



**STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2022

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



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**STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

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STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

DEPARTMENT OFFICIALS

DEPARTMENT OFFICIALS – CENTRAL OFFICE

Director (04/01/21 – Present)	Mr. Terry J. Prince
Director (Interim) (01/20/21 – 03/31/21)	General Peter Nezamis
Director (07/01/20 – 01/19/21)	Ms. Linda Chapa LaVia
Assistant Director	Mr. Anthony Vaughn
Chief of Staff (07/12/21 – Present)	Ms. Melissa Black
Chief of Staff (Acting) (06/16/21 – 07/11/21)	Ms. Michele Kuntz
Chief of Staff (07/01/20 – 06/15/21)	Mr. Tony Kolbeck
Chief Legal Counsel	Ms. Brittany Hawkins
Chief Fiscal Officer (03/01/2023 – Present)	Ms. Stephanie Heckenkamp
Chief Fiscal Officer (Acting) (09/08/22 – 02/28/2023)	Ms. Melissa Black
Chief Fiscal Officer (12/01/20 – 09/07/22)	Ms. Michele Kuntz
Chief Fiscal Officer (Acting) (07/01/20 – 11/30/20)	Ms. Michele Kuntz
Sr. Home Administrator (11/16/21 – Present)	Ms. Angela Simmons
Sr. Home Administrator (07/01/20 – 11/15/21)	Vacant
Chief Internal Auditor (Acting) (02/21/23 – Present)	Mr. Rex Crossland Vacant
Chief Internal Auditor (11/01/21 – 02/20/23)	Mr. Joel Meints
Chief Internal Auditor (07/01/20 – 10/31/21)	

DEPARTMENT OFFICES

The Department's primary administrative offices are located at:

833 S. Spring Street
Springfield, Illinois 62794-9432

69 W. Washington Street, 16th Floor
Chicago, Illinois 60601

STATE OF ILLINOIS
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DEPARTMENT OFFICIALS – ILLINOIS VETERANS' HOME AT ANNA

Home Administrator (11/16/21 – Present)	Vacant
Home Administrator (07/01/20 – 11/15/21)	Ms. Angela Simmons
Business Administrator	Ms. Donna Murray
Adjutant	Mr. Anthony Barnett

DEPARTMENT OFFICE

The Illinois Veterans' Anna Home is located at:

792 North Main Street
Anna, Illinois 62906

DEPARTMENT OFFICIALS – ILLINOIS VETERANS' HOME AT CHICAGO

Home Administrator	Ms. T'Kira Siler-Wilkerson
Business Administrator (11/13/21 – Present)	Vacant
Business Administrator (04/01/21 – 11/12/21)	Ms. Deborah Harrison
Business Administrator (07/01/20 – 03/31/21)	Vacant
Adjutant (01/04/21 – Present)	Mr. Alfredo Gallardo
Adjutant (07/01/20 – 01/03/21)	Vacant

DEPARTMENT OFFICE

The Illinois Veterans' Chicago Home is located at:

4250 N. Oak Park Avenue
Chicago, IL 60634

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DEPARTMENT OF VETERANS' AFFAIRS
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DEPARTMENT OFFICIALS – ILLINOIS VETERANS' HOME AT LASALLE

Home Administrator (08/04/21 – Present)	Ms. Brandi Melton
Home Administrator (12/21/21 – 08/03/21)	Vacant
Home Administrator (Acting) (12/07/20 – 12/20/21)	Mr. Anthony Vaughn
Home Administrator (07/01/20 – 12/07/20)	Ms. Angela Mehlbrech

Business Administrator	Mr. John Graham
------------------------	-----------------

Adjutant (08/23/21 – Present)	Mr. William Gaefcke
Adjutant (Acting) (12/05/20 – 08/22/21)	Ms. Sharon Gibson
Adjutant (07/01/20 – 12/04/20)	Mr. Michael Sheldon

DEPARTMENT OFFICE

The Illinois Veterans' LaSalle Home is located at:

1015 O'Conor Avenue
LaSalle, Illinois 61301

DEPARTMENT OFFICIALS – ILLINOIS VETERANS' HOME AT MANTENO

Home Administrator	Ms. Tanya Smith
Business Administrator (03/14/22 – Present)	Ms. Valencia Brown
Business Administrator (09/01/21 – 03/13/22)	Vacant
Business Administrator (07/01/20 – 08/31/21)	Mr. Stanley Stam
Adjutant	Ms. Shanise Stewart

DEPARTMENT OFFICE

The Illinois Veterans' Manteno Home is located at:

1 Veterans Drive
Manteno, Illinois 60950

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
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DEPARTMENT OFFICIALS – ILLINOIS VETERANS' HOME AT QUINCY

Home Administrator	Mr. Troy Culbertson
Business Administrator	Ms. Hannah Ajdinovich
Adjutant (06/01/22 – Present)	Mr. Richard Gengenbacher
Adjutant (07/01/20 – 05/31/22)	Ms. Dawn Whitcomb

DEPARTMENT OFFICE

The Illinois Veterans' Quincy Home is located at:

1707 North 12th Street
Quincy, Illinois 62301



STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS

833 SOUTH SPRING STREET, SPRINGFIELD, IL 62794-9432
TELEPHONE: 217-782-6641 * FAX: 217-524-0344

JB PRITZKER
GOVERNOR

TERRY PRINCE
DIRECTOR

MANAGEMENT ASSERTION LETTER

March 20, 2023

Sikich LLP
3051 Hollis Drive, 3rd Floor
Springfield, IL 62704

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Veterans' Affairs (Department). We are responsible for, and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following specified requirements during the two-year period ended June 30, 2022. Based on this evaluation, we assert that during the years ended June 30, 2021, and June 30, 2022, the Department has materially complied with the specified requirements listed below.

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

- D. 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.

Yours truly,

Illinois Department of Veterans' Affairs

SIGNED ORIGINAL ON FILE

Terry Prince, Director

SIGNED ORIGINAL ON FILE

Stephanie Heckenkamp, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Brittany Hawkins, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2022

STATE COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT'S REPORT

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

SUMMARY OF FINDINGS

Number of	<u>Current</u>	<u>Prior</u>
	<u>Report</u>	<u>Report</u>
Findings	32	25
Repeated Findings	20	12
Prior Recommendations Implemented or Not Repeated	5	3

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First</u>	<u>Description</u>	<u>Finding Type</u>
		<u>Reported</u>		
Current Findings				
2022-001	15	2020/ 2020	Failure to Provide Requested Documentation	Significant Deficiency and Noncompliance
2022-002	17	New	Voucher Processing Weaknesses	Material Weakness and Material Noncompliance
2022-003	19	2020/ 2020	Noncompliance with the Department of Veterans' Affairs Act	Significant Deficiency and Noncompliance
2022-004	20	2020/ 2020	Noncompliance with the State Services Assurance Act	Significant Deficiency and Noncompliance
2022-005	21	New	Noncompliance with the Health Care Violence Prevention Act	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2022

