairs – Central Office's compliance with specified requirements.

In our opinion, the State of Illinois, Department of Veterans' Affairs – Central Office complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2004. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 04-1 and 04-3.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter.

Internal Control

The management of the State of Illinois, Department of Veterans' Affairs – Central Office is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois, Department of Veterans' Affairs – Central Office's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 04-1, 04-2 and 04-3.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2003 and 2004 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2002 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA
Compliance Audit Director

October 28, 2004

04-1. **FINDING** (Efficiency initiative payments)

The Department of Veterans’ Affairs (Department) made payments for efficiency initiative billings from improper line item appropriations.

Public Act 93-0025, in part, outlines a program for efficiency initiatives to reorganize, restructure and reengineer the business processes of the State. The State Finance Act details that the amount designated as savings from efficiency initiatives implemented by the Department of Central Management Services (CMS) shall be paid into the Efficiency Initiatives Revolving Fund. “State agencies shall pay these amounts...from the line item appropriations where the cost savings are anticipated to occur.” (30 ILCS 105/6p-5)

During FY04, the Department received four billings totaling \$1,231,892 from CMS for savings from efficiency initiatives. The initiatives and amounts billed to the Department were:

| Billing Date | Initiative | Billed Amount |
|---------------|-------------------------------------|--------------------|
| 9/19/03 | Procurement Efficiency | \$732,355 |
| 9/19/03 | Information Technology | \$111,211 |
| 9/19/03 | Vehicle Fleet Management | \$24,382 |
| 5/14/04 | Facilities Management Consolidation | \$363,944 |
| Total: | | \$1,231,892 |

The Department did not receive guidance or documentation with the billings from CMS detailing from which line item appropriations savings were anticipated to occur. According to Department staff, they received no documentation or information from CMS detailing the nature and/or type of savings that CMS anticipated. The only guidance received was the amount of payments that should be taken from General Revenue Funds (\$848,348) versus Other Funds (\$19,600) for the September 2003 billings.

Based on our review, we question whether the appropriate appropriations, as required by the State Finance Act, were used to pay for the anticipated savings. For example, Vehicle Fleet Management Initiative billings were not paid from the Department’s Operation of Auto Equipment appropriation. Similarly, Information Technology Initiative billings were not paid from EDP-related appropriation lines.

Rather, we found that the Department made payments for these billings not from line item appropriations where the cost savings were anticipated to have occurred but from line items that simply had available monies to make payments from. For example, the Department used:

- \$433,448 from an appropriation of \$1.3 million (33 percent) for the Illinois Veterans’ Home at Manteno that was appropriated by the General Assembly to the Department for an addition of 38 beds. The payment was applied to the Procurement Efficiency Initiative billing.

- \$434,500 from personal services line item appropriations (i.e., regular positions, retirement, social security) for staff positions at the Illinois Veterans’ Homes in Quincy and Manteno. These monies were applied to the Procurement Efficiency, Information Technology, and Vehicle Fleet Management initiatives. Additional personal services funds were used to pay the Facilities Management Consolidation billing.

The table below provides an illustration of the specific funds and line items the Department used to make payments for the efficiency initiatives. Additionally, the table illustrates which efficiency initiatives were paid from the various line item appropriations.

| Fund | Line Item Appropriation | Amount Paid | Total Appropriation for Line Item | Efficiency Initiative ¹ |
|---|--------------------------------------|-------------|-----------------------------------|------------------------------------|
| GRF | For Personal Services | \$673,800 | \$21,227,900 | P, IT, V, FAC |
| GRF | For Employer Paid Retirement | \$13,900 | \$696,600 | P |
| GRF | For Contributions to SERS | \$46,700 | \$2,340,300 | P |
| GRF | For Contributions to Social Security | \$64,044 | \$1,338,700 | P, FAC |
| GRF | For the Addition of 38 Beds | \$433,448 | \$1,300,000 | P |
| ¹ Legend: P-Procurement; IT-Information Technology; V-Vehicle Fleet Management; FAC-Facilities Management | | | | |

Use of appropriations unrelated to the cost savings initiatives results in non-compliance with the State Finance Act. Furthermore, use of appropriations for purposes other than those authorized by the General Assembly effectively negates a fundamental control established in State government. Finally, use of funds unrelated to the savings initiative may result in an adverse effect on services the Department provides.

According to staff from CMS, efficiency initiatives billings will continue into the next fiscal year. (Finding Code No. 04-1)

RECOMMENDATION

We recommend that the Department only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, the Department should seek an explanation from the Department of Central Management Services as to how savings levels were calculated, or otherwise arrived at, and how savings achieved or anticipated impact the Department’s budget.

DEPARTMENT RESPONSE

The Department of Veterans’ Affairs concurs with the finding that the payments for the efficiency initiative billings were made from improper line item appropriations. Payments for the supposed savings occurred from the line item appropriations that had sufficient funds rather than from the line item appropriations where savings were

anticipated to occur. However, this was a matter of necessity and the Department felt it had few options available other than to follow this course of action.

While one can logically reason that information technology savings should have come from the EDP line item appropriation and the vehicle fleet management savings should be taken from the operation of automotive line item, the procurement efficiency and facilities management consolidation savings offered little guidance or documentation detailing from which lines the payments were to be made.

One billing, the facilities management consolidation, was received near the end of the fiscal year. At that point, the majority of funds had already been expended for normal operating needs. Had this billing identified specific line items, it is quite likely that there would have been insufficient funds remaining in those line items to cover the cost of the efficiency initiative payment, thereby forcing the Department to voucher from the line items that had sufficient funding available.

Finally, some of the billings required payments that almost exceeded the entire appropriation for that line item. The Vehicle Fleet Management billing demanded that the entire \$24,382 be paid from General Revenue Funds (GRF). The entire GRF appropriation for the department's operation of automotive line for FY04 was \$24,800. By the time the Department had received this invoice, expenditures had already been made from this line that reduced the available funds below the required invoice of \$24,382. This same principle holds true for the other invoices. Had the Department paid the efficiency initiative invoices from the appropriations in which the savings were to be realized, the Department would be left with little or no funding with which to operate for the remainder of the fiscal year. The decision was that the Department would be better served to pay the invoices from the line items that were known to have sufficient funding.

Although the previous invoice forced the Department to pay from appropriations that could support the expenditures, the Department agrees that payments are to be made in compliance with the State Finance Act and from those line item appropriations where the savings are anticipated to occur. The Department recently received another efficiency initiative invoice for savings that were supposedly realized in the areas of household/cleaning supplies and office supplies. This invoice was split between divisions of the Department and vouchered out of the commodities line item appropriation and lump sum line item appropriation in the case of the Anna Veterans' Home.

04-2. **FINDING** (Inadequate monitoring procedures)

The Department of Veterans' Affairs (Department) did not have adequate monitoring procedures in place over all its contracts.

The Department did not adequately monitor an FY04 contract. The \$22,003 contract required the vendor to provide various procedural manuals for the purpose of determining eligibility for V.A. benefits (i.e. compensation and pension benefits, burial benefits, medical services, educational and vocational benefits, home loan benefits, and V.A. insurance). Additionally, the vendor was to represent clients of the Department in establishing eligibility for V.A. benefits, provide answers to requests for information on claims, represent clients in the appeal hearings and provide guidance and assistance to the Department's staff members relating to V.A. benefits. In addition, the vendor was required to submit quarterly reports summarizing and verifying the services provided during the quarter. The Department paid the \$22,003 contract amount in July 2003 but could not provide sufficient evidence that the vendor produced the various manuals, provided all services to Department clients, or provided the quarterly reports. The evidence provided by the Department only covered one aspect of the contractual requirements.

Good business practice requires a proper internal control structure be established to ensure all contract requirements are met before payment is made.

Department personnel stated the contract was established and negotiated by the previous administration and that the remaining contract deliverables cannot be located. According to the Department, this contract will not be renewed in subsequent years.

Inadequate monitoring of contracts could result in improper expenditures by the Department for services and reports not received. (Finding Code No. 04-2)

RECOMMENDATION

We recommend the Department adequately monitor its contracts to ensure all required items are received and reviewed before payments are made. Further, the Department should either obtain sufficient evidence that the contractual services were provided or request that the vendor reimburse the State if the services were not adequately performed.

DEPARTMENT RESPONSE

The Department concurs that they did not have adequate monitoring procedures in place for a contract. However, the Department argues that this should be immaterial as this finding is directed toward one contract in particular that was not renewed after fiscal year 2004.

The contract in question was established and negotiated by the previous administration and was the responsibility of the former Assistant Director to monitor to ensure that the vendor was meeting all requirements of the contract.

