

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2004

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TABLE OF CONTENTS

	<u>Page</u>
Agency Officials	1
Management Assertion Letter	2
Compliance Report	
Summary	4
Auditors' Reports	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	6
Schedule of Findings	
Current Findings - State	9
Prior Findings Not Repeated - State	26
Supplementary Information for State Compliance Purposes	
Summary	27
Fiscal Schedules and Analysis	
Schedule of Expenditures of Federal Awards	28
Notes to the Schedule of Expenditures of Federal Awards	30
Schedule of Appropriations, Expenditures and Lapsed Balances	32
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	38
Schedule of Efficiency Initiative Payments	41
Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) – Locally Held Funds	42
Schedule of Changes in State Property	43
Comparative Schedule of Cash Receipts	44
Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller	46
Analysis of Significant Variations in Expenditures	48
Analysis of Significant Variations in Receipts	54
Analysis of Significant Lapse Period Spending	56
Analysis of Accounts Receivable	58
Analysis of Operations	
Department Functions and Planning Program	60
Average Number of Employees	62
Emergency Purchases	63
Service Efforts and Accomplishments	64
Schedule of Federal and Nonfederal Expenditures	68



October 22, 2004

Honorable William G. Holland
Auditor General
Iles Park Plaza
740 E. Ash
Springfield, IL 62703-3154

Dear Mr. Holland:

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,


Department of Military Affairs



BG Randal E. Thomas
The Adjutant General



Connie L. Sabo
Chief Fiscal Officer



LTC Wayne S. Carlson
Staff Judge Advocate

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during 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 contain scope limitations, it does not contain disclaimers or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	11	5
Repeated findings	2	1
Prior recommendations implemented or not repeated	3	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	13	Inadequate reconciliation and reporting of fixed assets
04-3	16	Property control weaknesses
04-4	17	Inadequate segregation of duties
04-5	18	Noncompliance with provisions of the Illinois Procurement Code

04-6	19	Inadequate controls over grant monitoring
04-7	20	Late approval of vouchers and lack of procedures to pay required interest
04-8	22	Untimely deposit of receipts and refunds
04-9	23	Lack of signature authority to make withdrawal
04-10	24	Failure to file Annual Real Property Utilization Report
04-11	25	Failure to file report of loaned historical artifacts

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

04-12	26	Permanent improvement vouchers not considered for inclusion as State property
04-13	26	Lincoln's Challenge Academy pay report rosters missing student signatures
04-14	26	Inaccurate reporting of capital assets

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 7, 2004. Attending were:

Department of Military Affairs

Randal E. Thomas, The Adjutant General
 Connie Sabo, Chief Fiscal Officer

Office of the Auditor General

Gayla Rudd, Audit Manager
 Candice Long, Audit Manager
 Abigail Smith, Staff Auditor
 Teri Taylor, Staff Auditor

Responses to the recommendations were provided by Connie Sabo in a letter dated December 22, 2004.

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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 State of Illinois Department of Military Affairs' (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 Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

- 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. The 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 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 Department'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 Department's compliance with specified requirements.

As described in finding 04-2 and 04-3 in the accompanying schedule of State findings, the Department did not comply with the Statewide Accounting Management System (SAMS) (Procedure 29.10.10) which states that the objective of fixed asset reporting is to ensure that agencies are updating property records to reflect the current balance of fixed assets. The SAMS (Procedure 29.10.10) also requires that supporting detail records regarding property must be maintained. In addition, the Department did not comply with the requirements of the Illinois Administrative Code (44 Ill. Adm. Code 5010.400), which states that agencies are required to adjust property records within 30 days of acquisition, change or deletion of equipment items.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Department complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2004. However, the results of our procedures disclosed other instances of noncompliance, 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, 04-5, 04-6, 04-7, 04-8, 04-10, and 04-11.

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 Department 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 Department'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.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Department's ability to comply with one or more of the aforementioned requirements. Reportable conditions are described in the accompanying schedule of State findings as findings 04-2, 04-3, and 04-6.

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. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily

disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider findings 04-2 and 04-3 to be material weaknesses. Additionally, the results of our procedures disclosed other deficiencies in 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, 04-4, 04-6, 04-7, 04-8, 04-9, and 04-10.

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

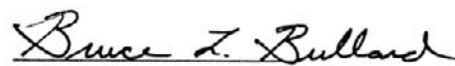
Supplementary Information for State Compliance Purposes

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.

The Department did not provide adequate documentation for its property and equipment values. Although the Department performed a physical inventory for Fiscal Years 2003 and 2004, the values assigned to its property and equipment cannot be relied upon because adequate documentation was not available to support the values. As a result of this weakness, the amount of property and equipment reported in the Schedule of Changes in State Property of \$137,564,919 at June 30, 2003 and \$150,316,343 at June 30, 2004, and the amounts of fixed asset additions, deletions and balances reported in Schedule of Changes in State Property are management estimates. These amounts could be materially misstated as a result of the weaknesses described in findings 04-2 and 04-3.

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 22, 2004

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

The Department of Military 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 \$1,222,507 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	\$420,200
9/19/03	Information Technology	\$16,029
9/19/03	Vehicle Fleet Management	\$13,698
5/14/04	Facilities Management Consolidation	\$772,580
Total:		\$1,222,507

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 evidence of savings from CMS for the amount billed. The only guidance received was the amount of payments that should be taken from General Revenue Funds (\$433,822) versus Other Funds (\$16,105) for the September 2003 billings. Additionally, the May 2004 billing for facilities management consolidation indicated savings for 17 vacant positions that had been funded in the Department’s budget.

The Department questioned the Governor’s Office of Management and Budget (GOMB) relative to the use of Other Funds for the billings received in September 2003 and disputed the amount billed in May 2004. The Department questioned whether savings could be paid from its Other Funds and reported that most of the 17 vacant positions had already been filled. Payments submitted by the Department were for an amount less than originally billed. While the Department was billed over \$1.2 million by CMS, the Department eventually paid only \$365,625 towards the 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. We found the Department used:

- \$2,167 from General Revenue Fund appropriations for part of the CMS billing relative to the Procurement Efficiency Initiative. The specific appropriation was “for rehabilitation and minor construction at armories and camps.”
- \$8,311 from General Revenue Fund appropriations for part of the CMS billing relative to the Procurement Efficiency Initiative. The specific appropriation was “for expenses related to the care and preservation of historic artifacts.”
- \$369 from General Revenue Fund appropriations for part of CMS billing relative to the Procurement Efficiency Initiative. The specific appropriations were “For Lincoln’s Challenge” and “For State Officer’s Candidate School” – “For Lincoln’s Challenge Stipend Payments.”

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 ²	Total Appropriation for Line Item	Efficiency Initiative ¹
GRF	For Personal Services	\$222,022	\$4,760,200	FAC
GRF	For Contractual Services	\$100,470	\$1,978,300	P
GRF	For Travel	\$489	\$15,400	P
GRF	For Commodities	\$7,005	\$95,600	P
GRF	For Equipment	\$2,887	\$23,100	P
GRF	For Electronic Data Processing	\$7,747	\$24,000	P, IT
GRF	For Telecommunications Services	\$2,192	\$39,200	P
GRF	For Operation of Auto Equipment	\$11,966	\$32,000	P, V
GRF	For Lump Sum and Other Purposes	\$8,680	\$3,793,600	P
GRF	For Permanent Improvements, Lump Sum and Other Purposes	\$2,167	\$47,000	P

¹ Legend:
P-Procurement; IT-Information Technology; V-Vehicle Fleet Management; FAC-Facilities Management

² The Department paid only \$365,625 of the \$1,222,507 billed by CMS.

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 disagrees with this finding. The Department did only make payments for efficiency initiative billings from line item appropriations where savings were anticipated to occur.

The Department was notified the savings were anticipated from procurement, information technology, vehicle fleet management, and facilities management consolidation. Further, these savings were anticipated from specific areas such as contractual services, commodities, equipment, travel, electronic data processing, telecommunications, operation of auto, and permanent improvements. The Department then allocated the forecasted savings based upon actual FY02 expenditures in the specific savings areas in relation to total expenditures for each appropriated line item.

For example, the Department anticipated savings from the appropriation "for expenses related to the care and preservation of historic artifacts" due to it having FY02 expenditures for contractual services, commodities, and equipment. This line did not have any expenditures for the other identified savings areas. This line incurred FY02 actual expenditures of \$5,936.25 for contractual services, \$9,816.76 for commodities, and \$125,296.12 for equipment. The Department had FY02 total actual expenditures of \$6,869,531.49 for contractual services, \$399,653.71 for commodities, and \$236,899.95 for equipment.

Therefore, the Department allocated .0864% ($\$5,936.25 / \$6,869,531.49$) of the projected contractual savings of \$324,146 ($.0864\% * \$324,146 = \280) to this line item appropriation. The same logic applied for the commodities and equipment lines; commodities: $\$9,816.76 / \$399,653.71 = 2.4563\% * \$24,397 = \$599$ and equipment: $\$125,296.12 / \$236,899.95 = 52.88\% * \$14,054 = \$7,432$. As a result, the total savings from this line was anticipated to be \$8,311 ($\$280 + \$599 + \$7,432$). The Department made payments from this line for the \$8,311. The other payments made for anticipated savings for procurement, information technology, and vehicle fleet management were calculated in the same manner.

The facility management savings were based upon actual personal services savings. These savings resulted from the personnel action management process designed, implemented and managed by representatives of the Governor's Office.

AUDITOR'S COMMENT

Documentation provided by the Department to auditors references a methodology for savings that was developed in response to a May 2, 2003 communication with the Governor's Office of Management and Budget (GOMB). GOMB provided the Department with dollar savings figures from the Governor's procurement (\$420,207), IT

(\$32,270) and operation of automobile (\$25,200) initiatives. GOMB requested a breakout of the fund and line items where these reductions could occur. A May 5, 2003 internal Department communication indicated that when it contacted GOMB for details on the initiatives, its GOMB budget analyst indicated that she did not have any details and that the Department was to meet the specified savings amounts. It can also be noted that the Department failed to follow direction from GOMB on this matter. For instance, GOMB did not identify any procurement savings attributable to Lump Sum appropriation lines and suggested the Department utilize only \$16,920 from non-GRF funds. The Department methodology utilized funds from 4 non-GRF sources and 8 Lump Sum line item appropriations.

However, this all occurred prior to the passage of Public Act 93-0025, which placed the responsibility for determining efficiency amounts and efficiency billings with CMS. The House Amendment, which ultimately created the Public Act, was filed May 31, 2003 and the Public Act was effective June 20, 2003.

The September 2003 CMS billing invoices for the three initiatives **were for different amounts** than those communicated to the Department by GOMB in early May 2003. The CMS billings again directed the Department to pay 96 percent of the total billings (\$433,822 of \$449,927) in September 2003 from GRF funds. The Department, using the methodology developed for the GOMB directive in May 2003, only made payments to CMS from those GRF appropriations.