STATE COMPLIANCE REPORT – Continued

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings - Continued				
2022-006	23	2020/ 2020	Noncompliance with Statutory Reporting	Significant Deficiency and Noncompliance
2022-007	25	2020/ 2020	Weaknesses Noted in the Department's Internal Audit Function	Significant Deficiency and Noncompliance
2022-008	28	2020/ 2008	Employee Performance Evaluations Not Performed Timely	Significant Deficiency and Noncompliance
2022-009	30	2020/ 2020	Failure to Ensure Employees Completed Mandatory Training	Significant Deficiency and Noncompliance
2022-010	32	2020/ 2020	Inadequate Controls over Personal Services	Significant Deficiency and Noncompliance
2022-011	35	2020/ 2010	Inaccurate Agency Workforce Reports	Significant Deficiency and Noncompliance
2022-012	37	New	Inadequate Internal Controls over Census Data	Significant Deficiency and Noncompliance
2022-013	40	New	Inadequate Internal Controls over Locally Held and Petty Cash Funds	Significant Deficiency and Noncompliance
2022-014	43	2020/ 2016	Weaknesses in Performing Reconciliations	Significant Deficiency and Noncompliance
2022-015	47	2020/ 2008	Inadequate Controls over the Purchase, Recording, and Reporting of State Property	Material Weakness and Material Noncompliance
2022-016	53	2020/ 2014	Inaccurate Reporting of Emergency Purchases	Significant Deficiency and Noncompliance
2022-017	55	2020/ 2020	Weaknesses in Administration of State Vehicles	Significant Deficiency and Noncompliance
2022-018	57	2020/ 2016	Inaccurate Fee Imposition Report	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
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STATE COMPLIANCE REPORT – Continued

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings - Continued				
2022-019	59	2020/ 2016	Incorrect Calculation of Resident Maintenance Fees	Significant Deficiency and Noncompliance
2022-020	60	2020/ 2020	Untimely Deposit of Receipts	Significant Deficiency and Noncompliance
2022-021	62	2020/ 2018	Inaccurate Compilation and Reporting of Field Service Office Activities and Information	Significant Deficiency and Noncompliance
2022-022	64	2020/ 2018	Lack of Department-Wide Disaster Recovery Plan or Testing to Ensure Recovery of Applications and Data	Significant Deficiency and Noncompliance
2022-023	66	2020/ 2018	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Significant Deficiency and Noncompliance
2022-024	68	2020/ 2020	Weakness in Change Management	Significant Deficiency and Noncompliance
2022-025	69	New	Failure to Implement Controls Related to Cybersecurity Programs, Practices, and Control of Confidential Information	Significant Deficiency and Noncompliance
2022-026	73	New	Noncompliance with the State Finance Act	Significant Deficiency and Noncompliance
2022-027	75	New	Inadequate Controls over Fringe Benefits	Significant Deficiency and Noncompliance
2022-028	76	New	Inadequate Controls over the Maintenance of Postage Meters	Significant Deficiency and Noncompliance
2022-029	78	New	Noncompliance with the Accountability for the Investment of Public Funds Act	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2022

STATE COMPLIANCE REPORT – Continued

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings - Continued				
2022-030	80	New	Inadequate Controls over the Identification of Leases under Statement No. 87 of the Governmental Accounting Standards Board	Significant Deficiency and Noncompliance
2022-031	82	New	Weakness in Processing Refund Receipts	Significant Deficiency and Noncompliance
2022-032	83	New	Failure to Ensure Telecommunication Devices were Timely Returned	Significant Deficiency and Noncompliance

Prior Findings Not Repeated

A	84	2020/ 2020	Noncompliance with the Quincy Veterans' Home Rehabilitation and Rebuilding Act
B	84	2020/ 2020	Noncompliance with the Identity Protection Act
C	84	2020/ 2018	Inadequate Controls Over the Approval and Preparation of Vouchers
D	84	2020/ 2020	Failure to Demonstrate the Completeness and Accuracy of the Report Components
E	85	2020/ 2020	Computer Security Weaknesses

STATE OF ILLINOIS
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STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

STATE COMPLIANCE REPORT – Continued

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on February 24, 2023.

Attending were:

Terry J. Prince, Director
Anthony Vaughn, Assistant Director
Melissa Black, Acting Chief Fiscal Officer/Chief of Staff
Rex Crossland, Acting Chief Internal Auditor

Dennis Gibbons, OAG Audit Manager

Amy L. Sherwood, Engagement Partner
Shannon Leach, Manager
Samantha Bugg, Senior Manager

The responses to the recommendations were provided by Melissa Black, Acting Chief Fiscal Officer/Chief of Staff, in a correspondence dated March 3, 2023.

3051 Hollis Drive, 3rd Floor
Springfield, IL 62704
217.793.3363

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**INDEPENDENT ACCOUNTANT’S REPORT ON STATE
COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Veterans’ Affairs (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2022. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department’s compliance with the specified requirements based on our examination.

The specified requirements are:

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

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

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

Our examination disclosed material noncompliance with the following specified requirement applicable to the Department during the two years ended June 30, 2022. As described in the accompanying Schedule of Findings as items 2022-002 and 2022-015, the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirement described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 2022, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2022-001; 2022-003 through 2022-014; and 2022-016 through 2022-032.

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

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-002; and 2022-015 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001; 2022-003 through 2022-014; and 2022-016 through 2022-032 to be significant deficiencies.

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

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

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

SIGNED ORIGINAL ON FILE

Springfield, Illinois
March 20, 2023

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. **FINDING** (Failure to Provide Requested Documentation)

The Illinois Department of Veterans' Affairs (Department) did not provide all requested documentation to the auditors.

As is necessary in a compliance examination, we made numerous requests of the Department during our fieldwork. 559 specific written requests for information were made to the Department for documentation required to perform our testing. Requests were routed through three employees. These employees were designated as the liaisons for the compliance examination. While the employees ensured requests were sent to the appropriate personnel, and conducted follow-ups, six (1%) requests were never returned to the auditors by various Department employees and had to be considered exceptions during our testing. Many of these are included as part of other findings in this report:

- Two of 5 (40%) instances where supporting documentation of locally held funds disbursements could not be provided for the Members Trust Fund – Chicago (Fund 1443) and the Chicago Clearing Account (Fund 1441).
- Six of 9 (67%) instances where supporting documentation of locally held funds receipt dates could not be provided for Fund 1441, Fund 1443, and the Benefits Trust Fund – Chicago (Fund 1444).
- The Department was unresponsive to attempts to organize a meeting to observe how the Chicago Veterans' Home's locally held fund population was generated to verify the completeness and accuracy of the population.
- The Department was unresponsive to attempts to organize a meeting to observe how the Chicago Veterans' Home's commodities population was generated to verify the completeness and accuracy of the population.
- The Department was unable to provide an accurate interest allocation population for the Chicago Veterans' Home, and therefore we were unable to select a sample of interest payments to recalculate.
- The Department was unable to provide supporting documentation for the *Quarterly Summary of Accounts Receivable* (C-97 and C-98) reports for all funds and for each Fiscal Year under examination.

State agencies are required by law to perform specific duties and responsibilities. Tests of items such as those indicated above provide evidence of the Department's performance of those duties and feedback to the General Assembly regarding the Department's compliance with various statutory requirements.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. **FINDING** (Failure to Provide Requested Documentation) (Continued)

The Illinois State Auditing Act (30 ILCS 5/3-12) requires each State agency, without delay, to make available to the Auditor General or his or her designated representative any record or information requested.

Department management indicated during the engagement period they had a large amount of turnover of key personnel in both the Homes as well as Central Office. Additionally, a lack of training for individuals in new roles has also contributed to the Department's inability to provide requested documentation.

Without being provided populations and/or support for testing related to the above items, we were unable to determine whether the Department was performing all of its required duties and responsibilities, as noted in numerous findings throughout this report. (Finding Code No. 2022-001, 2020-001)

RECOMMENDATION

We recommend the Department submit requested documents to auditors and ensure that any requested documents are provided in their entirety.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and has begun to take the necessary steps to ensure that the Department is following compliance with the Illinois State Auditing Act (30 ILCS 5/3-12).