The new Assistant Director was unaware of this contract and, therefore, did not know to enforce compliance of the terms of the contract. Upon learning that the contract had been renewed for fiscal year 2004 and that the vendor was not meeting the terms of the contract, the current administration decided that the results and/or benefits of the contract did not justify the expense. The Department notified the vendor during fiscal year 2004 that the contract was not going to be renewed in the future.

The Department strongly believes that all other contracts are adequately monitored to ensure all required items are received and reviewed before payment is made.

04-3. **FINDING** (Inadequate controls over telecommunications)

The Department of Veterans' Affairs (Department) did not maintain adequate internal controls over telecommunications. The Department incurred telecommunication expenditures totaling \$103,866 in FY04 and \$93,527 in FY03. We noted the following:

- The Department did not have a telecommunications device for the deaf installed and operational.

The Department of Central Management Services (DCMS) Telecommunications Guidelines and Procedures Manual requires all State agencies to have a minimum of one such device installed and operational to provide public access to agency information for those persons who are hearing and/or speech impaired.

Department personnel stated they were not aware that the device was no longer installed or operational. Personnel further stated a new device would be ordered and installed.

Failure to have a telecommunications device for the deaf properly installed and operational limits telecommunication access for those persons who are hearing and/or speech impaired.

- The Department did not have adequate procedures in place to monitor the use of State phones.

We noted that the Department had not reviewed the detail of phone bills for personal or unauthorized long distance calls since December 2002, when the internal auditor left his position.

The DCMS Telecommunications Guidelines and Procedures Manual requires that each agency monitor expenditures to ensure that unnecessary expenditures are eliminated.

Department management stated that reviewing phone bills was always a function of the Department's internal auditor. Management further stated that because of the State's decision to consolidate the internal audit function, the Department was not permitted to replace its internal auditor and no other staff was assigned to review phone bills.

Failure to review monthly telephone bills could result in abuse of phone privileges and the Department paying for unauthorized personal phone expenses.

- The Department did not have adequate controls over the revocation of telephone credit cards.

We tested 20 (100%) credit card cancellations and noted that 13 (65%) cards issued to former employees were not canceled timely. The cancellations for these cards were filed with the Department of Central Management Services (DCMS) 200 to 863 days

late. There were no telephone expenditures charged to the cards after the date of the employees' termination.

Good business practices dictate that telephone credit cards be canceled immediately after the determination that the card is no longer necessary.

Department personnel stated that the untimely canceling of cards is primarily due to oversight. After discovering that there were outstanding cards that had been issued to former employees, the telephone credit card list was immediately updated.

Failure to cancel telephone credit cards timely can create a potential for misuse of State funds through inappropriate and unauthorized phone charges. (Finding Code No. 04-3)

RECOMMENDATION

We recommend the Department have a telecommunications device for the deaf installed and operational to comply with DCMS Guidelines. The Department should also establish procedures to review billing details before payments are made. Further, the Department should establish controls over the revocation of telephone credit cards.

DEPARTMENT RESPONSE

The Department concurs with the three findings that (1) the Department did not have a telecommunication device for the deaf installed, (2) the Department did not have adequate procedures in place to monitor the use of state phones, and (3) the Department did not have adequate controls over the revocation of telephone calling cards. However, the Department argues that this should be an immaterial finding as the three findings considered separately are not significant violations and involve three distinctly unique aspects of telecommunications. They should not be grouped together and considered as a single infraction.

Central office fiscal staff knew a TDD telecommunications device for the deaf and hard of hearing was at the front desk but was not made aware by the receptionist that the unit was not in working order. Upon learning that this unit was in disrepair, the decision was made to purchase a new model rather than repair the existing unit that was obsolete. A telecommunications device for the deaf and hard of hearing is now installed and operational.

The reviewing of telephone bills for personal and unauthorized long distance phone calls was always a function of the internal auditor. This individual retired in December 2002, and the Department was never given approval to replace him. The internal auditor position was consolidated in fiscal year 2004 into the Office of Internal Audit. The Department requested assistance with this function and was informed that this was not a function of this consolidated office. Increasing workloads and limited staff ultimately resulted in this function being considered less critical than other duties. The Department

agrees that a review of the telephone bills for abuses should be in place and has assigned this duty to the telecommunications coordinator. All future phone bills will be reviewed and justification or reimbursement will be received for all questionable or unauthorized calls.

The Department agrees that the revocation/cancellation of telephone calling cards were not done on a timely basis following an employee's termination of employment. The telecommunications coordinator has established procedures to immediately determine if an employee has a telephone credit card and to cancel said credit card upon employee's final day of employment with the Department.

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

04-4. **FINDING** (Equipment control deficiencies)

During the prior audit, the Department of Veterans' Affairs – Central Office (Department) could not provide documentation of property and equipment assets under the capitalization threshold. Item descriptions did not match the Department's property control inventory records. Items were deleted but were not properly reported to the Department of Central Management Services (CMS) as required. Software was recorded on and removed from the Department's property control inventory records at a lower amount than the invoice amount, with no explanation. Five items did not have proper identification or equipment tags.

During the current examination period, the Department provided documentation of property and equipment assets under the capitalization threshold. There were no significant problems noted during testing of descriptions not matching the Department's property control inventory records. There were no significant problems noted during testing in which there were deleted items that were not reported to CMS, or any instances noted with inventory being recorded at a lower amount than the invoice amount. There were no significant problems noted during testing of items that did not have proper identification or tags. (Finding Code No. 02-1)

04-5. **FINDING** (Noncompliance with internal audit requirements)

During the prior audit, the Department did not conduct an internal audit of all major systems of internal administrative and accounting controls.

During the current examination period, responsibility for conducting internal audits was transferred to the Illinois Office of Internal Audits within the Department of Central Management Services. (Finding Code No. 02-2)

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Expenditures of Federal Awards
- Notes to the Schedule of Expenditures of Federal Awards
- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Efficiency Initiative Payments
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Accounts Receivable

- Analysis of Operations:

- Agency Functions and Planning Program
- Average Number of Employees
- Service Efforts and Accomplishments

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2003 and the 2004 Supplementary Information for State Compliance Purposes, except for information on Service Efforts and Accomplishments on which they did not perform any procedures. However, the auditors do not express an opinion on the supplementary information.

We have not applied procedures to the 2002 Supplementary Information for the State Compliance Purposes, and accordingly, we do not express an opinion thereon.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30,
(amounts expressed in thousands)

| Federal Grantor/Division/Program Title | Federal CFDA Number | 2004 | 2003 |
|--|------------------------------------|-------------------------|-------------------------|
| U.S Department of Veterans' Affairs | | | |
| State Library Program | 45.310 | \$ - | \$ 25 |
| Total State Library Program | | <u>\$ -</u> | <u>\$ 25</u> |
| Anna Veterans' Home - Veterans State Domiciliary Care | 64.014 | \$ 77 | \$ 55 |
| Manteno Veterans' Home - Veterans State Domiciliary Care | 64.014 | 3 | 17 |
| Quincy Veterans' Home - Veterans State Domiciliary Care | 64.014 | 399 | 404 |
| Total State Domiciliary Care | | <u>\$ 479</u> | <u>\$ 476</u> |
| Anna Veterans' Home - Veterans State Nursing Home Care | 64.015 | \$ 1,030 | \$ 980 |
| LaSalle Veterans' Home - Veterans State Nursing Home Care | 64.015 | 2,280 | 2,273 |
| Manteno Veterans' Home - Veterans State Nursing Home Care | 64.015 | 6,225 | 5,755 |
| Quincy Veterans' Home - Veterans State Nursing Home Care | 64.015 | 9,021 | 9,312 |
| Total State Nursing Home Care | | <u>\$ 18,556</u> | <u>\$ 18,320</u> |
| All-Volunteer Force Educational Assistance | 64.124 | \$ 659 | \$ 591 |
| Total All-Volunteer Force Educational Assistance | | <u>\$ 659</u> | <u>\$ 591</u> |
| U.S. Department of Veterans' Affairs Total | | <u>\$ 19,694</u> | <u>\$ 19,412</u> |
| Total Expenditures of Federal Awards | | <u><u>\$ 19,694</u></u> | <u><u>\$ 19,412</u></u> |

Note: The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal assistance of the Department of Veterans' Affairs (Department) for the two years ended June 30, 2004.

B. Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

2. DESCRIPTION OF GRANT PROGRAMS

The following is a brief description of the grant programs included in the Schedule of Expenditures of Federal Awards.

State Library Program – CFDA # 45.310

Objectives are to promote improvement in library services in all types of libraries to better serve the people of the United States, to facilitate access to resources in all types of libraries for the purpose of cultivating an educated and informed citizenry, and to encourage resource sharing among all types of libraries for the purpose of achieving economical and efficient delivery of library services to the public.