Further, while the Department notes that it examined FY02 expenditure patterns, these may not have been the most appropriate tool. For instance:

- The \$8,311 paid for part of the procurement billing from the lump sum appropriation “for expenses related to the care and preservation of historic artifacts” was 52 percent of the total appropriation (\$16,000) in FY04 for this activity.
- The \$2,167 paid for part of the procurement billing that was paid from an appropriation “for rehabilitation and minor construction at armories and camps” was the **only** FY04 payment made by the Department from this appropriation prior to the lapse period.

Department officials noted that the payments were made from the specific appropriations because the Department had procurement expenditures from those appropriations in the past. However, without specific guidance from CMS regarding the nature and type of procurement saving initiatives, it is unclear whether these were the appropriate lines from which to make procurement savings payments.

Finally, the **entire** amount the Department paid for the May 2004 facilities management consolidation billing was from a Personal Services line item appropriation (line item 1120). However, the Department did not recognize any commensurate savings in related line items, such as retirement and group insurance.

04-2. **FINDING** (Inadequate reconciliation and reporting of fixed assets)

The Department of Military Affairs (Department) did not maintain sufficient controls over the accuracy and reporting of its property. We noted the following:

- The Department did not adequately reconcile its various reports of fixed assets to the Agency Report of State Property (C-15) filed with the Comptroller. The C-15 amount reported for 4th quarter FY2004 did not agree to Department property records at June 30, 2004, there was a \$537,893 difference.

Good business practices require that detailed fixed asset records be maintained and reconciled to support various reporting requirements, including the C-15's.

- The Department had approximately a \$7.7 to \$8.4 million difference between the C-15 and the Capital Asset Summary form (SCO-538) which was reported on the SAMS to GAAP Reconciliation-Capital Assets Form (SCO-537) submitted to the Comptroller. The discrepancies were attributed to cumulative errors and discrepancies in the C-15 by the Department. No supporting documentation was maintained regarding the amounts in question.

Department personnel stated that in preparing Form SCO-537, it was discovered that the C-15's do not accurately reflect the property records and that the errors are in the C-15's and are cumulative over many years.

The Statewide Accounting Management System (SAMS)(Procedure 27.20.37) states that all differences between Form C-15 and Form SCO-538 should be reported and described on Form SCO-537. Any addition or subtraction adjustments should be explained in detail on the form.

- The Department did not submit their C-15's by the reporting deadlines. Five of eight (63%) reports submitted during the examination period were filed 13 to 129 days late.

The SAMS (Procedure 29.20.10) requires the report to be filed on a quarterly basis no later than the last day of the month following the last day of the quarter.

- Six of eight (75%) C-15's submitted contained inaccurate information for equipment additions and deletions. The SAMS (Procedure 29.10.10) states that the objective of fixed asset reporting is to ensure that agencies are updating property records to reflect the current balance of fixed assets.
- Seven of eight (88%) C-15's submitted did not properly report transfers-in from the Capital Development Board (CDB). Auditors could not determine the proper amount to be capitalized from CDB based on Department records. Per CDB records, CDB transferred \$29,213,683 to the Department during the audit period. The Department reported \$28,604,575 as transferred from CDB, but only capitalized \$20,842,871 on the C-15's. It appears that approximately \$7.7 million in transfers from CDB were

not capitalized. Auditors were also unable to determine if CDB amounts were capitalized in the property records maintained in the Central Inventory System.

The SAMS (Procedure 29.20.10) states that items reported the previous quarter as “Transfers in from CDB” must be included in the current quarter as “Net Transfers” in the appropriate asset category.

- We found that for eight (100%) of the C-15’s submitted during the examination period, the Department did not maintain supporting documentation for the amounts reported.
 - Eleven of 25 (44%) of the additions tested did not have supporting documentation. We also noted one quarter (13%) was calculated using the same supporting documentation for the previous quarter’s additions and deletions for equipment.
 - Six of eight (63%) quarters did not contain supporting documentation for transfers in from CDB and seven of eight (88%) quarters did not contain supporting documentation for CDB amounts non-capitalized.
 - Three of eight (38%) quarters did not contain supporting documentation for net transfers.

SAMS (Procedure 29.10.10) requires that supporting detail records regarding property must be maintained. Standards of Good Business Practice require this information to be accurate for the proper accounting and reporting of equipment and property.

Department personnel stated that the late filing of C-15’s, inaccurate reporting of fixed assets, improper reporting of transfers-in from CDB and inadequate supporting documentation were due to employee oversight and errors.

Failure to submit the reports by the reporting deadlines is noncompliance with the SAMS reporting requirements and the State Property Control Act. In addition, inaccurate fixed asset reporting reduces the reliability of statewide fixed asset information. (Finding Code No. 04-2, 02-1)

RECOMMENDATION

We recommend that the Department establish a corrective action plan to address controls to ensure an accurate property listing and reporting for the Department. Further, the Department of Military Affairs should file their Quarterly Fixed Asset Reports by the reporting deadlines, properly report transfers-in and maintain adequate documentation for the Fixed Asset Reports as required by SAMS. Also, the Department should reconcile its fixed asset records and reports to the C-15’s on a quarterly basis to ensure completeness and accuracy of its fixed asset records.

DEPARTMENT RESPONSE

The Department agrees with this finding. The employee responsible for property accountability and reporting for the audit period is no longer employed by the

Department. The Department will establish a corrective action plan. The Department is in the process of obtaining an appropriately qualified staff resource to handle these responsibilities. Every effort will be made to accurately complete required reports and file them by their due dates. The C-15 will be prepared based upon the fixed asset records.

04-3. **FINDING** (Property control weaknesses)

The property listing for the Department of Military Affairs (Department) was inaccurate. We noted the following:

- Five out of 75 (7%) items tested were suspended on the property listing. Suspended items are items that have been assigned a tag number and a description on the property listing, but the purchase prices are not listed with the items. A total of 133 items on the property listing were included as suspended items. The items in question were added to the suspense files in the property records ranging from December 29, 2000 to June 24, 2004.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.400) states that agencies are required to adjust property records within 30 days of acquisition, change or deletion of equipment items.

- Seven out of 75 (9%) items totaling \$3,029 could not be located during property testing. The seven items included a 13" television, camera and case, video cassette recorder, smartwasher, camcorder, VCR and machine stand. Five out of 75 (7%) items located were not listed on the Department property records.

The State Property Control Act (30 ILCS 605/4) requires that the Department be accountable for the supervision, control and inventory of all property under its jurisdiction and control.

Department personnel stated that the person responsible for property records has since departed the agency and they are unable to determine reasons for these discrepancies.

Inaccurate asset reporting reduces the reliability of Statewide asset information. Also, failure to maintain accurate property records increases the potential for fraud and possible loss or theft of State property. (Finding Code No. 04-3)

RECOMMENDATION

We recommend the Department comply with the State Property Control Act and the Illinois Administrative Code by ensuring all equipment under its jurisdiction is recorded accurately and timely on its property records.

DEPARTMENT RESPONSE

The Department agrees with this finding. The employee responsible for property accountability and reporting for the audit period is no longer employed by the Department. The Department is in the process of obtaining an appropriately qualified staff resource to handle these responsibilities. The Department will then be able to comply with the State Property Control Act and the Illinois Administrative Code.

04-4. **FINDING** (Inadequate segregation of duties)

The Department of Military Affairs (Department) did not maintain adequate segregation of duties regarding historical artifacts at the Illinois Military Museum.

The Museum Curator has stewardship responsibilities for the historical artifacts and the equipment located at the Illinois Military Museum. The Curator is responsible for requesting, purchasing, and maintaining the equipment at the museum. The Curator is also the receiving officer for historical artifacts including input, change and deletion capabilities regarding the historical artifacts inventory.

Good business practices require that proper internal controls be established to help safeguard assets, and that there be a proper segregation of duties separating asset custody from recordkeeping functions.

Department personnel stated that the Curator is the only full-time employee at the museum, therefore the Curator has control over all aspects of historical artifacts inventory.

Inadequate segregation of duties increases the risk of lost or stolen property. (Finding Code No. 04-4)

RECOMMENDATION

We recommend that the Department in conjunction with the Illinois Military Museum ensure that there is proper segregation of duties or appropriate compensating controls.

DEPARTMENT RESPONSE

The Department agrees with this finding. Available resources will be reviewed to determine a corrective action that addresses the finding.

04-5. **FINDING** (Noncompliance with provisions of the Illinois Procurement Code)

The Department of Military Affairs (Department) did not publish their emergency purchases in the Illinois Procurement Bulletin and did not timely file one emergency purchase affidavit with the Auditor General as required by the Illinois Procurement Code.

The Department had eight emergency purchases for a total estimated cost of \$619,745 not competitively procured during the examination period. These eight emergency purchases were not published in the Illinois Procurement Bulletin as required by Statute. In addition, one emergency purchase affidavit in the amount of \$66,342 was filed with the Auditor General approximately 103 days late.

The Illinois Procurement Code (30 ILCS 500/20-30(b)) requires that before the next appropriate volume of the Illinois Procurement Bulletin, the purchasing agency shall publish in the Illinois Procurement Bulletin a copy of each written description and reasons and the total cost of each emergency procurement made during the previous month. The Illinois Procurement Code (30 ILCS 500/20-30(c)) also requires a purchasing agency to file affidavits with the Auditor General within 10 days after the emergency procurement setting forth the amount expended, the name of the contractor involved, and the conditions and circumstances requiring the emergency procurement.

Department personnel stated that the emergency purchases were not published due to oversight. Department personnel also stated that the employee responsible for filing the emergency purchase affidavits departed the agency and the affidavit was filed once they discovered that it had not yet been filed.

Failure to publish emergency purchases in the Illinois Procurement Bulletin and failure to timely file emergency purchase affidavits is noncompliance with the Illinois Procurement Code. (Finding Code No. 04-5)

RECOMMENDATION

We recommend that the Department of Military Affairs publish their emergency purchases in the Illinois Procurement Bulletin and file their emergency purchase affidavits within 10 days as required by the Illinois Procurement Code.

DEPARTMENT RESPONSE

The Department agrees with this finding. The employee responsible for procurement for the audit period is no longer employed by the Department. The Department is in the process of obtaining an appropriately qualified staff resource to handle these responsibilities. This resource will be notified of the Illinois Procurement Code requirements.

04-6. **FINDING** (Inadequate controls over grant monitoring)

The Department of Military Affairs (Department) did not have adequate controls in place to monitor Illinois Military Family Relief grants. We tested a sample of 25 grant applications and noted the following:

- Four out of 25 (16%) grants tested in our sample were duplicate applications for the same active duty order, totaling \$4,000 in duplicate payments. The Department reviewed all grants and found a total of 13 out of 2,571 (1%) grant applicants were awarded duplicate payments, totaling \$8,000. The Illinois Military Family Relief Fund Act (Act) (95 Ill. Adm. Code 200.50-200.70) states that only one grant may be taken per active duty period for status-based and casualty-based grant levels.
- Two out of 25 (8%) individuals did not have Defense Enrollment Eligibility Reporting System (DEERS) information filled out on their forms. The Act (95 Ill. Adm. Code 200.20-200.40) states that the DEERS information should be filled out for all individuals for proof of residency and family relationship.