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-002. **FINDING** (Voucher Processing Weaknesses)

The Illinois Department of Veterans' Affairs (Department) did not exercise adequate controls over its voucher processing during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning (ERP) System operated by the Department of Innovation and Technology (DoIT) for Fiscal Year 2021 and Fiscal Year 2022, we were able to limit our voucher testing at the Department to determine whether certain key attributes were properly entered by the Department's staff into ERP. In order to determine the operating effectiveness of the Department's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

We then conducted an analysis of the Department's expenditures data for Fiscal Year 2021 and Fiscal Year 2022 to determine compliance with the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70). We noted the following noncompliance:

- The Department did not timely approve 3,004 of 15,454 (19%) vouchers processed during Fiscal Year 2021. We noted these late vouchers were submitted by the Department to the Office of Comptroller (Comptroller) between 31 and 422 days late.
- The Department did not timely approve 1,773 of 13,143 (13%) vouchers processed during Fiscal Year 2022. We noted these late vouchers were submitted by the Department to the Comptroller between 31 and 366 days late.

The Code requires the Department to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

Department management indicated the deficiencies noted were due to a lack of staff and resources available to timely complete these requirements. Additionally, staff turnover within the Central Office and competing priorities contributed to the lack of resources available.

Failure to timely approve vouchers represents noncompliance with the Code and may subject the State to unnecessary interest charges. (Finding Code No. 2022-002)

RECOMMENDATION

We recommend the Department process proper bills within 30 days of receipt.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-002. **FINDING** (Voucher Processing Weaknesses) (Continued)

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and will take the necessary steps to comply with the statutory requirements of the State Prompt Payment Act (30 ILCS 540).

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-003. **FINDING** (Noncompliance with the Department of Veterans' Affairs Act)

The Illinois Department of Veterans' Affairs (Department) failed to comply with the Department of Veterans Affairs Act (20 ILCS 2805) (Act).

During the examination period, we noted the Department failed to properly appoint all required members to the Illinois Joining Forces Executive Committee.

The Act (20 ILCS 2805/37 (d) thru 37 (g)) requires the Illinois Joining Forces Foundation (Foundation) Board of Directors to be appointed as follows: one member appointed by the Governor; one member appointed by the President of the Senate; one member appointed by the Minority Leader of the Senate; one member appointed by the Speaker of the House of Representatives; one member appointed by the Minority Leader of the House of Representatives; and all of the members of the Illinois Joining Forces Executive Committee, who shall be appointed by the Director of Veterans' Affairs.

During the previous examination we also noted the Department could not provide evidence of timely submission of the reports required by the Act to be submitted January 1 and July 1 of each year. We also noted the Department did not make any appointments to the Veterans' Service-Related Ailments Task Force. Corrective action for these exceptions was implemented during the examination period.

Department management indicated the noncompliance occurred due to misinterpretation of the Department's requirements under the statute.

Failure to properly appoint all members of the Foundation's executive committee represents non-compliance with a statutory mandate and may hinder the Foundation from fulfilling its statutory mission. (Finding Code No. 2022-003, 2020-003)

RECOMMENDATION

We recommend the Department appoint all required members to the Illinois Joining Forces Executive Committee.

DEPARTMENT RESPONSE

The Department accepts the finding. The Department also notes that Public Act 102-1140 became law in February 2023, which amends the statute (20 ILCS 2805/37(d)) referenced regarding board appointments by the Director. The Department will continue to work to make sure the appointments made by the Director are appropriate.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. **FINDING** (Noncompliance with the State Services Assurance Act)

The Illinois Department of Veterans' Affairs (Department) failed to add five additional bilingual on-board frontline staff as required by the State Services Assurance Act (Act).

The Department did not increase the number of bilingual on-board frontline staff to at least five as required by the Act. The Department only had two bilingual staff members as of June 30, 2021, and June 30, 2022. As a result, the requirements of the Act were not met during the examination period.

The Act (5 ILCS 382/3-15) requires that on or before July 1, 2008, the Department shall increase and maintain the number of bilingual on-board frontline staff over the levels that it maintained on June 30, 2007. The Department had no bilingual staff as of June 30, 2007. The Act states that the Department shall have at least five additional bilingual on-board frontline staff.

Department management indicated they believed they had the appropriate amount of front-line positions designated to bilingual workers via the CMS 104 position description forms. However, the positions are not filled at this time, and the Act requires the positions to be filled, not just created.

Failure to have at least five on-board frontline staff prevents fulfillment of the purpose of the Act, limiting the Department's ability to assist potential residents and their families in the best way possible. (Finding Code No. 2022-004, 2020-004)

RECOMMENDATION

We recommend the Department increase the number of bilingual on-board frontline staff to ensure at least five bilingual staff are employed.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. Utilizing recent changes in the Department's recruitment and hiring practices, the Department will increase the number of bilingual staff and will initiate focused efforts to on-board frontline bilingual staff, ensuring that at least five bilingual staff are employed by the Department.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-005. **FINDING** (Noncompliance with the Health Care Violence Prevention Act)

The Illinois Department of Veterans' Affairs (Department) did not have a workplace violence prevention program as required by the Health Care Violence Prevention Act (Act).

The Department has a workplace violence policy; however, it does not meet the requirements of the Occupational Safety and Health Administration's (OSHA) guidelines for a workplace violence prevention program. The Department's workplace violence policy was missing the following items as required by the Act:

- The four classifications of workplace violence;
- Management commitment;
- Worksite analysis and identification of potential hazards;
- Safety and health training with required hours determined by rule; and,
- Recordkeeping and evaluation of the violence prevention program.

As a result, the requirements of the Act were not met during the examination period.

The Act (210 ILCS 160/20) requires the Department have a workplace violence prevention program that complies with the Occupational Safety and Health Administration guidelines for preventing workplace violence for health care and social service workers as amended or updated by the Occupational Safety and Health Administration.

Department management indicated the exception was due to oversight, as the Act was put into effect January 2019, and overlooked during the COVID-19 pandemic.

Failure to have a proper workplace violence prevention program is noncompliance with the Act and potentially endangers those who visit, work, or live in a Veterans' Home. (Finding Code No. 2022-005)

RECOMMENDATION

We recommend the Department adopt a workplace violence prevention program that meets the requirements of the OSHA guidelines.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-005. **FINDING** (Noncompliance with the Health Care Violence Prevention Act) (Continued)

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department's Senior Homes Administrator will work to develop and implement a program that complies with the Occupational Safety and Health Administration (OSHA) guidelines for preventing workplace violence for health care and social services workers as amended or updated by OSHA.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-006. **FINDING** (Noncompliance with Statutory Reporting)

The Illinois Department of Veterans' Affairs (Department) failed to timely submit its annual reports to the Secretary of State and Governor's office.

During our testing, we noted the following exceptions:

- The Department did not timely submit the Fiscal Year 2020 Annual Report. The Report was due January 4, 2021. The Department submitted the Report on April 22, 2021, 108 days late.
- The Department did not timely submit the Fiscal Year 2021 Annual Report. The Report was due January 14, 2022. The Department submitted the Report on January 24, 2022, 10 days late.

Prior to May 13, 2022, the State Finance Act (30 ILCS 105/3) (Act) required the Department to file an annual report for the previous fiscal year, at least 10 days preceding each regular session of the General Assembly, to the Governor's Office. The Fiscal Year 2021 report was due on January 14, 2022, as the General Assembly convened on January 4, 2022. The Fiscal Year 2020 report was due January 4, 2021, as the General Assembly convened on January 3, 2021 (moved to reflect the weekend). Beginning May 13, 2022, the Act requires the Director, no later than January 7, to make and deliver to the Governor an annual report of their acts and doings.