Veterans State Domiciliary Care – CFDA # 64.014

Objective is to provide financial assistance to States furnishing domiciliary care to eligible veterans in State Veterans' Homes, which meet the standards prescribed by the Secretary of Veterans Affairs.

Veterans State Nursing Home Care – CFDA # 64.015

Objective is to provide financial assistance to States furnishing nursing home care to eligible veterans in State Veterans' Homes, which meet the standards prescribed by the Secretary of Veterans Affairs.

All-Volunteer Force Educational Assistance – CFDA # 64.124

Objectives are to help servicepersons readjust to civilian life after their separation from military service and to assist in the recruitment and retention of highly qualified personnel in the active and reserve components in the Armed Forces by providing education benefits.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended June 30, 2004

3. PASS-THROUGH AND SUBRECIPIENT AWARDS

The Department receives all of its federal assistance directly from the U.S. Department of Veterans' Affairs, and does not provide any awards to subrecipients.

4. NONCASH AWARDS

The Department does not receive any noncash rewards.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2003

| P.A. 92-0538 FISCAL YEAR 2003 | Appropriations (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|--|---|---------------------------------|--|---|---------------------------------|
| Central Office | | | | | |
| General Revenue Fund - 0001 | | | | | |
| | | | | | |
| Personal Services | \$ 1,744,200 | \$ 1,529,864 | \$ 51,717 | \$ 1,581,581 | \$ 162,619 |
| Employee Retirement | | | | | |
| Contributions Paid by Employer | 69,800 | 55,732 | 1,996 | 57,728 | 12,072 |
| State Contribution to State | | | | | |
| Employees' Retirement System | 184,900 | 157,833 | 5,340 | 163,173 | 21,727 |
| State Contributions to Social Security | 130,200 | 115,589 | 3,900 | 119,489 | 10,711 |
| Contractual Services | 386,100 | 365,915 | 7,684 | 373,599 | 12,501 |
| Travel | 19,600 | 13,993 | 2,149 | 16,142 | 3,458 |
| Commodities | 10,100 | 9,164 | 559 | 9,723 | 377 |
| Printing | 7,400 | 4,844 | 0 | 4,844 | 2,556 |
| Equipment | 2,000 | 1,377 | 162 | 1,539 | 461 |
| Electronic Data Processing | 717,100 | 621,864 | 68,225 | 690,089 | 27,011 |
| Telecommunications | 34,000 | 21,929 | 4,834 | 26,763 | 7,237 |
| Operation of Automotive Equipment | 9,500 | 6,035 | 2,009 | 8,044 | 1,456 |
| Patriotic Promotional Items | 10,000 | 3,861 | 4,601 | 8,462 | 1,538 |
| MIA/POW Scholarships | 844,900 | 820,906 | 23,994 | 844,900 | 0 |
| Bonus Payments to War Veterans | 125,000 | 49,987 | 3,426 | 53,413 | 71,587 |
| Educational Opportunities | 177,500 | 114,250 | 4,500 | 118,750 | 58,750 |
| Specially Adapted Housing | 129,000 | 120,000 | 0 | 120,000 | 9,000 |
| Cartage & Erection of Veterans' Headstones | 680,000 | 445,359 | 77,200 | 522,559 | 157,441 |
| Cartage & Erection of Veterans' Headstones-PY | 55,000 | 29,055 | 1,100 | 30,155 | 24,845 |
| Total Central Office, General Revenue Fund for Fiscal Year 2003 | \$ 5,336,300 | \$ 4,487,557 | \$ 263,396 | \$ 4,750,953 | \$ 585,347 |

Note: Appropriations, expenditures, and lapsed balances were obtained from records of the State Comptroller and have been reconciled to Department records.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2003

| P.A. 92-0538 FISCAL YEAR 2003 | Appropriations (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|---|---|---------------------------------|--|---|---------------------------------|
| Central Office | | | | | |
| National World War II Fund - 0727 | | | | | |
| | | | | | |
| Construction & Maintenance of WWII Memorial | \$ 350,000 | \$ 0 | \$ 199,078 | \$ 199,078 | \$ 150,922 |
| Total Central Office, National World War II Fund for Fiscal Year 2003 | <u>\$ 350,000</u> | <u>\$ 0</u> | <u>\$ 199,078</u> | <u>\$ 199,078</u> | <u>\$ 150,922</u> |
| Total of Central Office for Fiscal Year 2003 | <u>\$ 5,686,300</u> | <u>\$ 4,487,557</u> | <u>\$ 462,474</u> | <u>\$ 4,950,031</u> | <u>\$ 736,269</u> |
| Veterans' Field Services | | | | | |
| General Revenue Fund - 0001 | | | | | |
| | | | | | |
| Personal Services | \$ 2,864,700 | \$ 2,438,973 | \$ 151,718 | \$ 2,590,691 | \$ 274,009 |
| Employee Retirement | | | | | |
| Contributions Paid by Employer | 114,600 | 94,548 | 4,054 | 98,602 | 15,998 |
| State Contribution to State | | | | | |
| Employees' Retirement System | 303,700 | 253,739 | 16,358 | 270,097 | 33,603 |
| State Contributions to Social Security | 212,700 | 179,883 | 11,753 | 191,636 | 21,064 |
| Contractual Services | 333,200 | 296,319 | 4,516 | 300,835 | 32,365 |
| Travel | 50,700 | 39,284 | 3,947 | 43,231 | 7,469 |
| Commodities | 15,600 | 12,757 | 444 | 13,201 | 2,399 |
| Printing | 8,000 | 6,660 | 0 | 6,660 | 1,340 |
| Equipment | 9,700 | 966 | 1,540 | 2,506 | 7,194 |
| Electronic Data Processing | 37,700 | 24,442 | 2,723 | 27,165 | 10,535 |
| Telecommunications | 73,100 | 54,937 | 7,232 | 62,169 | 10,931 |
| Operation of Automotive Equipment | 15,400 | 13,158 | 1,749 | 14,907 | 493 |
| Total of Veterans' Field Services Fund 001 for Fiscal Year 2003 | <u>\$ 4,039,100</u> | <u>\$ 3,415,666</u> | <u>\$ 206,034</u> | <u>\$ 3,621,700</u> | <u>\$ 417,400</u> |

Note: Appropriations, expenditures, and lapsed balances were obtained from records of the State Comptroller and have been reconciled to Department records.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2003

| P.A. 92-0538 FISCAL YEAR 2003 | Appropriations (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|--|---|---------------------------------|--|---|---------------------------------|
| State Approving Agency | | | | | |
| GI Education Fund - 0447 | | | | | |
| | | | | | |
| Personal Services | \$ 457,300 | \$ 343,880 | \$ 12,039 | \$ 355,919 | \$ 101,381 |
| Employee Retirement | | | | | |
| Contributions Paid by Employer | 18,300 | 13,357 | 481 | 13,838 | 4,462 |
| State Contribution to State | | | | | |
| Employees' Retirement System | 48,500 | 35,562 | 1,243 | 36,805 | 11,695 |
| State Contributions to Social Security | 35,000 | 22,385 | 908 | 23,293 | 11,707 |
| Group Insurance | 65,100 | 46,616 | 1,642 | 48,258 | 16,842 |
| Contractual Services | 33,500 | 24,348 | 6,466 | 30,814 | 2,686 |
| Travel | 27,100 | 18,621 | 474 | 19,095 | 8,005 |
| Commodities | 2,700 | 920 | 1,377 | 2,297 | 403 |
| Printing | 2,500 | 745 | 1,708 | 2,453 | 47 |
| Equipment | 18,000 | 14,941 | 2,502 | 17,443 | 557 |
| Electronic Data Processing | 7,000 | 3,589 | 3,248 | 6,837 | 163 |
| Telecommunications | 6,300 | 4,207 | 387 | 4,594 | 1,706 |
| Operation of Automotive Equipment | 5,800 | 4,816 | 530 | 5,346 | 454 |
| Total of State Approving Agency Fund 447 for Fiscal Year 2003 | \$ 727,100 | \$ 533,987 | \$ 33,005 | \$ 566,992 | \$ 160,108 |
| Grand Total all Divisions and Funds for Fiscal Year 2003 | \$ 10,452,500 | \$ 8,437,210 | \$ 701,513 | \$ 9,138,723 | \$ 1,313,777 |