Department personnel stated that the agency database did not have controls to recognize families that had already received grants. Department personnel further stated that the operator did not fill out DEERS information because the individuals were on the DEERS system from prior records.

Failure to adequately monitor grants for eligibility requirements can result in an overpayment or improper payment of grants. (Finding Code No. 04-6)

RECOMMENDATION

We recommend the Department implement adequate controls to ensure that applicants do not receive duplicate grants and that applications are complete and in accordance with adopted rules. The Department should seek reimbursement of the duplicate grants awarded.

DEPARTMENT RESPONSE

The Department agrees with this finding. Internal controls have been implemented so duplicate grants are not issued. The Department is pursuing collection of the overpayments.

04-7. **FINDING** (Late approval of vouchers and lack of procedures to pay required interest)

The Department of Military Affairs (Department) did not have adequate controls to ensure that vouchers were approved or denied within 30 days and required interest was paid. We noted the following:

- Ten of 301 (3%) vouchers tested were not approved within 30 days of receipt of a proper bill. The vouchers were approved from 3 to 91 days late.

74 Illinois Administrative Code (Code) Section 900.70(b) states, an agency shall approve Proper Bills or deny bills with defects, in whole or in part, within 30 days after receipt.

- The Department does not have procedures to monitor the date of payment by the Comptroller's Office and pay interest accrued on vouchers not paid within 60 days of receipt of a proper bill. The Department did not pay vendors interest charges totaling \$949 for 5 of 301 (2%) vouchers tested in our sample.

Section 900.30(a) of the rules states that, it is the duty and responsibility of each State agency to develop and implement internal procedures that will permit full compliance with the provisions of the [State Prompt Payment] Rules. Section 900.30(b) states that all State agencies must maintain written or electronic records reflecting the date or dates on which:

- the Goods were received and accepted or the Services were rendered;
- the Proper Bill was received by the State agency;
- approval for payment of a bill was given by the Agency;
- a vendor bill was disapproved, in whole or in part, based upon a defect or what the State agency believes to be a defect, and
- the payment was issued by the Comptroller's Office.

Section 900.100(d) states that interest shall begin accruing on the 61st day after receipt of a Proper Bill and shall continue to accrue until the bill is paid by the Comptroller's Office. Section 900.90(a) states interest amounting to \$50 or more need not be requested by a Vendor. Agencies are responsible for calculating and paying such interest and are to do so within a reasonable time.

Department personnel stated that late approval of vouchers was a result of the Department not processing the vouchers timely. In addition, Department personnel stated that when the Department monitored interest payments in the past, interest was not due. With the limited staff resources available, the monitoring was not continued.

Failure to approve or deny vouchers within 30 days of receipt of a proper bill and not implementing procedures to pay interest on vouchers not paid within 60 days of receipt is non-compliance with the State Prompt Payment Rules. (Finding Code No. 04-7, 02-2)

RECOMMENDATION

We recommend that the Department implement procedures to ensure that all vouchers are approved or denied within 30 days of receipt, monitor the date of payment by the Comptroller's Office, and pay interest charges as required by the State Prompt Payment Rules.

DEPARTMENT RESPONSE

The Department agrees with this finding. The Department is now receiving a monthly report identifying vouchers possibly requiring interest payment. This report is being reviewed and acted upon as needed.

04-8. **FINDING** (Untimely deposit of receipts and refunds)

The Department of Military Affairs (Department) did not timely deposit receipts and refunds.

We noted that 11 (22%) of 50 receipts tested and 2 (13%) of 15 refunds tested totaling \$142,202 and \$449, respectively, were deposited from 1 to 101 days late.

Number of Days Late	Number of Receipts	Total Dollar Amount
1-30	11	\$142,202
31-60	-	-
61-90	1	\$247
over 90	1	\$202

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2 (a)) requires each State agency to deposit into the State Treasury individual receipts exceeding \$10,000 in the same day received, and accumulation of receipts of \$10,000 or more within 24 hours, receipts valued between \$500 and \$10,000 within 48 hours, and cumulative receipts valued up to \$500 on the next 1st or 15th day of the month after receipt.

Department personnel stated that the staff person responsible for receipt processing was not aware that the five individual receipts that exceeded \$10,000 had to be deposited on the day of actual physical receipt. The remaining six receipts were deposited late due to delays in processing. Department personnel also stated that the two refunds were deposited late due to the checks being received by other divisions and not timely forwarded to the Fiscal division.

Untimely deposit of receipts reduces the amount available to pay current costs and is noncompliance with the State Officers and Employees Money Disposition Act. (Finding Code No. 04-8)

RECOMMENDATION

We recommend that the Department establish appropriate controls and procedures to comply with the State Officers and Employees Money Disposition Act and make timely deposits into the State Treasury.

DEPARTMENT RESPONSE

The Department agrees with this finding. The Department has implemented new procedures to comply with the State Officers and Employees Money Disposition Act.

04-9. **FINDING** (Lack of signature authority to make withdrawal)

The Department of Military Affairs (Department) did not have adequate controls over signature authority for the locally held fund.

During testing it was noted that an employee without signature authority on the bank authorization cards for the Lincoln's Challenge Stipend Fund had signed for a stipend payment withdrawal from the account. Upon further inquiry, it was determined that the employee had been signing for withdrawals from the account as part of their job responsibilities since shortly after the employee's December 2001 hire date.

Good business practices require the safeguarding of assets. Only the individuals authorized to sign for an account should be signing for withdrawals.

Department personnel stated that it was an oversight on the part of the Lincoln's Challenge Academy staff that the employee was not added to the signature cards at the bank. Personnel also stated that since the bank had not notified them of a problem, they were under the impression that the employee had signature authority on file with the bank.

When unauthorized individuals are allowed to sign for withdrawals from an account, it leaves the Department susceptible to theft and inappropriate use of the fund. (Finding Code No. 04-9)

RECOMMENDATION

We recommend that the Department implement controls to ensure that only authorized individuals are signing for withdrawals from the locally held account.

DEPARTMENT RESPONSE

The Department agrees with this finding. Only authorized signers will be signing for withdrawals from the locally held account.

04-10. **FINDING** (Failure to file Annual Real Property Utilization Report)

The Department of Military Affairs (Department) failed to file the Annual Real Property Utilization Report (Report).

The Department failed to file the Report with Central Management Services for fiscal year 2003. 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 the Administrator, or annual update of such report, on forms required by the Administrator, by October 30th of each year.

Department personnel stated that the person responsible for filing the report has departed the agency and they were unable to determine why the report was not filed.

Failure to file the report annually is noncompliance with the State Property Control Act. (Finding Code No. 04-10)

RECOMMENDATION

We recommend that the Department file the Annual Real Property Utilization Report by October 30th of each year as required by the State Property Control Act.

DEPARTMENT RESPONSE

The Department agrees with this finding. The employee responsible for property accountability and reporting for the audit period is no longer employed by the Department. The Department is in the process of obtaining an appropriately qualified staff resource to handle these responsibilities. The Department will then be able to comply with the State Property Control Act.

04-11. **FINDING** (Failure to file report of loaned historical artifacts)

The Department of Military Affairs (Department) failed to file a report with the Office of the Governor listing each historical artifact loaned during the previous fiscal year.

The Department had eleven loan agreements made during the audit period to other agencies. For the eleven agreements, there were fifty-one individual artifacts on loan and none of the items were submitted to the Office of the Governor as being on loan as required by statute. The Military Code of Illinois (20 ILCS 1805/25) states that the Adjutant General is required to file with the Office of the Governor a report listing each item loaned during the previous fiscal year and prior fiscal years, the terms and conditions of each loan, and the Federal or State governmental office or recognized museum to which each item has been loaned.

Department personnel stated that the Office of the Governor has previously requested the information; however, they no longer request it and the Department has not provided it.

Failure to submit a report annually is noncompliance with the Military Code of Illinois. (Finding Code No. 04-11)

RECOMMENDATION

We recommend the Department adopt adequate controls to ensure that the report is filed annually as required by statute or seek legislative remedy to the statutory requirement.

DEPARTMENT RESPONSE

The Department agrees with this finding. The Department will adopt adequate controls to ensure the annual artifacts loaned report is filed with the Office of the Governor as required.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2004

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

- 04-12. **PRIOR FINDING** (Permanent improvement vouchers not considered for inclusion as State property)

During the prior period, the Department of Military Affairs (Department) did not evaluate permanent improvement vouchers to determine if they should be included in its State Property Reporting System.

During the current period, we noted that the Department has improved their reporting of permanent improvements in its State Property Reporting System. (Finding Code No. 02-3)

- 04-13. **PRIOR FINDING** (Lincoln's Challenge Academy pay report rosters missing student signatures)

During the prior period, it was noted that certain students were given a monthly allowance under the Lincoln's Challenge Academy without signing the "Pay Report Roster by Team."

During the current period, our sample testing disclosed that student signatures were obtained prior to monthly allowance disbursements under the Lincoln's Challenge Academy. (Finding Code No. 02-4)

- 04-14. **PRIOR FINDING** (Inaccurate reporting of capital assets)

During the prior period, the Department did not record all buildings and the accumulated depreciation for items acquired prior to 1948 that are above the capitalization threshold and recorded land assets that are below the capitalization threshold.

During the current period, we noted that the Department made adjustments to include buildings and the accumulated depreciation acquired prior to 1948 that are above the capitalization threshold and to eliminate land assets that were below the capitalization threshold. (Finding Code No. 02-5)

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 Receipts, Disbursements and Fund Balance (Cash Basis) - Locally Held Funds
- 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:

- Department Functions and Planning Program
- Average Number of Employees
- Emergency Purchases
- Service Efforts and Accomplishments
- Schedule of Federal and Nonfederal Expenditures

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 2004 Supplementary Information for State Compliance purposes, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the auditors do not express an opinion on the supplementary information.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
U.S. Department of Defense		
National Guard Military Operations and Maintenance Projects	12.401	\$9,489,000
National Guard Civilian Youth Opportunities	12.404	4,947,000
Military Construction, National Guard	12.400	8,453,000
U.S. Department of Treasury/U.S. Department of Justice		
Federal Equitable Sharing Agreement	16.XXX	-
Total Expenditures of Federal Awards		<u><u>\$22,889,000</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 MILITARY AFFAIRS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
U.S. Department of Defense		
National Guard Military Operations and Maintenance Projects	12.401	\$8,462,000
National Guard Civilian Youth Opportunities	12.404	5,006,000
Military Construction, National Guard	12.400	3,981,000
U.S. Department of Treasury/U.S. Department of Justice		
Federal Equitable Sharing Agreement	16.XXX	41,000
Total Expenditures of Federal Awards		<u><u>\$17,490,000</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 MILITARY AFFAIRS
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 accompanying Schedule of Expenditures of Federal Awards presents all the federal financial assistance programs of the State of Illinois, Department of Military Affairs (Department) for the two years ended June 30, 2004.