During the previous examination we also noted the Department failed to timely submit its program and indicator worksheets to the Office of Comptroller (Comptroller). Additionally, in the previous examination, we noted the 2019 Service Efforts and Accomplishments report did not agree to the Department's supporting records or the Comptroller's expenditure data. Corrective action for these exceptions was implemented during the examination period.

The Department indicated they failed to timely submit the annual reports to the Governor's office due to oversight and a misunderstanding of its responsibilities under the Act.

Failure to submit an annual report to the Governor's office causes noncompliance with the Act and hinders the oversight of each agency performed by the Governor's Office. (Finding Code No. 2022-006, 2020-006)

RECOMMENDATION

We recommend the Department ensure its annual reports are submitted to the Governor's Office in a timely manner.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-006. **FINDING** (Noncompliance with Statutory Reporting) (Continued)

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. Moving forward the Department will improve its internal controls to ensure annual reports are submitted in compliance with the State Finance Act (30 ILCS 105/3).

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-007. **FINDING** (Weaknesses Noted in the Department's Internal Audit Function)

The Illinois Department of Veterans' Affairs (Department) did not exercise adequate controls over its internal audit function.

We noted the following deficiencies during our examination:

- One of two (50%) internal audit reports tested did not contain a stated opinion. *International Standards for the Professional Practice of Internal Audit (IIA Standards)* require the chief audit executive to develop risk-based plans to determine the priorities of the internal audit activities as well as document information to support the engagement results and conclusions. *IIA Standards* also require the chief audit executive to communicate the results of the engagements, including, where appropriate, an internal auditors' opinion.
- The internal audit division included one full time individual, Internal Auditor I, who was free from operational duties. However, we noted the Chief of Staff was the main point of contact between the internal audit division and the Director. According to the Fiscal Control and Internal Auditing Act (30 ILCS 10/2002(b)) (Act), the Chief Internal Auditor shall report directly to the chief executive officer and shall have direct communication with the chief executive officer of auditing activities. Additionally, the Act states that all full-time internal audit staff members (including the Chief Internal Auditor) should be free from all operational duties.
- One Internal Audit employee only attained 68 hours of continuing professional education during the calendar year 2020 and 2021 period. Section 5.1 of the State Internal Audit Advisory Board (SIAAB) bylaws requires all internal auditors to complete a total of 80 hours of continuing professional education during two successive calendar years with a minimum of 20 hours to be completed in each year.
- The Fiscal Year 2022 annual report required by September 30th of each year was not completed by the Chief Internal Auditor, as required, rather, it was completed by the Chief of Staff. In addition, the report did not contain all elements required by the Act. Finally, the report only listed the names of the findings for the Expenditures, Payables, and Equipment audit and did not detail the findings or mention any recommendations implemented or prior year findings followed up on. According to the Act (30 ILCS 10/2003(a)(1)), the Chief Internal Auditor shall submit the Chief Executive Office a written report detailing how the audit plan for that year was carried out, the significant findings, and the extent to which recommended changes were implemented.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-007. **FINDING** (Weaknesses Noted in the Department's Internal Audit Function) (Continued)

- The Department failed to develop and maintain a quality assurance and improvement program for its internal audit function and did not have an external assessment conducted within a five-year period. Additionally, the Department did not conduct an internal assessment during the examination period. The Act (30 ILCS 10/2005) established the Internal Audit Advisory Board that is responsible for promulgating a uniform set of professional standards with which all State internal auditors must comply. The State Internal Audit Advisory Board (SIAAB) Bylaws also state the Board adopted the International Standards for the Professional Practice of Internal Auditing effective January 1, 2017, as the auditing standards for Internal Audit Organizations in the Illinois State government. Lastly, the *IIA Standards* require the Chief Audit Executive to develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. A requirement of this program is to have both internal and external assessments. External assessments are required once every five years.

During the previous examination we also noted the LaSalle and Quincy Veterans' Homes had petty cash reimbursements exceeding a total of \$5,000 for Fiscal Year 2019, but no internal audits of petty cash were performed for these homes. Corrective action for these exceptions was implemented during the examination period.

Department management indicated these discrepancies were caused by Department understaffing and employee oversight. The Chief Internal Audit position has been vacant since October 2021.

Failure to include all required elements in the internal audit reports is noncompliance with professional standards. Failure to ensure the internal audit division is free from all operational duties is noncompliance with the Act and could result in inadequate segregation of duties. Additionally, not obtaining the minimum number of continuing professional education hours during the examination period represents noncompliance with professional standards. Not properly completing the annual report represents noncompliance with the Act. Failure to conduct external and internal assessments of the internal audit function results in a quality assurance program that is noncompliant with professional standards and the Act. (Finding Code No. 2022-007, 2020-007)

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-007. **FINDING** (Weaknesses Noted in the Department's Internal Audit Function) (Continued)

RECOMMENDATION

We recommend the Department ensure the internal audit reports comply with *IIA Standards*. Additionally, we recommend the Department ensure all internal audit staff obtain the required amount of continuing professional education training and ensure the internal audit division is free from operational duties. Finally, we recommend the Department perform an internal assessment and obtain an external assessment of its internal audit function.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. An experienced Interim Chief Internal Auditor has been hired and a formal direct reporting relationship with the Director has been established. Appropriate agreements are in place to ensure the internal audit unit is free from operational duty. Plans are in place for a Quality Assurance Review after a period of time to establish improved audit functions. This process has begun with advice from the State Internal Audit Advisory Board which is the approving entity for the recommended assessment.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-008. **FINDING** (Employee Performance Evaluations Not Performed Timely)

The Illinois Department of Veterans' Affairs (Department) failed to complete annual performance evaluations timely.

During our testing of 40 employee personnel files containing 70 evaluations, we noted the following exceptions:

- Evaluations were not performed on a timely basis for 17 of 70 (24%) evaluations tested. The evaluations were performed from 10 to 141 days late.
- The evaluation was not signed by the employee for five of 70 (7%) evaluations tested.
- The Department could not provide evidence that it had completed evaluations for four of 40 (10%) employees tested.
- The Department did not complete an evaluation for two of 40 (5%) employees during the examination period.
- The evaluation was improperly dated for one of 70 (1%) evaluations tested. The evaluation period ended June 30, 2022; however, the evaluation was dated by the supervisor June 14, 2023.

This finding was first noted during the Department's Fiscal Year 2007 – Fiscal Year 2008 State compliance examination, fourteen years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

Personnel rules issued by the Department of Central Management Services (80 Ill. Adm. Code 302.270(d)) (Code) require an evaluation of employee performance by each agency not less often than annually.

Department management indicated the issues noted were due to competing priorities and a lack of sufficient staffing.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. (Finding Code No. 2022-008, 2020-008, 2018-002, 2016-002, 2014-007, 12-19, 10-22, Central Office 08-9, LaSalle 08-3, Manteno 08-3)

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-008. **FINDING** (Employee Performance Evaluations Not Performed Timely) (Continued)

RECOMMENDATION

We recommend the Department take appropriate measures to ensure performance evaluations are conducted timely.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. Measures have been put in place to strengthen controls and tracking related to the timely completion of employee performance evaluations to ensure compliance.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-009. **FINDING** (Failure to Ensure Employees Completed Mandatory Training)

The Illinois Department of Veterans' Affairs (Department) did not comply with training requirements in accordance with the State Officials and Employees Ethics Act and the Identity Protection Policy.