Note: Appropriations, expenditures, and lapsed balances were obtained from records of the State Comptroller and have been reconciled to Department records.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2004

| P.A. 93-92 FISCAL YEAR 2004 | Appropriations (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|--|---|---------------------------------|--|---|---------------------------------|
| Central Office | | | | | |
| General Revenue Fund - 0001 | | | | | |
| | | | | | |
| Personal Services | \$ 1,422,218 | \$ 1,200,548 | \$ 220,459 | \$ 1,421,007 | \$ 1,211 |
| Employee Retirement | | | | | |
| Contributions Paid by Employer | 56,961 | 6,647 | 384 | 7,031 | 49,930 |
| State Contribution to State | | | | | |
| Employees' Retirement System | 191,104 | 109,885 | 0 | 109,885 | 81,219 |
| State Contributions to Social Security | 110,816 | 89,713 | 4,132 | 93,845 | 16,971 |
| Contractual Services | 390,990 | 375,790 | 10,979 | 386,769 | 4,221 |
| Travel | 25,976 | 16,210 | 7,014 | 23,224 | 2,752 |
| Commodities | 9,782 | 8,616 | 439 | 9,055 | 727 |
| Printing | 5,788 | 2,820 | 1,536 | 4,356 | 1,432 |
| Equipment | 46,894 | 335 | 24,008 | 24,343 | 22,551 |
| Electronic Data Processing | 681,665 | 567,971 | 100,316 | 668,287 | 13,378 |
| Telecommunications | 32,729 | 25,390 | 7,070 | 32,460 | 269 |
| Operation of Automotive Equipment | 10,888 | 9,885 | 657 | 10,542 | 346 |
| Patriotic Promotional Items | 0 | 0 | 0 | 0 | 0 |
| MIA/POW Scholarships | 844,900 | 677,230 | 167,670 | 844,900 | 0 |
| Bonus Payments to War Veterans | 100,000 | 35,355 | 489 | 35,844 | 64,156 |
| Educational Opportunities | 167,500 | 128,000 | 4,750 | 132,750 | 34,750 |
| Specially Adapted Housing | 123,000 | 94,638 | 15,000 | 109,638 | 13,362 |
| Cartage & Erection of Veterans' Headstones | 630,000 | 395,000 | 92,795 | 487,795 | 142,205 |
| Cartage & Erection of Veterans' Headstones-PY | 35,000 | 24,500 | 2,000 | 26,500 | 8,500 |
| Total Central Office, General Revenue Fund for Fiscal Year 2004 | \$ 4,886,211 | \$ 3,768,533 | \$ 659,698 | \$ 4,428,231 | \$ 457,980 |

Note: Appropriations, expenditures, and lapsed balances were obtained from records of the State Comptroller and have been reconciled to Department records.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2004

| P.A. 93-92 FISCAL YEAR 2004 | Appropriations (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|---|---|---------------------------------|--|---|---------------------------------|
| Central Office | | | | | |
| National Museum Library Fund - 0165 | | | | | |
| | | | | | |
| Museum & Library | \$ 100,000 | \$ 40,934 | \$ 0 | \$ 40,934 | \$ 59,066 |
| Total Central Office, National Museum Library Fund for Fiscal Year 2004 | <u>\$ 100,000</u> | <u>\$ 40,934</u> | <u>\$ 0</u> | <u>\$ 40,934</u> | <u>\$ 59,066</u> |
| Total of Central Office for Fiscal Year 2004 | <u>\$ 4,986,211</u> | <u>\$ 3,809,467</u> | <u>\$ 659,698</u> | <u>\$ 4,469,165</u> | <u>\$ 517,046</u> |
| Veterans' Field Services | | | | | |
| General Revenue Fund - 0001 | | | | | |
| | | | | | |
| Personal Services | \$ 2,325,200 | \$ 1,974,064 | \$ 264,340 | \$ 2,238,404 | \$ 86,796 |
| Employee Retirement | | | | | |
| Contributions Paid by Employer | 93,000 | 74,078 | 3,173 | 77,251 | 15,749 |
| State Contribution to State | | | | | |
| Employees' Retirement System | 312,500 | 190,366 | 0 | 190,366 | 122,134 |
| State Contributions to Social Security | 167,500 | 145,394 | 7,739 | 153,133 | 14,367 |
| Contractual Services | 308,900 | 292,769 | 5,869 | 298,638 | 10,262 |
| Travel | 56,000 | 37,525 | 17,795 | 55,320 | 680 |
| Commodities | 11,400 | 8,772 | 268 | 9,040 | 2,360 |
| Printing | 6,000 | 1,921 | 1,235 | 3,156 | 2,844 |
| Equipment | 18,700 | 2,988 | 14,206 | 17,194 | 1,506 |
| Electronic Data Processing | 44,200 | 27,215 | 16,409 | 43,624 | 576 |
| Telecommunications | 63,100 | 54,067 | 6,216 | 60,283 | 2,817 |
| Operation of Automotive Equipment | 13,900 | 6,107 | 507 | 6,614 | 7,286 |
| Total of Veterans' Field Services Fund 001 for Fiscal Year 2004 | <u>\$ 3,420,400</u> | <u>\$ 2,815,266</u> | <u>\$ 337,757</u> | <u>\$ 3,153,023</u> | <u>\$ 267,377</u> |

Note: Appropriations, expenditures, and lapsed balances were obtained from records of the State Comptroller and have been reconciled to Department records.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2004

| P.A. 93-92 FISCAL YEAR 2004 | Appropriations (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|--|---|---------------------------------|--|---|---------------------------------|
| State Approving Agency | | | | | |
| GI Education Fund - 0447 | | | | | |
| | | | | | |
| Personal Services | \$ 473,900 | \$ 339,086 | \$ 16,643 | \$ 355,729 | \$ 118,171 |
| Employee Retirement | | | | | |
| Contributions Paid by Employer | 19,000 | 8,986 | 596 | 9,582 | 9,418 |
| State Contribution to State | | | | | |
| Employees' Retirement System | 63,700 | 45,933 | 2,238 | 48,171 | 15,529 |
| State Contributions to Social Security | 28,300 | 25,968 | 1,246 | 27,214 | 1,086 |
| Group Insurance | 88,000 | 51,639 | 2,521 | 54,160 | 33,840 |
| Contractual Services | 37,300 | 34,325 | 2,579 | 36,904 | 396 |
| Travel | 30,900 | 29,124 | 1,248 | 30,372 | 528 |
| Commodities | 5,800 | 5,437 | 20 | 5,457 | 343 |
| Printing | 3,300 | 2,648 | 0 | 2,648 | 652 |
| Equipment | 18,900 | 3,272 | 15,489 | 18,761 | 139 |
| Electronic Data Processing | 4,200 | 1,171 | 2,093 | 3,264 | 936 |
| Telecommunications | 11,200 | 8,637 | 2,486 | 11,123 | 77 |
| Operation of Automotive Equipment | 6,500 | 4,891 | 623 | 5,514 | 986 |
| Total of State Approving Agency Fund 447 for Fiscal Year 2004 | \$ 791,000 | \$ 561,117 | \$ 47,782 | \$ 608,899 | \$ 182,101 |
| Grand Total all Divisions and Funds for Fiscal Year 2004 | \$ 9,197,611 | \$ 7,185,850 | \$ 1,045,237 | \$ 8,231,087 | \$ 966,524 |

Note: Appropriations, expenditures, and lapsed balances were obtained from records of the State Comptroller and have been reconciled to Department records.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