(b) Basis of Accounting

The accompanying 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:

Military Construction, National Guard: CFDA #12.400

The program is designed to provide combat-ready reserve force facilities for training and administering the Army and Air Force National Guard units. The program provides offices, storage, assembly area, rifle range and classrooms for armories. For non-armories, the program provides maintenance, supply, training, and other administrative and logistical requirements.

National Guard Military Operations and Maintenance Projects: CDFFA# 12.401

The program is designed to maintain State combat-ready troops to supplement the U.S. Army/U.S. Air Force when called by the President, and to be used by the Governor for State emergency situations.

National Guard Civilian Youth Opportunities: CFDA# 12.404

The program is to provide resident and non-resident programs for at-risk youth.

Federal Equitable Sharing Agreement: CFDA# 16.XXX

The federal government allocates an amount of funds received through federal seizures to participating governments based on a statistical allocation. Funds are earned when received and are to be spent on law enforcement and counter drug type activities.

3. Pass-Through and Subrecipient Awards

The Department receives all of its federal assistance directly from the U.S. Department of Treasury or Justice and the U.S. Department of Defense. The Department does not provide any awards to subrecipients.

4. Non-cash Awards

The Department does not receive any non-cash awards.

5. Cash Returned to Grantor

The Department did not return cash to the grantor.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For The Fiscal Year Ended June 30, 2004

P.A. 93-76 P.A. 93-0664 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	Balances Reappropriated July 1, 2005
APPROPRIATED FUNDS						
General Revenue 001						
Office of the Adjutant General:						
Personal Services	\$ 1,269,600	\$ 1,135,558	\$ 2,585	\$ 1,138,143	\$ 131,457	
Employee Retirement Contributions Paid by Employer	50,800	10,793	12	10,805	39,995	
State Contribution to State Employees' Retirement System	170,600	106,622	0	106,622	63,978	
State Contributions to Social Security	97,100	84,172	197	84,369	12,731	
Contractual Services	22,280	17,583	2,721	20,304	1,976	
Travel	6,120	6,117	3	6,120	0	
Commodities	6,200	4,081	2,114	6,195	5	
Printing	1,860	1,840	0	1,840	20	
Equipment	377	377	0	377	0	
Electronic Data Processing	44,000	20,203	17,873	38,076	5,924	
Telecommunications	39,200	27,485	7,943	35,428	3,772	
Operation of Automotive Equipment	38,000	34,341	2,595	36,936	1,064	
Lincoln's Challenge	3,248,800	3,248,719	0	3,248,719	81	
Lincoln's Challenge Stipend Payments	528,000	527,850	150	528,000	0	
State Officer's Candidate School	800	800	0	800	0	
Line of Duty Grants	1,554,228	0	0	0	1,554,228	
Care and Preservation of Historic Artifacts	16,000	15,977	22	15,999	1	
Rehabilitation & Minor Construction	47,000	2,167	43,802	45,969	1,031	
Total Office of the Adjutant General	<u>\$ 7,140,965</u>	<u>\$ 5,244,685</u>	<u>\$ 80,017</u>	<u>\$ 5,324,702</u>	<u>\$ 1,816,263</u>	
Facility Operations:						
Personal Services	\$ 4,760,200	\$ 4,219,321	\$ 233,847	\$ 4,453,168	\$ 307,032	
Employee Retirement Contributions Paid by Employer	190,400	137,616	467	138,083	52,317	
State Contribution to State Employees' Retirement System	639,700	407,681	0	407,681	232,019	
State Contributions to Social Security	364,200	311,584	905	312,489	51,711	
Contractual Services	2,007,213	1,907,197	97,973	2,005,170	2,043	
Commodities	41,600	37,513	3,338	40,851	749	
Equipment	5,150	4,994	0	4,994	156	
Total Facility Operations	<u>\$ 8,008,463</u>	<u>\$ 7,025,906</u>	<u>\$ 336,530</u>	<u>\$ 7,362,436</u>	<u>\$ 646,027</u>	
Total General Revenue Fund - 001	<u>\$ 15,149,428</u>	<u>\$ 12,270,591</u>	<u>\$ 416,547</u>	<u>\$ 12,687,138</u>	<u>\$ 2,462,290</u>	

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

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For The Fiscal Year Ended June 30, 2004

P.A. 93-76 P.A. 93-0664 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	Balances Reappropriated July 1, 2005
<u>Military Affairs Trust Fund - 043</u>						
Office of the Adjutant General:						
Youth Programs	\$ 1,500,000	\$ 87,281	\$ 3,583	\$ 90,864	\$ 1,409,136	
Total Military Affairs Trust Fund - 043	<u>\$ 1,500,000</u>	<u>\$ 87,281</u>	<u>\$ 3,583</u>	<u>\$ 90,864</u>	<u>\$ 1,409,136</u>	
<u>Federal Support Agreement Revolving Fund -333</u>						
Office of the Adjutant General:						
Army/Air Reimbursable Positions	\$ 6,951,050	\$ 5,924,062	\$ 32,207	\$ 5,956,269	\$ 994,781	
Lincoln's Challenge	4,889,700	3,860,237	637,590	4,497,827	391,873	
Lincoln's Challenge Stipend Payments	1,200,000	317,565	114,376	431,941	768,059	
Total Office of the Adjutant General	<u>\$ 13,040,750</u>	<u>\$ 10,101,864</u>	<u>\$ 784,173</u>	<u>\$ 10,886,037</u>	<u>\$ 2,154,713</u>	
Facility Operations:						
Expenses Related to Army National						
Guard Facilities Operations and Maintenance	\$ 4,500,000	\$ 2,777,420	\$ 473,474	\$ 3,250,894	\$ 1,249,106	
Expenses of Bartonville and Kankakee						
Armories for Operations and Maintenance	285,000	284,712	250	284,962	38	
Total Facility Operations	<u>\$ 4,785,000</u>	<u>\$ 3,062,132</u>	<u>\$ 473,724</u>	<u>\$ 3,535,856</u>	<u>\$ 1,249,144</u>	
Total Federal Support Agreement Revolving Fund - 333	<u>\$ 17,825,750</u>	<u>\$ 13,163,996</u>	<u>\$ 1,257,897</u>	<u>\$ 14,421,893</u>	<u>\$ 3,403,857</u>	
<u>Illinois Military Family Relief Fund - 0725</u>						
Special duty due to September 11th Terrorist Attacks	\$ 7,500,000	\$ 1,383,000	\$ 34,000	\$ 1,417,000	\$ 6,083,000	
Total Illinois Military Family Relief Fund - 0725	<u>\$ 7,500,000</u>	<u>\$ 1,383,000</u>	<u>\$ 34,000</u>	<u>\$ 1,417,000</u>	<u>\$ 6,083,000</u>	

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For The Fiscal Year Ended June 30, 2004

P.A. 93-76 P.A. 93-0664 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	Balances Reappropriated July 1, 2005
<u>Illinois National Guard Armory Construction Fund - 927</u>						
Office of the Adjutant General:						
Land Acq. & Const. of Parking Fac at Armories	\$ 250,000	\$ 53,665	\$ 1,805	\$ 55,470	\$ 194,530	
Land Acq. & Const. of Parking Fac at Armories, Reapp. FY01	49,860	49,860	0	49,860	0	
Land Acq. & Const. of Parking Fac at Armories, Reapp. FY98	5,034	1,900	0	1,900	0	\$ 3,134
Total Illinois National Guard Armory Construction Fund - 927	<u>\$ 304,894</u>	<u>\$ 105,425</u>	<u>\$ 1,805</u>	<u>\$ 107,230</u>	<u>\$ 194,530</u>	<u>\$ 3,134</u>
TOTAL APPROPRIATED FUNDS	<u>\$ 42,280,072</u>	<u>\$ 27,010,293</u>	<u>\$ 1,713,832</u>	<u>\$ 28,724,125</u>	<u>\$ 13,552,813</u>	<u>\$ 3,134</u>
<u>NONAPPROPRIATED FUNDS</u>						
<u>Armory Rental Fund - 416</u>						
Recruiting, Athletic, & Recreation		\$ 77,811	\$ 28,802	\$ 106,613		
Utilities and Payroll		198,846	8,907	207,753		
Expenses Associated with Family Assistance & Military Moral Programs per SATO Leisure Travel Rebate Program		0	0	0		
Total Armory Rental Fund - 416		<u>\$ 276,657</u>	<u>\$ 37,709</u>	<u>\$ 314,366</u>		
TOTAL ALL FUNDS - FISCAL YEAR 2004		<u>\$ 27,286,950</u>	<u>\$ 1,751,541</u>	<u>\$ 29,038,491</u>		

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
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	Balances Reappropriated July 1, 2004
<u>APPROPRIATED FUNDS</u>						
<u>General Revenue 001</u>						
Office of the Adjutant General:						
Personal Services	\$ 1,597,300	\$ 1,511,687	\$ 1,374	\$ 1,513,061	\$ 84,239	
Employee Retirement Contributions Paid by Employer	63,900	53,052	55	53,107	10,793	
State Contribution to State Employees' Retirement System	169,300	156,740	142	156,882	12,418	
State Contributions to Social Security	122,300	112,707	106	112,813	9,487	
Contractual Services	34,000	15,643	1,276	16,919	17,081	
Travel	17,400	10,636	1	10,637	6,763	
Commodities	15,200	2,734	11,462	14,196	1,004	
Printing	6,300	4,185	1,659	5,844	456	
Equipment	30,500	2,578	(681)	1,897	28,603	
Electronic Data Processing	62,100	19,116	21,090	40,206	21,894	
Telecommunications	41,200	30,942	6,990	37,932	3,268	
Operation of Automotive Equipment	25,400	21,424	2,831	24,255	1,145	
Lincoln's Challenge	3,268,700	3,268,061	582	3,268,643	57	
State Officer's Candidate School	2,100	584	0	584	1,516	
Care and Preservation of Historic Artifacts	136,000	127,482	29	127,511	8,489	
Rehabilitation & Minor Construction	47,000	9,325	32,974	42,299	4,701	
Total Office of the Adjutant General	\$ 5,638,700	\$ 5,346,896	\$ 79,890	\$ 5,426,786	\$ 211,914	
Facility Operations:						
Personal Services	\$ 5,269,200	\$ 4,710,408	\$ 9,116	\$ 4,719,524	\$ 549,676	
Employee Retirement Contributions Paid by Employer	210,700	173,125	335	173,460	37,240	
State Contribution to State Employees' Retirement System	558,500	489,702	941	490,643	67,857	
State Contributions to Social Security	403,200	349,489	697	350,186	53,014	
Contractual Services	2,064,300	1,859,264	161,463	2,020,727	43,573	
Commodities	102,700	52,510	49,506	102,016	684	
Equipment	42,700	162	13,537	13,699	29,001	
Total Facility Operations	\$ 8,651,300	\$ 7,634,660	\$ 235,595	\$ 7,870,255	\$ 781,045	
Total General Revenue Fund - 001	\$ 14,290,000	\$ 12,981,556	\$ 315,485	\$ 13,297,041	\$ 992,959	