During our testing of the Department's special training, we noted the following exceptions:

- Four of 25 (16%) employees did not complete new hire ethics training.
- Three of 25 (12%) employees did not complete the 2020 annual ethics training.
- Three of 25 (12%) employees did not complete the 2021 annual ethics training.
- Four of 25 (16%) employees did not complete new hire sexual harassment training.
- Three of 25 (12%) employees did not complete the 2020 annual sexual harassment training.
- Three of 25 (12%) employees did not complete the 2021 annual sexual harassment training.
- Three of 25 (12%) employees did not complete the 2020 annual confidentiality training.
- Five of 25 (20%) employees did not complete the 2021 annual confidentiality training.

The State Officials and Employees Ethics Act (5 ILCS 430/5-10) (Act) requires every new employee to complete ethics training within 30 days of hire and complete ethics training each calendar year. The Act (5 ILCS 430/5-10.5) also requires every new employee to complete sexual harassment training within 30 days of hire and complete sexual harassment training annually.

The Identity Protection Policy (5 ILCS 179/37) requires all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers. Training should include instructions on handling of information that contains social security numbers from the time of collection through destruction of the information.

Department management indicated the noncompliance occurred due to employee turnover and individual employee oversight, despite the Department's efforts to monitor completion of ethics and sexual harassment training.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-009. **FINDING** (Failure to Ensure Employees Completed Mandatory Training) (Continued)

Failure to monitor and determine required training has been completed results in noncompliance with laws, rules, and internal policies and could also result in a workforce that is not adequately trained to fulfill required duties and may expose the State to potential liability. (Finding Code No. 2022-009, 2020-009)

RECOMMENDATION

We recommend the Department strengthen controls surrounding employee training requirements and maintain proper documentation that such training occurred.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department will enhance the onboarding process to ensure new employees are completing training within 30 days of their start date. The Department will continue to remind employees of the required annual trainings and track employee completion.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-010. **FINDING** (Inadequate Controls over Personal Services)

The Illinois Department of Veterans' Affairs (Department) failed to maintain documentation for personnel and payroll activities for its employees.

During our testing of personal services, we noted the following:

- Three of 40 (8%) leaves of absence tested where the Department did not notify the Department of Central Management Services (CMS) of the leaves of absence.

According to the Department's Employee Handbook, the Department must notify CMS of the leave of absence to ensure the employee's voluntary payroll deductions (insurance, deferred compensation, etc.) were properly handled during the leave of absence.

- Four of 60 (7%) Overtime Authorization Forms were not fully approved.
- One of 60 (2%) instances where payroll hours did not match the Overtime Authorization Form or Monthly Attendance Record.

The Department's Employee Handbook requires all overtime to be authorized and approved by the employee's immediate supervisor.

- The employment application was not signed for one of 40 (3%) employees.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to help ensure the safeguarding of assets, prevent improper expenditures, and ensure the accuracy and reliability of accounting data.

- The Department did not ensure the I-9 forms for its employees were properly completed and maintained.
 - The I-9 form was signed two days after the first day of employment for one of 40 (3%) employees.
 - Section 2 of the Form I-9 was not completed for one of 40 (3%) employees.
 - The Department could not provide three of 40 (8%) employees' I-9 forms.

STATE OF ILLINOIS
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2022-010. **FINDING** (Inadequate Controls over Personal Services) (Continued)

According to the instructions for Form I-9 published by the Department of Homeland Security (OMB No. 1615-0047), employers must complete and sign Section 2 within three business days of the employee's first day of employment attesting they physically examined the document(s) presented by the employee, the document(s) reasonably appear to be genuine and relate to the employee named, the employee is authorized to work in the United States, and the information entered in Section 2 is complete, true and correct. The employer is responsible for ensuring that all parts of Form I-9 are properly completed.

- The main payroll voucher could not be provided for one of 40 (3%) employees, therefore, gross pay could not be determined.

The State Records Act (5 ILCS 160/8) requires the Department to maintain records containing adequate and proper documentation of the functions, procedures, and essential transactions of the Department to protect the legal and financial rights of the State.

- One of nine (11%) new hires never received the report to enroll in the deferred compensation plan.

The Illinois Pension Code (40 ILCS 5/24-105.2) states that an employee should have 30 days from the start date of employment to elect to not participate in the deferred compensation plan or to elect to increase or reduce the amount of pre-tax gross compensation deferred.

The Department indicated these exceptions were caused by employee turnover and oversight.

Failure to notify CMS of the leaves of absence and ensure the approval and accurate reporting of overtime represents noncompliance with the Department's Employee Handbook. Failure to ensure personnel applications were signed for employees represents noncompliance with the Fiscal Control and Internal Auditing Act. Failure to complete Section 2 of Form I-9 represents noncompliance with Federal regulations and could result in unauthorized individuals being employed by the Department. The inability to provide the main payroll voucher results in noncompliance with the State Records Act. Failure to follow the Illinois Pension Code and enroll new hires in the State's deferred compensation plan prevents employees from maximizing their investment opportunities. (Finding Code No. 2022-010, 2020-010)

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2022-010. **FINDING** (Inadequate Controls over Personal Services) (Continued)

RECOMMENDATION

We recommend the Department strengthen controls surrounding the completion and maintenance of personnel documentation.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. Measures have been put in place to strengthen controls and tracking related to the completion and maintenance of personnel documents to ensure compliance. The strengthening of internal measures includes, implementing Department-wide changes in onboarding/offboarding procedures to improve employee communication related to employee benefit plans and personnel documents, changes in internal tracking and timely reporting of Leaves of Absences to CMS, timely completion of Form I-9 during first day of employment, requiring that overtime authorization forms are fully approved timely and prior to processing, and ensuring that overtime authorizations align to timekeeping data entry.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
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2022-011. **FINDING** (Inaccurate Agency Workforce Reports)

The Illinois Department of Veterans' Affairs (Department) did not file timely or accurate Agency Workforce Reports (report) with the Office of the Governor and the Office of the Secretary of State.

We tested both of the reports required to be filed during the examination period and noted the Fiscal Year 2020 and 2021 reports contained mathematical inaccuracies regarding percentages across multiple categories. After performing recalculations of the percentages provided by the Department, we determined the amounts calculated did not match the amounts submitted on the report. In addition, the Department submitted the Fiscal Year 2021 report to the Office of the Secretary of State on January 13, 2022, 13 days late, and to the Office of the Governor on January 7, 2022, 7 days late.

In addition, as reported in the prior year examination report as Finding Code 2020-011, it was noted the Fiscal Year 2019 report contained mathematical inaccuracies regarding percentages across multiple categories. Documentation of the submission of the corrected Fiscal Year 2019 report showed the report was not timely submitted to the Office of the Governor and the Office of the Secretary of State. The corrected 2019 report should have been submitted May 15, 2021, 30 days after the release of the audit. However, the report was not submitted until June 9, 2022, 390 days late.

This finding was first noted during the Department's Fiscal Year 2009 – Fiscal Year 2010 State compliance examination, twelve years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The State Employment Records Act (5 ILCS 410 et seq.) requires State agencies to collect, classify, maintain, and report certain employment statistics for women, disabled and minority groups. Annual reports summarizing the information in a prescribed format are required to be filed by January 1 each year for the preceding fiscal year with the Office of the Secretary of State and with the Office of the Governor.

The Illinois State Auditing Act (30 ILCS 5/3-2.2) requires State agencies to file corrected reports with the Office of the Governor and the Office of the Secretary of State within 30 days after release of the audit.

Department management indicated the deficiencies noted were due to inadequate controls and lack of sufficient review.