| | Fiscal Year | | |
|---|---------------------|---------------------|---------------------|
| | 2004 | 2003 | 2002 |
| | P.A. 93-92 | P.A. 92-0538 | P.A. 92-0008 |
| Central Office | | | |
| General Revenue Fund - 0001 | | | |
| <u>Appropriations</u> | | | |
| (Net of Transfers) | \$ 4,886,211 | \$ 5,336,300 | \$ 9,294,400 |
| <u>Expenditures</u> | | | |
| Personal Services | \$ 1,421,007 | \$ 1,581,581 | \$ 1,641,175 |
| Employee Retirement | | | |
| Contributions Paid by Employer | 7,031 | 57,728 | 61,315 |
| State Contribution to State | | | |
| Employees' Retirement System | 109,885 | 163,173 | 164,867 |
| State Contributions to Social Security | 93,845 | 119,489 | 122,006 |
| Contractual Services | 386,769 | 373,599 | 379,566 |
| Travel | 23,224 | 16,142 | 12,098 |
| Commodities | 9,055 | 9,723 | 10,819 |
| Printing | 4,356 | 4,844 | 4,658 |
| Equipment | 24,343 | 1,539 | 3,952 |
| Electronic Data Processing | 668,287 | 690,089 | 695,138 |
| Telecommunications | 32,460 | 26,763 | 29,005 |
| Operation of Automotive Equipment | 10,542 | 8,044 | 8,849 |
| Patriotic Promotional Items | 0 | 8,462 | 9,471 |
| MIA/POW Scholarships | 844,900 | 844,900 | 804,763 |
| Bonus Payments to War Veterans | 35,844 | 53,413 | 31,108 |
| Educational Opportunities | 132,750 | 118,750 | 134,250 |
| Specially Adapted Housing | 109,638 | 120,000 | 120,000 |
| Cartage & Erection of Veterans' Headstones | 487,795 | 522,559 | 500,360 |
| Cartage & Erection of Veterans' Headstones-PY | 26,500 | 30,155 | 44,390 |
| Outreach for Veterans | 0 | 0 | 262,000 |
| USDVA Hosp-Long Term Care Beds | 0 | 0 | 9,600 |
| Village Investment Project | 0 | 0 | 237,000 |
| Total Expenditures | \$ 4,428,231 | \$ 4,750,953 | \$ 5,286,390 |
| <u>Lapsed Balances</u> | <u>\$ 457,980</u> | <u>\$ 585,347</u> | <u>\$ 4,008,010</u> |
| Central Office | | | |
| National Museum Library Fund - 0165 | | | |
| <u>Appropriations</u> | | | |
| (Net of Transfers) | \$ 100,000 | \$ 0 | \$ 0 |
| <u>Expenditures</u> | | | |
| Museum & Library | \$ 40,934 | \$ 0 | \$ 0 |
| Total Expenditures | \$ 40,934 | \$ 0 | \$ 0 |
| <u>Lapsed Balances</u> | <u>\$ 59,066</u> | <u>\$ 0</u> | <u>\$ 0</u> |

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

| | Fiscal Year | | |
|---|-------------------|-------------------|-------------------|
| | 2004 | 2003 | 2002 |
| | P.A. 93-92 | P.A. 92-0538 | P.A. 92-0008 |
| Central Office | | | |
| National World War II Fund - 0727 | | | |
| <u>Appropriations</u> | | | |
| (Net of Transfers) | \$ 0 | \$ 350,000 | \$ 0 |
| <u>Expenditures</u> | | | |
| Construction & Maintenance of WWII Memorial | \$ 0 | \$ 199,078 | \$ 0 |
| Total Expenditures | \$ 0 | \$ 199,078 | \$ 0 |
| <u>Lapsed Balances</u> | <u>\$ 0</u> | <u>\$ 150,922</u> | <u>\$ 0</u> |
| Veterans' Field Services | | | |
| General Revenue Fund - 0001 | | | |
| <u>Appropriations</u> | | | |
| (Net of Transfers) | \$ 3,420,400 | \$ 4,039,100 | \$ 4,260,100 |
| <u>Expenditures</u> | | | |
| Personal Services | \$ 2,238,404 | \$ 2,590,691 | \$ 2,520,206 |
| Employee Retirement | | | |
| Contributions Paid by Employer | 77,251 | 98,602 | 98,263 |
| State Contribution to State | | | |
| Employees' Retirement System | 190,366 | 270,097 | 253,269 |
| State Contributions to Social Security | 153,133 | 191,636 | 184,996 |
| Contractual Services | 298,638 | 300,835 | 292,699 |
| Travel | 55,320 | 43,231 | 40,111 |
| Commodities | 9,040 | 13,201 | 13,744 |
| Printing | 3,156 | 6,660 | 4,166 |
| Equipment | 17,194 | 2,506 | 9,739 |
| Electronic Data Processing | 43,624 | 27,165 | 32,518 |
| Telecommunications | 60,283 | 62,169 | 65,076 |
| Operation of Automotive Equipment | 6,614 | 14,907 | 8,174 |
| Total Expenditures | \$ 3,153,023 | \$ 3,621,700 | \$ 3,522,961 |
| <u>Lapsed Balances</u> | <u>\$ 267,377</u> | <u>\$ 417,400</u> | <u>\$ 737,139</u> |

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

| | Fiscal Year | | |
|---|-------------------|---------------------|---------------------|
| | 2004 | 2003 | 2002 |
| | P.A. 93-92 | P.A. 92-0538 | P.A. 92-0008 |
| State Approving Agency | | | |
| GI Education Fund - 0447 | | | |
| <u>Appropriations</u> | | | |
| (Net of Transfers) | \$ 791,000 | \$ 727,100 | \$ 687,800 |
| <u>Expenditures</u> | | | |
| Personal Services | \$ 355,729 | \$ 355,919 | \$ 382,742 |
| Employee Retirement | | | |
| Contributions Paid by Employer | 9,582 | 13,838 | 14,167 |
| State Contribution to State | | | |
| Employees' Retirement System | 48,171 | 36,805 | 38,530 |
| State Contributions to Social Security | 27,214 | 23,293 | 23,432 |
| Group Insurance | 54,160 | 48,258 | 47,120 |
| Contractual Services | 36,904 | 30,814 | 26,057 |
| Travel | 30,372 | 19,095 | 16,718 |
| Commodities | 5,457 | 2,297 | 247 |
| Printing | 2,648 | 2,453 | 618 |
| Equipment | 18,761 | 17,443 | 16,482 |
| Electronic Data Processing | 3,264 | 6,837 | 3,855 |
| Telecommunications | 11,123 | 4,594 | 4,835 |
| Operation of Automotive Equipment | 5,514 | 5,346 | 3,580 |
| Total Expenditures | \$ 608,899 | \$ 566,992 | \$ 578,383 |
| <u>Lapsed Balances</u> | <u>\$ 182,101</u> | <u>\$ 160,108</u> | <u>\$ 109,417</u> |
| Grand Total - All Funds | | | |
| <u>Appropriations</u> | | | |
| (Net of Transfers) | \$ 9,197,611 | \$ 10,452,500 | \$ 14,242,300 |
| <u>Total Expenditures</u> | <u>8,231,087</u> | <u>9,138,723</u> | <u>9,387,734</u> |
| <u>Lapsed Balances</u> | <u>\$ 966,524</u> | <u>\$ 1,313,777</u> | <u>\$ 4,854,566</u> |
| Salaries from the Comptroller's Executive Salary Appropriation | | | |
| For the Director | \$ 98,200 | \$ 93,699 | \$ 98,135 |
| For the Assistant Director | 83,698 | 83,673 | 83,673 |
| Total Expenditures from Comptroller's Executive Salaries Appropriation | \$ 181,898 | \$ 177,372 | \$ 181,808 |

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
SCHEDULE OF EFFICIENCY INITIATIVE PAYMENTS
For the Fiscal Year Ended June 30, 2004

Procurement Efficiency Initiatives

| | <u>Amount</u> |
|--|---------------|
| General Revenue Fund-001 | |
| Personal Services | \$ 211,807 |
| Employee Retirement Paid By Employer | 13,900 |
| State Contribution to State Employees' Retirement System | 46,700 |
| State Contributions to Social Security | 26,500 |
| For the Addition of 38 Beds | 433,448 |
| Sub-Total | \$ 732,355 |

Information Technology Initiatives

| | |
|--------------------------|------------|
| General Revenue Fund-001 | |
| Personal Services | \$ 111,211 |
| Sub-Total | \$ 111,211 |

Vehicle Fleet Initiatives

| | |
|--------------------------|-----------|
| General Revenue Fund-001 | |
| Personal Services | \$ 24,382 |
| Sub-Total | \$ 24,382 |

Facilities Management Efficiency Initiatives

| | |
|--|--------------|
| General Revenue Fund-001 | |
| Personal Services | 326,400 |
| State Contributions to Social Security | 37,544 |
| Sub-Total | \$ 363,944 |
| Grand Total | \$ 1,231,892 |

Note: This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Agency and reconciled to information from the Office of the Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2004

| | Total | Buildings and Building Improvements | Equipment |
|--------------------------|---------------------|---|---------------------|
| Balance at July 1, 2002 | \$ 1,562,046 | \$ 33,671 | \$ 1,528,375 |
| Additions | 56,083 | 0 | 56,083 |
| Deletions | (47,398) | (33,671) | (13,727) |
| Net Transfers | <u>(328,365)</u> | <u>0</u> | <u>(328,365)</u> |
| Balance at June 30, 2003 | <u>\$ 1,242,366</u> | <u>\$ 0</u> | <u>\$ 1,242,366</u> |
| Balance at July 1, 2003 | \$ 1,242,366 | \$ 0 | \$ 1,242,366 |
| Additions | 13,344 | 0 | 13,344 |
| Deletions | (5,499) | 0 | (5,499) |
| Net Transfers | <u>64,824</u> | <u>0</u> | <u>64,824</u> |
| Balance at June 30, 2004 | <u>\$ 1,315,035</u> | <u>\$ 0</u> | <u>\$ 1,315,035</u> |