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

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
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	Balances Reappropriated July 1, 2004
<u>Military Affairs Trust Fund - 043</u>						
Office of the Adjutant General:						
Youth Programs	\$ 1,500,000	\$ 176,406	\$ 3,426	\$ 179,832	\$ 1,320,168	
Total Military Affairs Trust Fund - 043	<u>\$ 1,500,000</u>	<u>\$ 176,406</u>	<u>\$ 3,426</u>	<u>\$ 179,832</u>	<u>\$ 1,320,168</u>	
<u>Federal Support Agreement Revolving Fund - 333</u>						
Office of the Adjutant General:						
Army/Air Reimbursable Positions	\$ 6,126,100	\$ 5,117,188	\$ 25,059	\$ 5,142,247	\$ 983,853	
Lincoln's Challenge	4,889,700	3,970,130	322,995	4,293,125	596,575	
Lincoln's Challenge Stipend Payments	1,200,000	565,963	173,937	739,900	460,100	
Total Office of the Adjutant General	<u>\$ 12,215,800</u>	<u>\$ 9,653,281</u>	<u>\$ 521,991</u>	<u>\$ 10,175,272</u>	<u>\$ 2,040,528</u>	
Facility Operations:						
Expenses Related to Army National Guard Facilities Operations and Maintenance	\$ 3,500,000	\$ 2,835,974	\$ 188,037	\$ 3,024,011	\$ 475,989	
Expenses of Bartonville and Kankakee Armories for Operations and Maintenance	285,000	246,175	18,622	264,797	20,203	
Total Facility Operations	<u>\$ 3,785,000</u>	<u>\$ 3,082,149</u>	<u>\$ 206,659</u>	<u>\$ 3,288,808</u>	<u>\$ 496,192</u>	
Total Federal Support Agreement Revolving Fund - 333	<u>\$ 16,000,800</u>	<u>\$ 12,735,430</u>	<u>\$ 728,650</u>	<u>\$ 13,464,080</u>	<u>\$ 2,536,720</u>	
<u>Illinois National Guard Armory Construction Fund - 927</u>						
Office of the Adjutant General:						
Land Acq. & Const. of Parking Fac at Armories	\$ 250,000	\$ 35,945	\$ 0	\$ 35,945	\$ 214,055	
Land Acq. & Const. of Parking Fac at Armories, Reapp. FY01	104,715	54,855	0	54,855	0	\$ 49,860
Land Acq. & Const. of Parking Fac at Armories, Reapp. FY98	13,690	10,556	(1,900)	8,656	0	5034
Total Illinois National Guard Armory Construction Fund - 927	<u>\$ 368,405</u>	<u>\$ 101,356</u>	<u>\$ (1,900)</u>	<u>\$ 99,456</u>	<u>\$ 214,055</u>	<u>\$ 54,894</u>
TOTAL APPROPRIATED FUNDS	<u>\$ 32,159,205</u>	<u>\$ 25,994,748</u>	<u>\$ 1,045,661</u>	<u>\$ 27,040,409</u>	<u>\$ 5,063,902</u>	<u>\$ 54,894</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For The Fiscal Year Ended June 30, 2003

P.A. 92-0538	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	Balances Reappropriated July 1, 2004
FISCAL YEAR 2003						
<u>NONAPPROPRIATED FUNDS</u>						
<u>Armory Rental Fund - 416</u>						
Office of the Adjutant General:						
Recruiting, Athletic, & Recreation	\$ 110,602		\$ 2,760	\$ 113,362		
Utilities and Payroll		53,421	3,063	56,484		
Expenses Associated with Family Assistance & Military Moral Programs per SATO Leisure Travel Rebate Program		1,296	0	1,296		
Total Armory Rental Fund - 416		<u>\$ 165,319</u>	<u>\$ 5,823</u>	<u>\$ 171,142</u>		
TOTAL ALL FUNDS - FISCAL YEAR 2003		<u>\$ 26,160,067</u>	<u>\$ 1,051,484</u>	<u>\$ 27,211,551</u>		

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2004	2003	2002
	P.A. 93-76 P.A. 93-0664	P.A. 92-0538	P.A. 92-0008
<u>General Revenue Fund - 001</u>			
Appropriations (Net of Transfers)	\$ 15,149,428	\$ 14,290,000	\$ 14,775,700
<u>Expenditures</u>			
Office of the Adjutant General:			
Personal Services	\$ 1,138,143	\$ 1,513,061	\$ 1,289,193
Employee Retirement Contributions Paid by Employer	10,805	53,107	48,193
State Contribution to State Employees' Retirement System	106,622	156,882	130,678
State Contributions to Social Security	84,369	112,813	92,614
Contractual Services	20,304	16,919	34,959
Travel	6,120	10,637	14,978
Commodities	6,195	14,196	15,678
Printing	1,840	5,844	5,593
Equipment	377	1,897	6,358
Electronic Data Processing	38,076	40,206	30,839
Telecommunications	35,428	37,932	32,749
Operation of Automotive Equipment	36,936	24,255	28,798
Lincoln's Challenge	3,248,719	3,268,643	3,439,517
Lincoln's Challenge Stipend Payments	528,000	0	0
State Officer's Candidate School	800	584	2,198
Line of Duty Grants	0	0	0
Care and Preservation of Historic Artifacts	15,999	127,511	141,092
Rehabilitation & Minor Construction	45,969	42,299	48,500
Total Office of the Adjutant General	<u>\$ 5,324,702</u>	<u>\$ 5,426,786</u>	<u>\$ 5,361,937</u>
Facility Operations:			
Personal Services	\$ 4,453,168	\$ 4,719,524	\$ 5,449,315
Employee Retirement Contributions Paid by Employer	138,083	173,460	215,698
State Contribution to State Employees' Retirement System	407,681	490,643	549,865
State Contributions to Social Security	312,489	350,186	404,810
Contractual Services	2,005,170	2,020,727	2,113,543
Commodities	40,851	102,016	99,074
Equipment	4,994	13,699	42,304
Total Facility Operations	<u>\$ 7,362,436</u>	<u>\$ 7,870,255</u>	<u>\$ 8,874,609</u>
Total Expenditures, Fund - 001	<u>\$ 12,687,138</u>	<u>\$ 13,297,041</u>	<u>\$ 14,236,546</u>
Lapsed Balances	<u>\$ 2,462,290</u>	<u>\$ 992,959</u>	<u>\$ 539,154</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2004	2003	2002
	P.A. 93-76 P.A. 93-0664	P.A. 92-0538	P.A. 92-0008
<u>Military Affairs Trust Fund - 043</u>			
Appropriations (Net of Transfers)	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
<u>Expenditures</u>			
Office of the Adjutant General:			
Youth Programs	\$ 90,864	\$ 179,832	\$ 716,089
Total Expenditures, Fund - 043	\$ 90,864	\$ 179,832	\$ 716,089
Lapsed Balances	<u>\$ 1,409,136</u>	<u>\$ 1,320,168</u>	<u>\$ 783,911</u>
<u>Federal Support Agreement Revolving Fund - 333</u>			
Appropriations (Net of Transfers)	\$ 17,825,750	\$ 16,000,800	\$ 15,126,500
<u>Expenditures</u>			
Office of the Adjutant General:			
Army/Air Reimbursable Positions	\$ 5,956,269	\$ 5,142,247	\$ 4,826,114
Lincoln's Challenge	4,497,827	4,293,125	4,478,036
Lincoln's Challenge Stipend Payments	431,941	739,900	1,190,703
Total Office of the Adjutant General	<u>\$ 10,886,037</u>	<u>\$ 10,175,272</u>	<u>\$ 10,494,853</u>
Facility Operations:			
Expenses Related to Army National Guard Facilities Operations and Maintenance	\$ 3,250,894	\$ 3,024,011	\$ 3,013,350
Expenses of Bartonville and Kankakee Armories for Operations and Maintenance	284,962	264,797	246,837
Total Facility Operations	<u>\$ 3,535,856</u>	<u>\$ 3,288,808</u>	<u>\$ 3,260,187</u>
Total Expenditures Fund - 333	<u>\$ 14,421,893</u>	<u>\$ 13,464,080</u>	<u>\$ 13,755,040</u>
Lapsed Balances	<u>\$ 3,403,857</u>	<u>\$ 2,536,720</u>	<u>\$ 1,371,460</u>
<u>Illinois Military Family Relief Fund - 0725</u>			
Appropriations (Net of Transfers)	\$ 7,500,000	\$ 0	\$ 0
<u>Expenditures</u>			
Special duty due to September 11th			
Terrorist Attacks	\$ 1,417,000	\$ 0	\$ 0
Total Expenditures, Fund - 0725	<u>\$ 1,417,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Lapsed Balances	<u>\$ 6,083,000</u>	<u>\$ 0</u>	<u>\$ 0</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2004	2003	2002
	P.A. 93-76 P.A. 93-0664	P.A. 92-0538	P.A. 92-0008
<u>Illinois National Guard Armory Construction Fund - 927</u>			
Appropriations (Net of Transfers)	\$ 304,894	\$ 368,405	\$ 508,994
<u>Expenditures</u>			
Office of the Adjutant General:			
Land Acq. & Const. of Parking Fac at Armories	\$ 55,470	\$ 35,945	\$ 95,285
Land Acq. & Const. of Parking Fac at Armories, Reapp. FY01	49,860	54,855	1,950
Land Acq. & Const. of Parking Fac at Armories, Reapp. FY98	1,900	8,656	0
New Danville Armory Planning	0	0	43,354
Total Expenditures Fund - 927	<u>\$ 107,230</u>	<u>\$ 99,456</u>	<u>\$ 140,589</u>
Reappropriations/Reverted			118,405
Lapsed Balances	<u>\$ 197,664</u>	<u>\$ 268,949</u>	<u>\$ 250,000</u>
<u>NONAPPROPRIATED FUNDS</u>			
<u>Armory Rental Fund - 416</u>			
<u>Expenditures</u>			
Recruiting, Athletic, & Recreation	\$ 106,613	\$ 113,362	\$ 62,071
Utilities and Payroll	207,753	56,484	100,729
Expenses Associated with Family Assistance & Military Moral Programs per SATO Leisure Travel Rebate Program	0	0	0
Total Expenditures, Fund - 416	<u>\$ 314,366</u>	<u>\$ 169,846</u>	<u>\$ 162,800</u>
TOTAL ALL FUNDS APPROPRIATIONS	<u>\$ 42,280,072</u>	<u>\$ 32,159,205</u>	<u>\$ 31,911,194</u>
TOTAL ALL FUNDS EXPENDITURES	<u>\$ 29,038,491</u>	<u>\$ 27,210,255</u>	<u>\$ 29,011,064</u>
Appropriations to Comptroller's Office for Department Officers' Salaries:			
For the Adjutant General	\$ 98,200	\$ 98,200	\$ 98,200
For the Two Chief Assistants to the Adjutant General	167,400	167,400	167,400
Total Appropriation	<u>\$ 265,600</u>	<u>\$ 265,600</u>	<u>\$ 265,600</u>
Officers' Salaries:			
For the Adjutant General	\$ 98,200	\$ 97,490	\$ 98,135
For the Two Chief Assistants to the Adjutant General	132,498	129,783	154,992
Total Paid	<u>\$ 230,698</u>	<u>\$ 227,273</u>	<u>\$ 253,127</u>
Lapsed Balances for Officers' Salaries	<u>\$ 34,902</u>	<u>\$ 38,327</u>	<u>\$ 12,473</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF EFFICIENCY INITIATIVES PAYMENTS
For the Fiscal Year Ended June 30, 2004