Failure to provide timely and accurate reports to both the Office of the Governor and the Office of the Secretary of State prevents fulfillment of the purposes of the State Employment Records Act, which is to provide information to help guide efforts to achieve a more diversified State work force. (Finding Code No. 2022-011, 2020-011, 2018-003, 2016-003, 2014-009, 12-20, 10-16)

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SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-011. **FINDING** (Inaccurate Agency Workforce Reports) (Continued)

RECOMMENDATION

We recommend the Department prepare timely and accurate reports and file them with the Office of the Secretary of State and the Office of the Governor. Further, we recommend the Department file corrected reports within 30 days of audit release as required by the Illinois State Auditing Act and maintain evidence of submission.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and procedures have been put in place to ensure accuracy for future reports. In addition, corrected reports for FY20 and FY21 have been filed.

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DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
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2022-012. **FINDING** (Inadequate Internal Controls over Census Data)

The Illinois Department of Veterans' Affairs (Department) did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate. Additionally, the Department had not performed an initial complete reconciliation of its census data recorded by the State Employees' Retirement System of Illinois (SERS) and the Department of Central Management Services (CMS) to its internal records to establish a base year of complete and accurate census data.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Department's employees are members of both SERS for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, CMS for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, we noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, we noted the following:

- 1) The Department had not performed an initial complete reconciliation of its census data recorded by SERS to its internal records to establish a base year of complete and accurate census data.
- 2) After establishing a base year, the Department had not developed a process to annually obtain from SERS the incremental changes recorded by SERS in their census data records and reconcile these changes back to the Department's internal supporting records.

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DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-012. **FINDING** (Inadequate Internal Controls over Census Data) (Continued)

For employers participating in plans with cost-sharing multiple-employer characteristics, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181(A-27) for pensions and §14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the State Records Act (5 ILCS 160/8) requires the Department make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Department management indicated, due to turnover, they were not aware of the requirement for the reconciliation.

Failure to reconcile active members' census data reported to and held by SERS to the Department's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the State's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2022-012).

RECOMMENDATION

We recommend the Department work with SERS to develop an annual reconciliation process of its active members' census data from its underlying records to a report of the census data submitted to each plan's actuary. After completing an initial full reconciliation, the Department may limit the annual reconciliation to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

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DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-012. **FINDING** (Inadequate Internal Controls over Census Data) (Continued)

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and will take the necessary steps to complete an initial full reconciliation of census data in conjunction with SERS. Going forward, we will then reconcile annually the incremental changes to the census data file. The Department has instituted a Personal Services Contract (PSC) in an effort to provide a dedicated staff member for completion of an initial full reconciliation of census data.

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SCHEDULE OF FINDINGS – CURRENT FINDINGS
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2022-013. **FINDING** (Inadequate Internal Controls over Locally Held and Petty Cash Funds)

The Illinois Department of Veterans' Affairs (Department) failed to demonstrate adequate controls over reconciliations, documentation, and segregation of duties over its locally held and petty cash funds.

During our testing of the Department's locally held funds and petty cash funds, we noted the following:

- In four of four (100%) locally held funds at the Manteno and Prince homes, the same individual was responsible for the receipt of funds, recording payments, preparing the deposit slips, and depositing funds.
- One person was responsible for the entire receipt and disbursement process for locally held funds in the Chicago home.
- There were no fund reconciliations for three of 24 (13%) months during Fiscal Years 2021 and 2022 of the Chicago Home's locally held funds.
- One of 40 (3%) disbursements totaling \$1,046 from the Quincy Benefit Fund (Fund 1152) did not agree to the supporting documentation provided.
- The Department was unable to provide supporting documentation for two of five (40%) disbursements totaling \$97 from the Chicago Trust Fund (Fund 1443) and the Chicago Clearing Account (Fund 1441).
- Two of eight (25%) of the Reports of Receipts and Disbursements for Locally Held Funds (Form C-17's) for one Chicago Home's locally held funds reported Form C-17's with \$0 balances, when the corresponding reconciliations showed balances of \$9,872 and \$16,973.
- One of 16 (6%) reconciliations of the Chicago Home's locally held funds did not contain a bank statement. Therefore, we were unable to determine the accuracy of the Form C-17 amounts reported.
- Eight of 16 (50%) reconciliations of the Chicago Home's locally held funds for which we requested access were not provided.
- The Department was unable to provide sufficient information to enable us to assess whether adequate segregation of duties existed over the Chicago Home's Petty Cash Fund.

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2022-013. **FINDING** (Inadequate Internal Controls over Locally Held and Petty Cash Funds)
(Continued)

- The Department did not complete any reconciliations for the Chicago Home Petty Cash Fund.
- No independent reviews were performed of the petty cash reconciliations prepared by the Central Office petty cash clerk for the months of September 2020 through June 2022.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to help ensure the safeguarding of assets, prevent improper expenditures, and ensure the accuracy and reliability of accounting data.

The Statewide Accounting Management System (SAMS) Manual (Procedure 02.50.10) states that key duties and responsibilities such as authorizing, processing, and recording transactions or events, issuing, or receiving assets, making payments, and reviewing or auditing transactions should be separated among individuals to minimize the risk of loss. It also states that no one individual should control all key aspects of a transaction or event.

The SAMS Manual (Procedure 33.13.20) states Form C-17's are used to report locally held fund activity. The information reported on the reporting forms applies to monies deposited in and disbursed from local bank accounts. These forms reflect fiscal year-to-date receipts and disbursements per the agency's records and contains accounts almost identical to the accounts used in processing the receipt and disbursements for Treasurer held funds. All amounts should be reported as fiscal year-to-date and rounded to the nearest dollar.

The State Finance Act (30 ILCS 105/13.3) states that for a petty cash fund to exist, proper internal accounting controls shall also exist for that fund. A reconciliation for the Chicago Home Petty Cash Fund is considered a necessary internal control based on the Illinois Veterans' Home – Chicago Policy #4.26, Petty Cash step 3I.

Department management indicated the exceptions noted were due to employee turnover within the fiscal department, as well as competing priorities. Department management indicated the inadequate segregation of duties was caused by the inability to properly staff the positions within the Homes' accounting functions.

Failure to perform accurate and timely reconciliations is noncompliance with SAMS and increases the risk differences will go undetected and uncorrected. Failure to have adequate segregation of duties over locally held funds and petty cash funds may allow one single individual to control all key aspects of a transaction which opens up the opportunity for fraud to be committed or concealed. (Finding Code No. 2022-013)

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-013. **FINDING** (Inadequate Internal Controls over Locally Held and Petty Cash Funds)
(Continued)

RECOMMENDATION

We recommend the Department strengthen internal controls over locally held and petty cash funds to ensure reconciliations are performed timely and accurately. Furthermore, we recommend the Department develop and implement adequate segregation of duty policies over its processing of receipts and disbursements in locally held and petty cash funds.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and will take the necessary steps to ensure proper segregation of duties and monthly reconciliations of funds.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-014. **FINDING** (Weaknesses in Performing Reconciliations)

The Illinois Department of Veterans' Affairs (Department) had weaknesses in performing reconciliations of its records of obligations, appropriations, transfers, revenues, and cash to the Office of Comptroller (Comptroller) records.

We noted the following exceptions as a result of our testing of the reconciliations performed by the Department during the examination period.