Note: The above schedule has been derived from Agency records which have been reconciled to property reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Fiscal Years Ended June 30,

| <u>GENERAL REVENUE FUND (001)</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| Miscellaneous Receipts | \$ 600 | \$ 1,849 | \$ 1,133 |
| Prior Year Refunds | <u>2,897</u> | <u>3,834</u> | <u>0</u> |
| TOTAL - GENERAL REVENUE FUND | <u>\$ 3,497</u> | <u>\$ 5,683</u> | <u>\$ 1,133</u> |
| | | | |
| <u>G.I. EDUCATION FUND (447)</u> | | | |
| VA Reimbursements | \$ 590,507 | \$ 604,676 | \$ 628,348 |
| Prior Year Refunds | <u>42</u> | <u>0</u> | <u>0</u> |
| TOTAL - G.I. EDUCATION FUND | <u>\$ 590,549</u> | <u>\$ 604,676</u> | <u>\$ 628,348</u> |
| | | | |
| <u>LIBRARY GRANT FUND (775)</u> | | | |
| Secretary of State Receipts | \$ 0 | \$ 177,600 | \$ 110,000 |
| Prior Year Refunds | <u>0</u> | <u>160</u> | <u>0</u> |
| TOTAL - LIBRARY GRANT FUND | <u>\$ 0</u> | <u>\$ 177,760</u> | <u>\$ 110,000</u> |
| | | | |
| TOTAL RECEIPTS | <u><u>\$ 594,046</u></u> | <u><u>\$ 788,119</u></u> | <u><u>\$ 739,481</u></u> |

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
**RECONCILIATION SCHEDULE OF CASH RECEIPTS
TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Year Ended June 30, 2004

GENERAL REVENUE FUND (001)

| | |
|---|------------------------|
| Receipts per Department Records | \$ 3,497 |
| Add: Deposits in Transit, Beginning of Year | 500 |
| Less: Deposits in Transit, End of Year | <u>0</u> |
| Deposits Recorded by the Comptroller | <u><u>\$ 3,997</u></u> |

G.I. EDUCATION FUND (447)

| | |
|---|--------------------------|
| Receipts per Department Records | \$ 590,549 |
| Add: Deposits in Transit, Beginning of Year | 0 |
| Less: Deposits in Transit, End of Year | <u>0</u> |
| Deposits Recorded by the Comptroller | <u><u>\$ 590,549</u></u> |

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
**RECONCILIATION SCHEDULE OF CASH RECEIPTS
TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Year Ended June 30, 2003

GENERAL REVENUE FUND (001)

| | |
|---|------------------------|
| Receipts per Department Records | \$ 5,683 |
| Add: Deposits in Transit, Beginning of Year | 0 |
| Less: Deposits in Transit, End of Year | (500) |
| Auditor Adjustment | <u>100</u> |
| Deposits Recorded by the Comptroller | <u><u>\$ 5,283</u></u> |

GI EDUCATION FUND (447)

| | |
|---|--------------------------|
| Receipts per Department Records | \$ 604,676 |
| Add: Deposits in Transit, Beginning of Year | 0 |
| Less: Deposits in Transit, End of Year | <u>0</u> |
| Deposits Recorded by the Comptroller | <u><u>\$ 604,676</u></u> |

LIBRARY GRANT FUND (775)

| | |
|---|--------------------------|
| Receipts per Department Records | \$ 177,760 |
| Add: Deposits in Transit, Beginning of Year | 0 |
| Less: Deposits in Transit, End of Year | <u>0</u> |
| Deposits Recorded by the Comptroller | <u><u>\$ 177,760</u></u> |

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEAR 2002 AND 2003

Central Office
General Revenue Fund – 001

Travel

The increase in travel expenditures by \$4,044 was due to fiscal year 2003 being the first full year with the new Director, who is headquartered out of Chicago but makes many trips to Springfield and other office locations throughout the State.

Equipment

The decrease in equipment expenditures by \$2,413 was due to allowing only emergency type purchases.

Bonus Payments to War Veterans

The increase in bonus payments to war veterans by \$22,305 was due to receiving more claims during fiscal year 2003.

Cartage and Erection of Veterans' Headstones-Prior Year Claims

The decrease in cartage and erection of veterans' headstones for prior year claims expenditures by \$14,235 was due to the timing and the amount of the claims.

Outreach for Veterans

The decrease in outreach for veterans' expenditures by \$262,000 was due to this program being cut during fiscal year 2002.

USDVA Hospital-Long Term Care Beds

The decrease in USDVA hospital-long term care bed expenditures by \$9,600 was due to this program being cut during fiscal year 2002.

Village Investment Project

The decrease in village investment project expenditures by \$237,000 was due to this program being cut during fiscal year 2002.

National World War II Fund – 0727

Construction & Maintenance of WWII Memorial

The increase in construction and maintenance of WWII memorial expenditures of \$199,078 was due to this being a new program for fiscal year 2003.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEAR 2002 AND 2003 (CONTINUED)

Veterans' Field Services
General Revenue Fund – 001

Printing

The increase in printing expenditures of \$2,494 was due to fiscal year 2002 starting with a larger than normal stock of paper unlike fiscal year 2003.

Equipment

The decrease in equipment expenditures of \$7,233 was due to the purchase of six copiers during fiscal year 2002 and only one copier during fiscal year 2003.

Operation of Automotive

The increase in operation of automotive expenditures of \$6,733 was due to many large repairs to the Department's vehicles during fiscal year 2003.

State Approving Agency
GI Education Fund – 0447

Commodities

The increase in commodities expenditures of \$2,050 was due to fiscal year 2003 being the first time that the State Approving Agency contributed to the replenishment of commodities.

Printing

The increase in printing expenditures of \$1,835 was due to the purchase of new posters and to fiscal year 2003 being the first time that the State Approving Agency contributed to the replenishment of printing supplies.

Electronic Data Processing

The increase in electronic data processing expenditures of \$2,982 was due to the purchase of two new laptops during fiscal year 2003.

Operation of Automotive

The increase in operation of automotive expenditures of \$1,766 was due to paying for repairs to the Department's aging fleet of vehicles during fiscal year 2003.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEAR 2003 AND 2004

Central Office

General Revenue Fund – 001

Employee Retirement Contributions Paid by Employer

The employee retirement contributions paid by employer expenditures decrease of \$50,697 was due to employees being required to again pay their own pension pick-up beginning in fiscal year 2004.

State Contribution to State Employees' Retirement System

The state contribution to State Employees' Retirement System (SERS) expenditures decrease of \$53,288 was due Public Act 93-0665, which states that no payment of salary will include an employer contribution to the SERS.

State Contributions to Social Security

The state contributions to social security expenditures decrease of \$25,644 was due to the decrease of employees during fiscal year 2004.

Travel

The increase in travel expenditures of \$7,082 was due to the Director's travel, including attending a military function for the Illinois Lieutenant Governor in France.

Equipment

The increase in equipment expenditures of \$22,804 was due to the purchase of a new van and a microfilm machine.

Telecommunications

The increase in telecommunications expenditures of \$5,697 was due to installation of voicemail, which increased the monthly bills during fiscal year 2004.

Operation of Automotive

The increase in operation of automotive expenditures of \$2,498 was due to the increase in gasoline prices during fiscal year 2004.

Patriotic Promotional Items

The decrease in patriotic promotional item expenditures of \$8,462 was due to this program being cut during fiscal year 2003.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEAR 2003 AND 2004 (CONTINUED)

Central Office (Continued)

General Revenue Fund – 001 (Continued)

Bonus Payments to War Veterans

The decrease in bonus payments to war veterans' expenditures of \$17,569 was due to receiving fewer claims during fiscal year 2004.

National Museum Library Fund – 0165

Museum & Library

The increase in museum and library expenditures of \$40,934 was due to this being a new program in fiscal year 2004.

National World War II Fund – 0727

Construction & Maintenance of WWII Memorial

The decrease in construction and maintenance of WWII memorial expenditures of \$199,078 was due to this program ending during fiscal year 2003.

Veterans' Field Services

General Revenue Fund – 001

Employee Retirement Contributions Paid by Employer

The employee retirement contributions paid by employer expenditures decrease of \$21,351 was due to employees being required to again pay their own pension pick-up beginning in fiscal year 2004.

State Contribution to State Employees' Retirement System

The state contribution to State Employees' Retirement System (SERS) expenditures decrease of \$79,731 was due Public Act 93-0665, which states that no payment of salary will include an employer contribution to the SERS.