<u>Procurement Efficiency Initiative</u>	<u>Amount</u>
General Revenue Fund-001	
Division 01-Office of the Adjutant General	
Contractual Services	\$ 967
Travel	489
Commodities	957
Equipment	377
Electronic Data Processing	607
Telecommunications	2,192
Operation of Automotive Equipment	979
Permanent Improvements	2,167
Lincoln's Challenge	235
Officer's Candidate School	134
Preservation of Historical Artifacts	8,311
Division 15-Facility Operation	
Contractual Services	99,503
Commodities	6,048
Equipment	2,510
Sub-Total	<u>\$ 125,476</u>
<u>Facilities Management Efficiency Initiatives</u>	
General Revenue Fund-001	
Personal Services	<u>\$ 222,022</u>
<u>Information Technology Initiatives</u>	
General Revenue Fund-001	
Electronic Data Processing	<u>\$ 7,140</u>
<u>Vehicle Fleet Initiatives</u>	
General Revenue Fund-001	
Operation of Automotive Equipment	<u>\$ 10,987</u>
Grand Total	<u><u>\$ 365,625</u></u>

Note: This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Department and reconciled to information from the Office of the Comptroller.₄₁

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
(CASH BASIS) - LOCALLY HELD FUNDS
For the Two Years Ended June 30, 2004
(expressed in thousands)

	Lincoln's Challenge Stipend Fund (Fund 1336)	
Cash Balance at July 1, 2002	\$	-
Receipts:		152
Disbursements:		151
Cash Balance at June 30, 2003	\$	1
Cash Balance at July 1, 2003	\$	1
Receipts:		210
Disbursements:		209
Cash Balance at June 30, 2004	\$	2

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2004

	Total	Land and Land Improvements	Buildings and Building Improvements	Site Improvements	Equipment
Balance at July 1, 2002	\$ 129,090,066	\$12,400,588	\$112,150,619	\$ -	\$4,538,859
Additions	8,557,045	585,420	7,555,052		416,573
Deletions	60,472	3,000			57,472
Net Transfers	<u>(21,720)</u>				<u>(21,720)</u>
Balance at June 30, 2003	<u>\$ 137,564,919</u>	<u>\$12,983,008</u>	<u>\$119,705,671</u>	<u>\$ -</u>	<u>\$4,876,240</u>
Balance at July 1, 2003	\$ 137,564,919	\$12,983,008	\$119,705,671	\$ -	\$4,876,240
Additions	10,750,215	971,985	9,324,299	276,379	177,552
Deletions	193,413		48,883		144,530
Net Transfers	<u>2,194,622</u>		<u>2,186,507</u>		<u>8,115</u>
Balance at June 30, 2004	<u>\$ 150,316,343</u>	<u>\$13,954,993</u>	<u>\$131,167,594</u>	<u>\$ 276,379</u>	<u>\$4,917,377</u>

Note: The above schedule has been derived from Department records. This schedule could not be reconciled to the Agency Report of State Property submitted to the Office of the Comptroller. See Finding # 04-2.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Fiscal Years Ended June 30,

General Revenue Fund - 001	2004	2003	2002
Telephone reimbursements	\$ -	\$ 10	\$ -
Jury duty reimbursements	253	120	546
Vending machine collections	22	54	-
Miscellaneous		144	157
Federal reimbursements - Air National Guard	241,596	368,205	256,021
Federal reimbursements - Army National Guard	63,581	30,919	39,959
Prior year refunds	91	-	428
 Total - Fund 001	 <u>\$ 305,543</u>	 <u>\$ 399,452</u>	 <u>\$ 297,111</u>
 Military Affairs Trust Fund - 043			
U.S. Customs Service	\$ 300	\$ 40,654	\$ 240,255
Lincoln's Challenge Program	25,746	17,378	21,249
Family program/SATO	2,008	3,119	1,000
Lincoln's Challenge Program - Chicago	-	-	500,000
Miscellaneous	15,058	10,000	-
Property Rental	6,000	6,500	-
Prior Year Refunds	79	-	-
 Total - Fund 043	 <u>\$ 49,191</u>	 <u>\$ 77,651</u>	 <u>\$ 762,504</u>
 Federal Support Agreement Revolving Fund - 333			
Cooperative Funding Agreement - Army	\$ 2,913,213	\$ 3,151,053	\$ 3,059,227
Joint Armed Forces Reserve Center	296,798	266,041	205,247
Lincoln's Challenge Program	4,678,060	5,145,300	5,704,191
Federal reimbursements - Army/Air	5,939,255	5,480,640	4,819,293
Petty Cash Fund Reduction	800	-	200
Prior year refunds	63	202	12,771
Prior year warrant voids	1,100	1,673	2,500
 Total - Fund 333	 <u>\$ 13,829,289</u>	 <u>\$ 14,044,909</u>	 <u>\$ 13,803,429</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Fiscal Years Ended June 30,

Armory Rental Fund - 416	2004	2003	2002
Rent	\$ 259,339	\$ 131,719	\$ 208,030
Concessions	11,473	18,568	19,549
SATO	-	-	725
Total Fund - 416	\$ 270,812	\$ 150,287	\$ 228,304
Illinois Military Family Relief Fund - 725			
Donations	\$ 45,524	\$ 49,074	\$ -
Total Fund - 725	\$ 45,524	\$ 49,074	\$ -
Illinois National Guard Armory Construction Fund - 927			
Sale of Armory	\$ 62,000	\$ 3,000	\$ -
Total Fund - 927	\$ 62,000	\$ 3,000	\$ -
TOTAL RECEIPTS - ALL FUNDS	\$ 14,562,359	\$ 14,724,373	\$ 15,091,348

Note: The above schedule includes all Department funds on deposit with the State Treasurer.
It does not include locally held funds.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For the Years Ended June 30,

<u>General Fund - 001</u>	<u>2004</u>	<u>2003</u>
Receipts per Department records	\$ 305,543	\$ 399,452
Add: deposits in transit, beginning of year	0	0
Less: deposits in transit, end of year	(10,576)	0
Deposits recorded by Comptroller	<u>\$ 294,967</u>	<u>\$ 399,452</u>
<u>Military Affairs Trust Fund - 043</u>		
Receipts per Department records	\$ 49,191	\$ 77,651
Add: deposits in transit, beginning of year	0	0
Less: deposits in transit, end of year	0	0
Deposits recorded by Comptroller	<u>\$ 49,191</u>	<u>\$ 77,651</u>
<u>Federal Support Agreement Revolving Fund - 333</u>		
Receipts per Department records	\$ 13,829,289	\$ 14,044,909
Add: deposits in transit, beginning of year	531,462	90,091
Less: deposits in transit, end of year	(456,259)	(531,462)
Deposits recorded by Comptroller	<u>\$ 13,904,492</u>	<u>\$ 13,603,538</u>
<u>Armory Rental Fund - 416</u>		
Receipts per Department records	\$ 270,812	\$ 150,287
Add: deposits in transit, beginning of year	0	493
Less: deposits in transit, end of year	(395)	0
Deposits recorded by Comptroller	<u>\$ 270,417</u>	<u>\$ 150,780</u>
<u>Illinois Military Family Relief Fund - 725</u>		
Receipts per Department records	\$ 45,524	\$ 49,074
Add: deposits in transit, beginning of year	0	0
Less: deposits in transit, end of year	0	0
Deposits recorded by Comptroller	<u>\$ 45,524</u>	<u>\$ 49,074</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For the Years Ended June 30,

Illinois National Guard Armory
Construction Fund - 927

Receipts per Department records	\$ 62,000	\$ 3,000
Add: deposits in transit, beginning of year	0	0
Less: deposits in transit, end of year	<u>0</u>	<u>0</u>
Deposits recorded by Comptroller	<u><u>\$ 62,000</u></u>	<u><u>\$ 3,000</u></u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

FLUCTUATIONS BETWEEN FY04 – FY03

GENERAL REVENUE FUND – 001

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Personal Services

Expenditures decreased in FY04 due to the Early Retirement Incentive Program being over and having a greater volume than normal of hiring lags.

Employee Retirement Contributions Paid by the Employer

Expenditures decreased in FY04 due to the Early Retirement Incentive Program being over and having a greater volume than normal of hiring lags.

State Contribution to State Employees' Retirement System

Expenditures decreased in FY04 due to the Early Retirement Incentive Program being over and having a greater volume than normal of hiring lags as well as non-bargaining unit employees being required to pay their own employee retirement contribution.

State Contribution to Social Security

Expenditures decreased in FY04 due to the Early Retirement Incentive Program being over and having a greater volume than normal of hiring lags.

Contractual Services

Expenditures increased as labor contract negotiation and legal suit services were needed in FY04.

Travel

The Department reduced spending to allow a transfer of appropriation authority to Facilities Contractual to meet increased utility and repair and maintenance costs.

Commodities

The Department reduced spending to allow a transfer of appropriation authority to Facilities Contractual to meet increased utility and repair and maintenance costs.

Printing

The Department reduced spending to allow a transfer of appropriation authority to Facilities Contractual to meet increased utility and repair and maintenance costs.

Equipment

The Department reduced spending to allow a transfer of appropriation authority to Facilities Contractual to meet increased utility and repair and maintenance costs.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

FLUCTUATIONS BETWEEN FY04 – FY03 (Continued)

Operation of Automotive Equipment

Expenditures increased due to the cost of repairs needed as a result of an accident and the escalating cost of gasoline.

Lincoln's Challenge Stipend Payments

Payments were reduced to the cadets in FY03 because the Chicago Public Schools discontinued their grant to the program. The Illinois General Assembly added a new General Revenue Fund appropriation to restore the stipend payments for the FY04 cadets.

DIVISION 15 – FACILITY OPERATIONS

Employee Retirement Contributions Paid by the Employer

Expenditures decreased due to non-bargaining unit employees being required to pay their own employee retirement contribution.

Commodities

The Department reduced spending to allow a transfer of appropriation authority to Facilities Contractual to meet increased utility and repair and maintenance costs.