- The Department did not prepare reconciliations of the *Object Expense/Expenditures by Quarter Report (SA02)* as of June 30 and the close of Lapse Period for Fiscal Year 2021. Therefore, we were unable to determine if the SA02 reconciliations were performed accurately.
- The Department had a total of \$209,781 and \$88,251 of differences for Fiscal Year 2021 as of November 30, 2021, and Fiscal Year 2022 as of September 30, 2022, respectively within the *Monthly Appropriation Status Report (SB01)* reconciliations. While the Department was able to determine the reasons for the differences, they had not timely corrected the Department's records for the noted differences.
- We were unable to trace in-transit vouchers to the subsequent month's SB01 for one of four (25%) SB01 reconciliations tested.
- The Fiscal Year 2021 September Lapse SB01 reconciliation for all funds was completed 78 days late and did not include a reconciliation for all of the Veterans Affairs Library Grant Fund (Fund 0775) appropriation lines, as well as 13 other appropriation lines that included expenditures for that period.
- The Fiscal Year 2022 June SB01 reconciliation for the Central Office funds was not dated; therefore, we were unable to determine timeliness.
- We were unable to trace expenditures for two of four (50%) months' selected SB01 reconciliations to Department records. Multiple differences were noted, ranging from \$7,573 to \$65,981.
- We were unable to agree expenditures with the Comptroller's SB01 for one of four (25%) month's selected SB01 reconciliation. Multiple differences were noted, ranging from \$773 to \$64,034.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-014. **FINDING** (Weaknesses in Performing Reconciliations) (Continued)

- The Department was unable to provide one of 5 (20%) SB01 reconciliations selected for testing for Fiscal Year 2022.
- The Department did not prepare reconciliations of the *Appropriation Transfer Report* (SB03) as of June 30 and the close of Lapse Period. Therefore, we were unable to determine if the SB03 reconciliations were performed accurately for both Fiscal Year 2021 and Fiscal Year 2022.
- The Department did not complete the Comptroller's *Monthly Revenue Status Report* (SB04) reconciliations for the Central Office Funds consisting of the General Revenue Fund (0001), the Illinois Veterans' Assistance Fund (0236), the GI Education Fund (0447), Fund 0775, or the Chicago Veterans' Home Fund (Fund 0102).
- We were unable to agree the receipt amounts reported in the reconciliation to Department's records for two of 4 (50%) months selected for the LaSalle Veterans Home Fund's (Fund 0272) SB04 reconciliations.
- We were unable to trace the receipt amount reported in the reconciliation to the SB04 reports for 4 of 4 (100%) months selected for Fund 0272, 3 of 4 (75%) months selected for the Anna Veterans Home Fund (Fund 0273), and 1 of 4 (25%) months selected for the Quincy Veterans Home Fund (Fund 0619).
- We were unable to trace the receipt amounts reported in the SB04 reconciliation to the Department's records for 4 of 4 (100%) months selected across Funds 0272, 0273, 0619 and the Manteno Veterans Home Fund (Fund 0980).
- The Department was unable to provide support of the *Cash Report* (SB05) reconciliation performed for Fund 0447 for September 2020, for one of the months selected for testing. Therefore, we were unable to determine the timeliness of this reconciliation.

This finding was first noted during the Department's Fiscal Year 2015 – Fiscal Year 2016 State compliance examination, six years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-014. **FINDING** (Weaknesses in Performing Reconciliations) (Continued)

The Statewide Accounting Management System (SAMS) Manual (Procedure 07.30.20) states agency reconciliations are the primary control that ensures certain requirements are being satisfied. Agencies must reconcile to SAMS on a monthly basis and notify the Comptroller of any irreconcilable differences so that necessary corrective action can be taken to locate the differences and correct the accounting records. These reconciliations must be completed within 60 days of the month end. The Comptroller provides each agency which has had activity during the month with up to seven reconciliation reports. SAMS identifies the following key reports for agency reconciliations:

- Monthly Object Expense/Expenditures by Quarter – Report SA02 (Procedure 07.30.21) (through June 30, 2021)
- Monthly Appropriation Transfers Report – Report SB03 (Procedure 07.30.24)
- Monthly Cash Report – Report SB05 (Procedure 09.40.10)
- Monthly Appropriation Status – Report SB01 (Procedure 11.40.10)
- Monthly Agency Contract Report – Report SC14 (Procedure 15.30.10)
- Monthly Obligation Activity Report – Report SC15 (Procedure 15.30.20)
- Monthly Revenue Status – Report SB04 (Procedure 25.40.10)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001(4)) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the functions and procedures of the Department.

Department management indicated the exceptions noted were due to employee turnover within the fiscal department, as well as competing priorities. Management also stated the Chicago Home experienced a large amount of its deficiencies due to the fact it opened during the examination period and the limited training provided to staff performing these fiscal activities.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-014. **FINDING** (Weaknesses in Performing Reconciliations) (Continued)

Failure to document when reconciliations were performed prevents the Department from adequately monitoring its internal controls over timely completion of reconciliations as well as ensuring compliance with SAMS. Failure to perform accurate and timely reconciliations is noncompliance with SAMS and increases the risk differences will go undetected and uncorrected. (Finding Code No. 2022-014, 2020-013, 2018-005, 2016-005)

RECOMMENDATION

We recommend the Department strengthen internal controls over its reconciliation of obligations, appropriations, transfers, revenues, and cash expenditures to ensure they are performed timely and accurately. Furthermore, we recommend the Department document the dates all monthly report reconciliations are completed and timely notify the Comptroller of any differences noted.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and immediately began to take the necessary steps to ensure that all Department reconciliations are reviewed and completed going forward.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
 SCHEDULE OF FINDINGS – CURRENT FINDINGS
 For the Two Years Ended June 30, 2022

2022-015. **FINDING** (Inadequate Controls over the Purchase, Recording, and Reporting of State Property)

The Illinois Department of Veterans' Affairs (Department) did not exercise adequate control over the recording, reporting, and inventorying of State Property.

We noted the following during our examination of the Department's equipment records and controls over property:

No. of Items Tested	Exceptions		Description of Exceptions
	No.	%	
Field Service Office			
21	2	10%	Two Lexmark Printers were obsolete and not in use but were still on the property listing valued at \$1,973.
21	3	14%	An HP monitor, office chair, and computer monitor could not be traced to the Department's property records and therefore we could not determine their value.
21	2	10%	An HP Monitor and NEC Projector could not be physically located with a total cost of \$1,154.
21	3	14%	An HP Monitor, Lexmark Printer, and a Hewlett Monitor could not be traced to the CMS Listing that contains items exceeding \$1,000 or susceptible to theft with a total value of \$2,923.
Manteno Veterans' Home			
20	2	10%	An electric scooter and a portable Air Scrubber/Cleaner were not able to be physically located. These items are valued at \$3,974.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
 SCHEDULE OF FINDINGS – CURRENT FINDINGS
 For the Two Years Ended June 30, 2022

2022-015. **FINDING** (Inadequate Controls over the Purchase, Recording, and Reporting of State Property) (Continued)

No. of Items Tested	Exceptions		Description of Exceptions
	No.	%	
Anna Veterans' Home			
20	1	5%	A Super Porta-Grill valued at \$1,785 did not have an identification number tag.
Chicago Veterans' Home			
20	1	5%	An iPad Pro 11-inch (2nd Generation) 128 GB could not be found with a value of \$800.
Central Office			
40	8	20%	A bookcase, file cabinet, Topaz sign pad, two monitors, two CPU's and a book could not be traced back to the Department-wide asset listing or the Annual Report of Inventory to CMS and therefore their value could not be determined.
40	3	8%	A large shredder, a Challenge Tital Paper Cutter, and an Infocus Projector could not be found on the Annual Report of Inventory to CMS. These items have a total value of \$17,924.
20	1	5%	A Kodak Scanner valued at \$1,082 was transferred to CMS Surplus but was still listed on the June 30, 2022 Agency Wide Asset Listing.