State Contributions to Social Security

The state contributions to social security expenditures decrease of \$38,503 was due to the decrease of employees during fiscal year 2004.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEAR 2003 AND 2004 (CONTINUED)

Veterans' Field Services (Continued)
General Revenue Fund – 001 (Continued)

Travel

The increase in travel expenditures in fiscal year 2004 of \$12,089 was due to the new Assistant Director being headquartered in Chicago, unlike the previous Assistant Director, and traveling to the various offices throughout the State.

Commodities

The decrease in commodities expenditures of \$4,161 was due to an overall effort by the Department to reduce spending to accommodate reductions in fiscal year 2004's budget.

Printing

The decrease in printing expenditures of \$3,504 was due to the Department having a sufficient stock of paper going into fiscal year 2004.

Equipment

The increase in equipment expenditures of \$14,688 was due to the purchase of a new desk and a new vehicle during fiscal year 2004.

Electronic Data Processing

The increase in electronic data processing expenditures of \$16,459 was due to the purchase of several all-in-one printer/fax/copy machines for different field offices.

Operation of Automotive

The decrease in operation of automotive equipment expenditures of \$8,293 was due to paying for costly repairs to the Department's aging fleet of vehicles during fiscal year 2003.

State Approving Agency
GI Education Fund – 0447

Employee Retirement Contributions Paid by Employer

The employee retirement contributions paid by employer expenditure decrease of \$4,256 was due to employees being required to again pay their own pension pick-up beginning in fiscal year 2004.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEAR 2003 AND 2004 (CONTINUED)

State Approving Agency (Continued)
GI Education Fund – 0447 (Continued)

State Contribution to State Employees' Retirement System

The state contributions to State Employees' Retirement System expenditure increase of \$11,366 was due to the Department hiring three new employees during fiscal year 2004.

Travel

The increase in travel expenditures of \$11,277 was due to two new education specialists that traveled significantly during fiscal year 2004.

Commodities

The increase in commodities expenditures of \$3,160 was due to the purchase of supplies for the new employees in the Chicago office during fiscal year 2004.

Electronic Data Processing

The decrease in electronic data processing expenditures of \$3,573 was due to the purchase of new computers during fiscal year 2003.

Telecommunications

The increase in telecommunications expenditures of \$6,529 was due to new phones lines that were run for the new employees in Chicago during fiscal year 2004.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS-CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2004

Significant variances in receipts were determined to be changes of \$1,000 and at least 20% between fiscal years, and are explained below.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2002 AND 2003

General Revenue Fund – 001

Miscellaneous Receipts

The Department received a stock donation and payments for auto body repair to a State vehicle.

Prior Year Refunds

The Department received reimbursements from prior year overpayments during fiscal year 2003.

Veterans Affairs' Library Grant Fund – 775

Veterans Affairs' Library Grant

The Department received a larger grant amount from the Secretary of State, which is a result of fees that are collected in conjunction with the sale of special license plates.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2003 AND 2004

General Revenue Fund – 001

Miscellaneous Receipts

The Department received atypical receipts during fiscal year 2003, which were not repeated during fiscal year 2004.

Veterans Affairs' Library Grant Fund – 775

Veterans Affairs' Library Grant

The Department did not receive this grant from the Secretary of State during fiscal year 2004, due to no funds being available.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2004

ANALYSIS OF LAPSE PERIOD SPENDING DURING FISCAL YEAR 2003

Central Office

General Revenue Fund – 001

Operation of Automotive

The Department spent \$2,009 for automotive expenses incurred prior to June 30, which were paid during the lapse period.

Patriotic Promotional Items

The Department spent \$4,601 to replenish its inventory of flags, which were ordered prior to June 30 but were received and paid for during the lapse period.

National World War II Fund – 0727

Construction and Maintenance of WWII Memorial

The Department expended \$199,078 towards the construction costs of the World War II Memorial incurred prior to June 30, however the invoice for services was not received or paid until the lapse period.

Veterans' Field Services

General Revenue Fund – 001

Equipment

The Department spent \$1,540 for a new copier ordered prior to June 30, which was received and paid for during the lapse period.

State Approving Agency

GI Education Fund – 0447

Contractual Services

The Department spent \$6,466 for June's rent and for software ordered prior to June 30, which was not received or paid for until the lapse period.

Commodities

The Department spent \$1,377 on an educational display and office supplies, which were ordered prior to June 30 but were not received or paid for until the lapse period.

Printing

The Department spent \$1,708 for restocking paper and envelopes, which were ordered prior to June 30 but were received and paid for during the lapse period.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2004

ANALYSIS OF LAPSE PERIOD SPENDING DURING FISCAL YEAR 2003
(CONTINUED)

State Approving Agency (Continued)
GI Education Fund – 0447 (Continued)

Electronic Data Processing

The Department spent \$3,248 for the purchase of two PC's ordered prior to June 30, which were not received or paid for until the lapse period.

ANALYSIS OF LAPSE PERIOD SPENDING DURING FISCAL YEAR 2004

Central Office
General Revenue Fund – 001

Travel

The Department spent \$7,014 for travel expenditures incurred prior to June 30, which were paid during the lapse period.

Printing

The Department spent \$1,536 for non-carbon reverse paper ordered prior to June 30, which was not invoiced or paid until the lapse period.

Equipment

The Department spent \$24,008 for a new van and a new microfilm machine both which were ordered prior to June 30 but were not invoiced or received until the lapse period.

Telecommunications

The Department spent \$7,070 for the last few months of phone bills that were not received until the lapse period due to the timing of billings.

Veterans' Field Services
General Revenue Fund – 001

Travel

The Department spent \$17,795 on travel expenses for the Southern Division to participate in a field-training seminar late in the fiscal year; however, the bills were not received and paid until the lapse period.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Year Ended June 30, 2004

ANALYSIS OF LAPSE PERIOD SPENDING DURING FISCAL YEAR 2004
(CONTINUED)

Veterans' Field Services (Continued)
General Revenue Fund – 001 (Continued)

Printing

The Department spent \$1,235 to replenish its supply of paper, which was ordered prior to June 30 but was received and paid for during the lapse period.

Equipment

The Department spent \$14,206 for a new vehicle for the Assistant Director that was ordered prior to June 30 but was received and paid for during the lapse period.

Electronic Data Processing

The Department spent \$16,409 on several all-in-one printer/fax/copy machines ordered prior to June 30, which were not invoiced and paid until the lapse period.

State Approving Agency
GI Education Fund – 0447

Equipment

The Department spent \$15,489 for a new vehicle ordered prior to June 30, which was invoiced and paid during the lapse period.

Electronic Data Processing

The Department spent \$2,093 for new software ordered prior to June 30, which was received and paid for during the lapse period.

Telecommunications

The Department spent \$2,486 for the last few months of phone bills that were not received or paid until the lapse period due to the timing of billings.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Two Years Ended June 30, 2004

The Department had \$175,000 and \$129,000 in accounts receivable due from the federal government at June 30, 2004 and 2003, respectively. The accounts receivable were due from the U.S. Department of Veterans' Affairs and were due to the G.I. Education Fund 447. These amounts reconcile to the amounts reported by the Department to the Comptroller's Office and are considered current and collectible.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2004

AGENCY FUNCTIONS AND PLANNING

AGENCY FUNCTIONS

The Department of Veterans' Affairs (Department) was created on January 1, 1976 through the Department of Veterans' Affairs Act (20 ILCS 2805/0.01 et seq.) and replaced the Illinois Veterans' Commission. The Department was established to aid and assist all veterans, their dependents and survivors in applying for veterans' benefits due by reason of military service, and to provide health care services for certain veterans, their spouses, widows and widowers. The Department provides professional counseling and assistance relative to all veterans programs, both State and federal.

The Department's functions include the operation of the Illinois Veterans' Homes at Quincy, Manteno, LaSalle, and Anna; the operation of Veterans' Service Offices throughout the State; and the maintenance of the Central Office, the State Approving Agency and a Chicago administrative office. The Central Office coordinates the efforts of the Homes and the Service Offices.

Mr. Roy Dolgos was named Director of the Department on March 3, 2003. The Director has nine individuals who report directly to him. Those individuals are the Assistant Director, the Directors' Assistant, the Legislative Liaison, the Fiscal Officer, the Personnel Officer, the Labor Relations Manager, Head of Chicago Operations, Health Care Spec./Home Coordinator and the Grants Writer.

The Departments' Internal Auditor retired on December 31, 2002. Since the internal audit department is now centralized through the Illinois Office of Internal Audit, the Department's Internal Audit position was not filled. The two Deputy Director positions that existed in prior years were eliminated as of April 30, 2003.