Equipment

The Department reduced spending to allow a transfer of appropriation authority to Facilities Contractual to meet increased utility and repair and maintenance costs.

MILITARY AFFAIRS TRUST FUND - 043

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Youth programs

Expenditures are limited by cash; therefore, by nature, these expenditures will vary.

FEDERAL SUPPORT AGREEMENT REVOLVING FUND – 333

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Lincoln's Challenge Stipend Payments

Payments were at a low level as a result of the suspension of stipends to the cadets in FY03.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

FLUCTUATIONS BETWEEN FY04 – FY03 (Continued)

ILLINOIS MILITARY FAMILY RELIEF FUND – 725

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

IL Military Family Relief Grants

Expenditures began in FY04 and are for families of persons who are members of the Illinois National Guard or Illinois residents who are members of the reserves of the armed forces of the United States and who were called to active duty as a result of the September 11, 2001 terrorist attacks.

ILLINOIS NATIONAL GUARD ARMORY CONSTRUCTION FUND – 927

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Expenditures within the 927 fund vary each year based upon the construction and acquisitions that occur that particular year. Below are the specifics of what the appropriations were used for in FY04.

Land Acquisition and Construction of Parking Facilities at Armories

Expenditures were for fees associated with the acquisition of Sparta and construction of parking lots at Freeport and Kewanee.

Land Acquisition and Construction of Parking Facilities at Armories (Reappropriation)

Expenditures were for fees associated with the sale of the Danville armory.

ARMORY RENTAL FUND – 416

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Utilities

Expenditures increased as armory rental revenue increased in FY04.

Expenses Associated with Family Assistance & Military Morale Programs per SATO Leisure Travel Rebate Program

Program funds were determined to be in the wrong fund. With the cooperation of Comptroller Hynes' Office, the funds were vouchered out of the Armory Rental Fund and deposited into the Military Affairs Trust Fund in FY03. The balance was \$1,296.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

FLUCTUATIONS BETWEEN FY03 – FY02

GENERAL REVENUE FUND – 001

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

State Contribution to State Employees' Retirement System

The expenditures significantly increased due to the Early Retirement Incentive Program resulting in a large volume of lump sum payments.

State Contribution to Social Security

The significant increase was due to the Early Retirement Incentive Program resulting in a large volume of lump sum payments.

Contractual Services

The Department reduced spending in order to meet the “reserve/reduction” amounts prescribed by the Governor’s Office.

Travel

The Department reduced spending in order to meet the “reserve/reduction” amounts prescribed by the Governor’s Office.

Equipment

The Department reduced spending in order to meet the “reserve/reduction” amounts prescribed by the Governor’s Office.

Electronic Data Processing

The increase was due to the need for a new printer and some new computers.

State Officer’s Candidate School

The Department reduced spending in order to meet the “reserve/reduction” amounts prescribed by the Governor’s Office.

DIVISION 15 – FACILITY OPERATIONS

Equipment

The Department reduced spending in order to meet the “reserve/reduction” amounts prescribed by the Governor’s Office.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

FLUCTUATIONS BETWEEN FY03 – FY02 (Continued)

MILITARY AFFAIRS TRUST FUND - 043

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Youth programs

Expenditures are controlled by cash. The Chicago Public Schools ended their \$500,000 annual grant to the Lincoln's Challenge Academy. As a result, expenditures decreased.

FEDERAL SUPPORT AGREEMENT REVOLVING FUND – 333

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Lincoln's Challenge Stipend Payments

Expenditures decreased as a result of stipends to the cadets being reduced. This reduction was needed as a result of the loss of the Chicago Public Schools grant.

ILLINOIS NATIONAL GUARD ARMORY CONSTRUCTION FUND – 927

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Expenditures within the 927 fund vary each year based upon the construction and acquisitions that occur that particular year. Below are the specifics of what the appropriations were used for in FY03.

Land Acquisition and Construction of Parking Facilities at Armories

Expenditures were for land acquisition in East St. Louis and moving a utility pole at Mt. Vernon.

Land Acquisition and Construction of Parking Facilities at Armories (Reappropriation)

Expenditures were for parking lot construction at Mt. Vernon.

Land Acquisition and Construction of Parking Facilities at Armories (Reappropriation)

Expenditures were for title searches, appraisals, filing fees, and land acquisitions at various locations in support of parking lot construction.

State's Share to Plan New Armory in Danville (Reappropriation)

The project was completed in FY02; therefore, the appropriation did not exist in FY03.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2004

FLUCTUATIONS BETWEEN FY03 – FY02 (Continued)

ARMORY RENTAL FUND – 416

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Recruiting, Athletic, & Recreation

The increase was a result of the units having more requirements for recruiting, athletic, and recreation expenditures.

Utilities

Expenditures decreased as armory rental revenue decreased in FY03.

Expenses Associated with Family Assistance & Military Morale Programs per SATO Leisure Travel Rebate Program

Program funds were determined to be in the wrong fund. With the cooperation of Comptroller Hynes' Office, the funds were vouchered out of the Armory Rental Fund and deposited into the Military Affairs Trust Fund in FY03. The balance was \$1,296.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2004

**EXPLANATION OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN
FISCAL YEARS 2002 AND 2003**

General Revenue Fund - 001

Federal Reimbursements – Air National Guard

The increase in FY03 was due to federal fiscal year 2001 and 2002 receipts received in State fiscal year 2003.

Federal Reimbursements – Army National Guard

The decrease was primarily due to two FY03 receipts not received until FY04.

Military Affairs Trust Fund - 043

U.S. Customs Service

The decrease was due to the amount of property forfeited and the Department of Treasury's award and distribution timing.

Lincoln's Challenge Program – Chicago

The decrease was due to the loss of the Chicago Public Schools grant in the amount of \$500,000 when the program ended in FY02.

Miscellaneous

The increase in miscellaneous receipts was due to the receipt of a grant from the McCormick Tribune foundation. This was the only year the grant was received.

Property Rental

The increase was due to the FY03 rental contract of the Marseilles Training Site house.

Federal Support Agreement Revolving Fund - 333

Joint Armed Forces Reserve Center

The increase was due to the timing of Federal payments received.

Prior Year Refunds

The decrease was due to fewer overpayments made in the prior year.

Armory Rental Fund – 416

Rent

The decrease was due to a lower number of armory rentals in FY03.

Illinois Military Family Relief Fund – 725

Donations

This fund was set up and donations began in FY03.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2004

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

General Revenue Fund - 001

Federal Reimbursements – Air National Guard

The decrease in FY04 was due to a federal fiscal year 2003 receipt not received in State fiscal year 2004.

Federal Reimbursements – Army National Guard

The increase was due to two FY03 receipts received in FY04.

Military Affairs Trust Fund - 043

U.S. Customs Service

The decrease was due to the amount of property forfeited and the Department of Treasury's award and distribution timing.

Lincoln's Challenge Program

The variance was due to the fluctuation in donations received and vending machine receipts.

Miscellaneous

The increase in miscellaneous receipts was due to the reimbursement from Illinois Emergency Management Agency for the Illinois National Guard's participation in an emergency preparedness exercise.

Armory Rental Fund – 416

Rent

The increase was due to the unusually small number of armory rentals in FY03.

Concessions

The decrease was due to no machine usage at a location in Peoria.

Illinois National Guard Armory Construction Fund - 927

Sale of Armory

The increase was due to the sale of the Danville Armory.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT LAPSED PERIOD SPENDING
For the Two Years Ended June 30, 2004

LAPSE PERIOD - FY04

GENERAL REVENUE FUND – 001

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Commodities

Billings for office supplies ordered prior to June 30th were not received and paid until lapse period.

Electronic Data Processing

Billings for electronic data processing services and equipment incurred prior to June 30th were not received and paid until the lapse period.

Telecommunications

Billings for telephone costs incurred prior to June 30th were not received and paid until the lapse period.

FEDERAL SUPPORT AGREEMENT REVOLVING FUND – 333

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Lincoln's Challenge Stipend Payments

Payments were made in lapse period for cadets meeting the grant requirements prior to June 30th. The processing cycle results in the payments actually occurring in July.

LAPSE PERIOD - FY03

GENERAL REVENUE FUND – 001

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Commodities

Billings for commodities purchased prior to June 30th were not received and paid until the lapse period.

Printing

Billings for paper and business cards ordered prior to June 30th were not received and paid until lapse period.

Electronic Data Processing

Billings for electronic data processing services and equipment incurred prior to June 30th were not received and paid until the lapse period.

DIVISION 15 – FACILITY OPERATIONS

Commodities

Billings for commodities purchased prior to June 30th were not received and paid until the lapse period.

Equipment

Billings for equipment items purchased prior to June 30th were not received and paid until the lapse period.

FEDERAL SUPPORT AGREEMENT REVOLVING FUND – 333

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Lincoln’s Challenge Stipend Payments

Payments were made in lapse period for cadets meeting the grant requirements prior to June 30th. The processing cycle results in the payments actually occurring in July.

ILLINOIS NATIONAL GUARD ARMORY CONSTRUCTION FUND – 927

DIVISION 01 – OFFICE OF THE ADJUTANT GENERAL

Land Acquisition and Construction of Parking Facilities at Armories (Reappropriated)

A June voucher was cancelled during lapse period due to the vendor not being certified by the Comptroller’s Office.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Two Years Ended June 30, 2004
(expressed in thousands)

General Revenue Fund - 001

The Department had approximately \$12,000 and \$0 in accounts receivable in the General Revenue Fund at June 30, 2004 and 2003, respectively. The June 30, 2004 amount is due from the United States Department of Defense for reimbursable costs in conjunction with the Master Cooperative Funding Agreement for the 75/25% reimbursable positions. The amounts are considered non-current, and until collected, are classified as deferred revenue for GAAP reporting purposes.

Federal Support Agreement Revolving Fund - 333

Aging Schedule	Fiscal Year		
	2004	2003	2002
Current	\$ 101	\$ 82	\$ 1,420
1-30 days	27	15	-
31-90 days	62	39	-
91-180 days	19	-	-
Accounts Receivable Net Balance	<u>\$ 209</u>	<u>\$ 136</u>	<u>\$ 1,420</u>

These amounts are due from the United States Department of Defense for reimbursable costs in conjunction with the Master Cooperative Funding Agreement, the Master Youth Cooperative Funding Agreement and the Joint Armed Forces Reserve Center Agreement. These amounts are considered collectible.

The Department uses the Comptroller's offset system when possible to collect old receivable balances.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Two Years Ended June 30, 2004
(expressed in thousands)

Armory Rental Fund – 416

Aging Schedule	Fiscal Year		
	2004	2003	2002
Current	\$ 2	\$ 4	\$ 6
1-30 days	5	-	-
181 - 1 year	<u>2</u>	<u>-</u>	<u>2</u>
Accounts Receivable Gross Balance	9	4	8
Less: Estimated Uncollectible	<u>2</u>	<u>-</u>	<u>2</u>
Accounts Receivable Net Balance	<u><u>\$ 7</u></u>	<u><u>\$ 4</u></u>	<u><u>\$ 6</u></u>

These amounts are for unpaid armory rentals that took place prior to June 30 of each respective year.