The Department has the following powers and duties, as outlined in the Department of Veterans' Affairs Act (Act) (20 ILCS 2805/2):

To perform such acts at the request of any veteran, or his or her spouse, surviving spouse or dependents as shall be reasonably necessary or reasonably incident to obtaining or endeavoring to obtain for the requester any advantage, benefit or emolument accruing or due to such person under any law of the United States, the State of Illinois or any other state or governmental agency by reason of the service of such veteran, and in pursuance thereof shall:

1. Contact veterans, their survivors and dependents and advise them of the benefits of State and federal laws and assist them in obtaining such benefits;
2. Establish field offices and direct the activities of the personnel assigned to such offices;
3. Create a volunteer field force of accredited representatives, representing educational institutions, labor organizations, veterans' organizations, employers, churches and farm

organizations;

4. Conduct informational and training services;
5. Conduct educational programs through newspapers, periodicals and radio for the specific purpose of disseminating information affecting veterans and their dependents;
6. Coordinate the services and activities of all State departments having services and resources affecting veterans and their dependents;
7. Encourage and assist in the coordination of agencies within counties giving service to veterans and their dependents;
8. Cooperate with veterans' organizations and other governmental agencies;
9. Make, alter, amend and promulgate reasonable rules and procedures for the administration of this Act;
10. Make and publish annual reports to the Governor regarding the administration and general operation of the Department; and
11. Encourage the State to implement more programs to address the wide range of issues faced by Persian Gulf War Veterans.

Also, by executive designation, the Department of Veterans' Affairs is responsible for the approval of education and training programs for the purpose of determining eligibility for payments by the U.S. Department of Veterans' Affairs to eligible veterans. The Department's State Approving Agency carries out these responsibilities.

AGENCY LOCATION

The headquarters of the Department of Veterans' Affairs is at 833 South Spring Street, Springfield, Illinois. The Central Office, the State Approving Agency and a Veterans' Service Office are located in the Department headquarters. An administrative office and a Veterans' Service Office are located in the James R. Thompson Center, Suite 4-650, 100 West Randolph, Chicago, Illinois.

The Illinois Veterans' Home at Quincy is located at 1707 N. 12th Street, Quincy, Illinois.

The Illinois Veterans' Home at Manteno is located at 1 Veterans Drive, Manteno, Illinois.

The Illinois Veterans' Home at LaSalle is located at 1015 O'Conor Avenue, LaSalle, Illinois.

The Illinois Veterans' Home at Anna is located at 792 N. Main Street, Anna, Illinois.

As of June 30, 2004, the Department had a total of 1,179 beds for providing long-term care to veterans, 1,023 nursing care beds and 156 domiciliary care beds. There were approximately 800 persons on the waiting list as of June 30, 2004.

Effective April 1, 2004, the Illinois Veterans' Home at Anna became a fully State operated facility. Previously, the Department contracted with vendors to provide domiciliary and nursing care for veterans residing in the Home.

The Department operated 43 full-service Veterans' Service Field Offices statewide to provide assistance and informational services to veterans, their dependents and survivors. The field offices operate from the following locations:

| <u>City</u> | <u>Location</u> |
|---------------|---|
| Alton | 1623 Washington Ave., 62002 |
| Belleville | 4807 W. Main St., 62226 |
| Benton | 500 W. Main St., 62812 |
| Berwyn | 6610 W. Cermak, 60402 |
| Bloomington | 1616 S. Main, Room 15 and 16, 61701 |
| Carlinville | 110 E. Nicholas, 62626 |
| Champaign | 201 W. Springfield, Suite 704-705, 61820 |
| Chicago | 100 W. Randolph, Suite 4-650, 60601 |
| Chicago | 2738 W. 111 th St., 60655 |
| Chicago | 5200 S. Cottage Grove Ave., Room 101-103, 60615 |
| Chicago | 4255 N. Pulaski Rd., 60641 |
| Chicago Hts. | 1010 Dixie Highway, Suite 211, 60411 |
| Danville | 212 W. Fairchild, 61832 |
| Decatur | 3133 N. Woodford, Suite 2B, 62526 |
| E. St. Louis | 10 Collinsville Ave., 62201 |
| Freeport | 223 Stephenson St., Suite 201, 61032 |
| Galesburg | 1001 Michigan Ave., 61401 |
| Geneva | 322 W. State St., 60134 |
| Harrisburg | 713A E Church St., 62946 |
| Jacksonville | 1521 W. Walnut, 62650 |
| Joliet | 124 N Scott St., 60432 |
| Kankakee | 187 S. Indiana Ave., 3 rd Floor, 60901 |
| Kewanee | 111 N. East St., 61443 |
| Lawrenceville | 313 E. State, 62439 |
| Macomb | 135 W. Grant St., Room 57, 61455 |
| Marion | 2309 W. Main St., Suite 112, 62959 |
| Mattoon | 112 Broadway Ave. East, 61938 |
| Mt. Vernon | #1 Doctors Park, Suite G, 62864 |
| Murphysboro | 617 Walnut St., 62966 |
| North Chicago | 3001 Green Bay Rd, Building 135, 60064 |
| Ottawa | 424 W. Main, 61350 |
| Peoria | 323 Fulton St., 61602 |
| Pontiac | 825 W. Reynolds, Room 113, 61764 |
| Quincy | 1707 N. 12 th St., 62301 |
| Rockford | 5301 East State Street, Suite 24, 61101 |
| Rock Island | 1504 3 rd Ave., 61201 |
| Salem | 600 E. Main St., Suite 6, 62881 |
| Springfield | 833 S. Spring St., 62794 |
| Sterling | 2319 E. Lincolnway, 61081 |
| Taylorville | 105 E. Main Cross, 62568 |

Vandalia
Wheaton
Woodstock

321 S. 7th St., 62471
421 County Farm Rd., Room 1-800, 60187
109 S. Jefferson, Suite 1, 60098

In addition to the 43 full-service field offices listed above, the Department also maintained 51 itinerant field offices. An itinerant field office is an office space used to meet with a veteran that is located closer than a full service office.

AGENCY PLANNING

The Department of Veterans' Affairs developed a strategic plan covering the period of fiscal year 2004 through 2007. Items in the strategic plan include a brief statement of scope of responsibilities and an operational plan that sets out goals, objectives, evaluation of goals, and status of activities. The Director and the Fiscal Officer developed the strategic plan, and it provides long-term direction for the Department. The various program managers, as well as the Director, Deputy Directors, and Fiscal Officer all participated in the goal-setting process. The goals established in the plan are consistent with the Department's statutory mandate and authority.

The Department also develops a Long-Range Capital Plan annually, which states the condition of each facility, and states the capital improvements needed at each facility. To further assist in planning, the Department develops a Planning Programming Budget for each State fiscal year, and an Affirmative Action Plan to increase representation of minorities and women in the Department's work force.

AGENCY MONITORING

The Department attempted to coordinate its goals, objectives, strategies and activities with other agencies that provide similar services. To aid in achieving its goals, the Department maintains relationships with many State and federal agencies, veterans' organizations, and educational facilities. The Department's goals are monitored by administrative personnel at the Central Office and by the administrators at each of the Veterans' Homes. The goals are translated into each central office administrator's performance objectives, as well as the performance objectives for Home administrators. The annual evaluations reflect the performance of these objectives, as well as other initiatives. The Department's Director holds monthly staff meetings to review current developments or issues relative to the welfare of veterans and to maintain focus on the Department's goals.

AUDITORS' ASSESSMENT

The Department developed a strategic plan during the examination period, which is consistent with its statutory mandates and authority. It appears the Department has implemented appropriate controls to carry out the plan. The Department monitors its goals through performance objectives of its employees. The Department's programs of planning and monitoring appear adequate to fulfill the Department's statutory mandates.

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Department records, presents the average number of employees, by division, for the fiscal years ended June 30,

| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|------------------------|-------------|-------------|-------------|
| Central Office | 31 | 35 | 37 |
| Field Offices | 50 | 64 | 69 |
| State Approving Agency | 7 | 6 | 7 |
| Total | <u>88</u> | <u>105</u> | <u>113</u> |

SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)

The following table presents comparative annual service efforts and accomplishments for the fiscal years ended June 30,

| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|-------------|-------------|-------------|
| <u>Field Services</u> | | | |
| Number of veterans and dependents served | 171,629 | 189,200 | 167,040 |
| <u>Grants</u> | | | |
| Number of claims processed | 5,517 | 6,854 | 7,026 |
| <u>State Approving Agency (based on FFY)</u> | | | |
| Number of visits made to ensure continued approval of programs for Veterans' Educational Benefits | 645 | 640 | *636 |

*Number was changed from prior year report to reflect an adjustment in the Department's records.