The Department uses the Comptroller's offset system when possible to collect old receivable balances.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2004

DEPARTMENT FUNCTIONS AND PLANNING PROGRAM

Department Functions

The Illinois Department of Military Affairs (Department), a part of the executive branch of state government, acts as the channel of communication between the federal government and the State of Illinois on all matters pertaining to the State Military. The Military Code of Illinois (20 ILCS 1805 et seq.) establishes the powers and duties of the Department and the Adjutant General.

The Department is comprised of the Illinois Army National Guard and the Illinois Air National Guard. The Illinois National Guard (Guard) has approximately 12,600 members and is responsible for carrying out a dual mission, federal and State. The Guard's federal mission includes maintaining properly trained and equipped units available for prompt mobilization for war or as otherwise needed. The State mission of the Guard is to provide trained and disciplined forces for domestic emergencies or as otherwise required by State law. The Army National Guard maintains 53 armories (two of which are leased), one State Headquarters facility, two outdoor weapons ranges, three training areas, two State Warehouses, one Federal Warehouse, two Federal Maintenance Facilities, and 43 vehicle storage/maintenance buildings in 47 communities throughout the State. The Air National Guard maintains two flying bases at two major civilian airforces and one on an active U.S. Air Force Base.

The position of Adjutant General is appointed by the Governor as the head officer of the Department. Major General David Harris was appointed as the 35th Adjutant General on August 1, 1999 and served until June 7, 2003. Brigadier General Randal E. Thomas was appointed as the 36th Adjutant General on June 7, 2003. The Adjutant General reports directly to the Governor, who acts as the Commander-in-Chief of the military forces of the State of Illinois. The Adjutant General has a statutory responsibility to carry out the policies of the Governor, issuing orders in his name, and serving as his advisor on all matters relating to the Illinois National Guard. Also, the Adjutant General is responsible for planning, developing, and executing plans and programs that relate to organization, training, equipment, and mobilization of the Illinois National Guard for state emergencies and national defense. In addition, the Adjutant General supervises all military installations, property, and equipment of the Illinois National Guard.

Per statute, "the Adjutant General shall have charge of and carefully preserve the colors, flags, guidions, and military trophies of war belonging to the State (20 ILCS 1805/25)." During the audit period, the Adjutant General opened two state-of-the-art museum facilities. In 2003, the Department relocated its museum and artifact collection into a renovated, climate-controlled stone structure on the grounds of Camp Lincoln. That same year, museum staff and volunteers relocated the States' collection of historical battle flags from the Hall of Flags in the Michael J. Howlett building to a climate-controlled storage facility also on the grounds of Camp Lincoln.

The Department also organizes and operates the community-related program Lincoln's Challenge, with the assistance of federal funding in Rantoul, Illinois. Lincoln's Challenge is a 17-month program designed for at-risk youth ages 16 through 18. The program is a two-phase (resident and post-resident) program that focuses on eight core objectives: academic excellence; job skills; physical fitness; leadership and followership; health, sex education, and nutrition; life coping skills; responsible citizenship; and community service.

During the audit period, the Department was given "the power to make grants from the Illinois Military Family Relief Fund, a special fund created in the State treasury, to families of persons who are members of the Illinois National Guard or Illinois residents who are members of the reserves of the armed forces of the United States and who have been called to active duty as a result of the September 11, 2001 terrorist attacks." (20 ILCS 1805/22-9) The Department has established eligibility criteria that are used to award the grants.

Department Planning Program

Most of the plans that are implemented by the Department are a joint effort between Federal and State resources and generally reflect mutual goals and efforts. The Army National Guard and the Air National Guard units of the Illinois National Guard have separate federal strategic and long-range plans that support the planning process within the Department. These federal strategic plans were translated into State goals and objectives as the Department drafted a strategic plan as part of a State of Illinois process in Fiscal Year 2004. The State plans included an emphasis on the Department's outreach programs. At the end of each fiscal year, the Department produces the Capital Budget Request that summarizes the conditions of facilities/equipment and suggests corrective actions for improvement. The Capital Budget Request is tied into the budgeting process for the following fiscal year.

Auditor's Assessment

The Department's planning program, in conjunction with the federal strategic and long-range plans of the Illinois National Guard, provide for sufficient management of operations in accordance with the Department's statutory functions.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
AVERAGE NUMBER OF EMPLOYEES
For the Fiscal Years Ended June 30,

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Department records, presents the average number of employees, by function, for the Fiscal Years ended June 30,

<u>Division</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Office of the Adjutant General	131	125	128
Facilities	113	119	144
Total average full-time employees	<u>244</u>	<u>244</u>	<u>272</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
EMERGENCY PURCHASES
For the Two Fiscal Years Ended June 30, 2004

The Department reported the following emergency purchases to the Office of the Auditor General during FY03/04:

<u>DESCRIPTION OF EMERGENCY PURCHASE</u>	<u>AMOUNT</u>
Repair wind and erosion damage at the Camp Lincoln Range Safety Baffle #2.	\$ 50,704
Roof repairs at the East St. Louis Armory	261,582
Boiler repairs at the Cairo Armory	77,939
Partial tuckpointing of parapet walls and exterior brick replacement at Paris, Illinois	50,000 *
Restore cold and hot water to the showers at the Galva Armory	54,678
Repair ruptured gas line at Camp Lincoln	18,500 *
Replace north head house boilers at the General Jones Armory	40,000 *
Furniture purchase for New Aurora Readiness Facility	<u>66,342 *</u>
TOTAL APPROXIMATE COST	<u><u>\$ 619,745</u></u>

* Denotes estimated cost

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Years Ended June 30,

Adjutant General's Office

Mission Statement: To manage the daily operations of the Illinois National Guard (ILNG), be the official channel of communication between the federal government and state regarding military matters, maintain military personnel records, active duty reports, preserve historical military artifacts, and provide military funeral honors.

Program Goals:

- To provide timely and accurate responses and services.
- To provide services in the most cost effective manner possible.

Funds: General Revenue Fund, Military Affairs Trust Fund

	2002	2003	2004
<u>Input indicators:</u>			
Total Expenditures – all sources (in thousands)	\$2,5900	\$2,296	\$1,593
Total Expenditures – State appropriated funds (in thousands)	\$2,5900	\$2,296	\$1,593
Average monthly full time equivalents	29	24	25
GRF Appropriations (in dollars)	\$2,166,600	\$2,323,000	\$1,762,937
Other Funds Appropriation (in dollars)	\$1,500,000	\$1,500,000	\$1,500,000
<u>Output Indicators:</u>			
GRF Expenditures (in dollars)	\$1,873,920	\$2,115,850	\$1,502,014
Other Funds Expenditures (in dollars)	\$716,089	\$179,832	\$90,864
<u>Efficiency/Cost-Effectiveness</u>			
% of GRF Appropriation Expended	86.5%	91%	85%
% of Other Funds Appropriation Expended	48%	12%	6%

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Years Ended June 30,

Facilities

Mission Statement: Operate and maintain 53 armories, one state headquarters facility, two outdoor weapons ranges, three training areas, and 43 vehicle storage/maintenance buildings in 47 communities. Three large flying bases are also maintained.

Program Goals:

- To provide sufficient facilities to enable the ILNG to be trained and equipped for federal and state missions.
- To provide sufficient facilities in a cost effective manner for the ILNG to maintain readiness for federal and state missions.

Funds: General Revenue Fund, Federal Support Agreement Revolving Fund, Illinois National Guard Armory Construction Fund

	2002	2003	2004
<u>Input indicators:</u>			
Total Expenditures – all sources (in thousands)	\$17,150	\$16,448	\$17,008
Total Expenditures – State appropriated funds (in thousands)	\$17,150	\$16,448	\$17,008
Average monthly full time equivalents	247	204	240
<u>Output Indicators:</u>			
Number of Drill weekends held for ILNG personnel	12	12	12
<u>Outcome Indicators:</u>			
Number of Facilities Supported	105	105	105
<u>Efficiency/Cost-Effectiveness</u>			
Average cost per facility (in dollars)	\$163,333	\$156,647	\$161,979

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Years Ended June 30,

Illinois Military Family Relief Fund

Mission Statement: Provide grants to families of persons who are members of the Illinois National Guard or Illinois residents who are members of the armed forces of the United States and who have been called to active duty as a result of September 11, 2001 terrorist attacks.

Program Goals:

- To provide grants to eligible military families.
- To provide a minimum grant of \$500 to eligible military families

Funds: Illinois Military Family Relief Fund

	2002	2003	2004
<u>Input indicators:</u>			
Total Expenditures – all sources (in thousands)	0	0	\$1,417
Total Expenditures – State appropriated funds (in thousands)	0	0	\$1,417
<u>Output Indicators:</u>			
Number of grants	0	0	2,732
<u>Efficiency/Cost-Effectiveness</u>			
Average grant amount (in dollars)	0	0	\$519

Explanatory Information: This program began in fiscal year 2004.

Lincoln’s Challenge Academy

Mission Statement: To provide residential youth corps program to help high school dropouts earn their General Education Development (GED) certificate, improve their life coping skills, and increase employability.

Program Goals:

- To prepare Lincoln’s Challenge Academy attendees for success in real world situations.
- To insure 65% of the Lincoln’s Challenge students obtain a GED certificate during the program.
- To provide 100% of the graduates with mentors who will evaluate the graduates’ status one year after graduation.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Years Ended June 30,

Lincoln's Challenge Academy – Continued

Funds: General Revenue Fund, Federal Support Agreement Revolving Fund

	2002	2003	2004
<u>Input indicators:</u>			
Total Expenditures – all sources (in thousands)	\$9,108	\$8,277	\$8,706
Total Expenditures – State appropriated funds (in thousands)	\$9,108	\$8,277	\$8,706
Average monthly full time equivalents	0	0	0
<u>Output Indicators:</u>			
Number of graduates	801	761	784
<u>Outcome Indicators:</u>			
Number of graduates with GED	581	476	516
<u>Efficiency/Cost-Effectiveness</u>			
Average cost per graduate (in dollars)	\$10,748	\$11,741	\$12,043.11
Percentage of graduates with GED	72.6%	68.4%	66%

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FEDERAL AND NONFEDERAL EXPENDITURES
For the Two Years Ended June 30, 2004
(expressed in thousands)

	FY 2004	
	Amount	Percent
Federal Expenditures	\$ 22,889	61.1%
Nonfederal Expenditures	14,602	38.9%
Totals	<u>\$37,491</u>	<u>100.0%</u>

	FY 2003	
	Amount	Percent
Federal Expenditures	\$ 17,490	56.2%
Nonfederal Expenditures	13,613	43.8%
Totals	<u>\$31,103</u>	<u>100.0%</u>

Source: Schedule of Expenditures of Federal Awards
Schedule of Appropriations, Expenditures and Lapsed Balances