The State Property Control Act (30 ILCS 605/4 and 605/6.02) requires responsible officers of the State to maintain accountability for the supervision, control, and inventory of all property under their jurisdiction to ensure the proper accounting and safeguarding of State assets. The Statewide Accounting Management System (SAMS) Manual (Procedure 29.10.10) requires the Department to retain detailed records including the organization unit charged with the custody of each item, as well as the location of each item of property and equipment controlled by the Department. The Illinois Administrative Code (44 Ill. Adm. Code 5010.210) requires all equipment, regardless of value, to be clearly marked to indicate it is the property of the State of Illinois.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-015. **FINDING** (Inadequate Controls over the Purchase, Recording, and Reporting of State Property) (Continued)

- During our testing of additions to the Department's property records, we noted the following:
 - Five of 40 (13%) assets tested totaling \$5,686 were not added timely to the Department's property records, ranging from 145 to 1,097 days late.
 - One of 40 (3%) assets tested totaling \$253 was posted to the Department's property records prior to acquisition of the asset.
 - Two of 40 (5%) assets tested totaling \$1,750 did not have freight and installation charges of \$44 added to their asset value.
 - The Department was unable to provide the fair market value for two of 40 (5%) assets tested totaling \$550.
 - The Department was unable to provide an invoice for one of 40 (3%) assets tested totaling \$176.
 - 159 assets totaling \$16,597,167 and 15 assets totaling \$74,915 were acquired prior to the examination period but not added to property records until Fiscal Year 2021 and Fiscal Year 2022 respectively.

The State Property Control Act (30 ILCS 605/4 and 605/6.02) requires responsible officers of the State to maintain accountability for the supervision, control, and inventory of all property under their jurisdiction to ensure the proper accounting and safeguarding of State assets. The State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the functions and procedures of the Department.

- During our testing of the Department's preparation of the Agency Reports of State Property (Form C-15), we noted the following exceptions on the fourth quarter Form C-15 for Fiscal Years 2021 and 2022:
 - Fiscal Year 2022 deletions on the Department's Form C-15 were entered as a negative amount. The SAMS Manual (Procedure 29.20.10) states that only deductions that result in a positive amount should be shown in brackets. The Department entered the deletion as \$(379,581); however, it should have been entered as \$379,581.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
 SCHEDULE OF FINDINGS – CURRENT FINDINGS
 For the Two Years Ended June 30, 2022

2022-015. **FINDING** (Inadequate Controls over the Purchase, Recording, and Reporting of State Property) (Continued)

- Deletions per the Department’s property records did not agree with the deletions per the Department’s Form C-15’s. See differences noted for Fiscal Year 2021 and Fiscal Year 2022 in the table below:

Transaction	Fiscal Year 2021 Q4	Fiscal Year 2022 Q4
<i>Deletions</i>		
Deletions Per Testing	\$ 734,675	\$ 970,736
Deletions Per Form C-15	474,822	379,581
Understatement	\$ 259,853	\$ 591,155

- During our testing of the Department’s Equipment Expenditure Reconciliation, additions per the Equipment Expenditure Reconciliation were less than the Department reported on the Form C-15’s. The differences noted amounted to \$18,304 in Fiscal Year 2021 and \$685,892 in Fiscal Year 2022. The SAMS Manual (Procedure 29.20.10) provides instructions for preparing the Form C-15.
- The Department conducts an annual physical inventory of all equipment with an acquisition cost of \$1,000 or more or is susceptible to theft and annually reports its results to the Department of Central Management Services (CMS). We tested Calendar Years 2021 and 2022. In its Calendar Year 2021 (Fiscal Year 2020) Annual Inventory Report submitted to CMS, the Department reported it was unable to locate 159 items totaling \$91,368. This represents 2.1% of the Department’s total property. One of these items was IT related equipment that could potentially store confidential information. In its Calendar Year 2022 (Fiscal Year 2021) Annual Inventory Report submitted to CMS, the Department reported it was unable to locate 222 items totaling \$192,695. This represents 2.54% of the Department’s total property. Ten of these items were IT related equipment that could potentially store confidential information.

The Illinois Administrative Code (44 Ill. Admin. Code 5010.490) requires agencies to report all discrepancies between the previous certificate of inventory certification and the current inventory to CMS with discrepancy ratios that include the total value of discrepancies noted. The State Property Control Act (30 ILCS 605/4 and 605/6.02) requires responsible officers of the State to maintain accountability for the supervision, control, and inventory of all property under their jurisdiction to ensure the proper accounting and safeguarding of State assets.

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DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
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2022-015. **FINDING** (Inadequate Controls over the Purchase, Recording, and Reporting of State Property) (Continued)

In addition, the Department has the responsibility to ensure that confidential information is protected from disclosure and that provisions in the Personal Information Protection Act (815 ILCS 530) are followed.

The Personal Information Protection Act (815 ILCS 530/30 and 530/40) states that any State agency that collects personal data that is no longer needed or stored at the agency shall dispose of the personal data or written material it has collected in such a manner as to ensure the security and confidentiality of the material. A person must dispose of the materials containing personal information in a manner that renders the personal information unreadable, unusable, and undecipherable.

- We noted two location codes of the Annual Certification of Inventory that were not listed on the Department-provided agency-wide asset listing. These location codes made up an amount of unrecorded property on the agency-wide asset listing of \$65,749. The State Property Control Act (30 ILCS 605/4 and 605/6.02) requires responsible officers of the State to maintain accountability for the supervision, control, and inventory of all property under their jurisdiction to ensure the proper accounting and safeguarding of State assets.
- The Department failed to adopt a formal policy for delineating categories of equipment considered to be subject to theft. The Department permits each Home to determine which items under \$1,000 are subject to theft. The Illinois Administrative Code (44 Ill. Admin. Code 5010.210(c)) states each agency is responsible for adopting policies clearly delineating categories of equipment considered to be subject to theft.

This finding was first noted during the Fiscal Year 2007 – Fiscal Year 2008 State compliance examination, fourteen years ago. As such, Department Management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

Department management indicated that high Department turnover and lack of training in property control/reporting positions resulted in the human errors responsible for these exceptions. Related to the exceptions noted regarding the asset capitalization, Department management indicated these were old assets purchased through the Member's Benefit Fund and the value was never added to the asset in the Enterprise Resource Planning (ERP) system due to oversight.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-015. **FINDING** (Inadequate Controls over the Purchase, Recording, and Reporting of State Property) (Continued)

Failure to exercise adequate control over property and maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. Inaccurate property reporting reduces the reliability of Statewide property information and represents noncompliance with the requirements of State laws, rules, and regulations. (Finding Code No. 2022-015, 2020-014, 2018-001, 2016-001, 2014-001, 12-9, 10-9, Central Office 8-15, Anna 08-2, LaSalle 08-2, Manteno 08-2)

RECOMMENDATION

We recommend the Department strengthen internal control over the recording and reporting of State property by strengthening its inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department is working to fill key positions and get the new employees properly trained on inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. Additionally, an internal focus group has been created to implement procedures that are in compliance with statutory and regulatory requirements.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-016. **FINDING** (Inaccurate Reporting of Emergency Purchases)

The Illinois Department of Veterans' Affairs (Department) did not exercise adequate control over the publishing of emergency procurements as required by the Illinois Procurement Code (Code) (30 ILCS 500).

The Department made six emergency purchases, totaling \$3,695,560, during the examination period. This included emergency purchases that were extended from the previous Fiscal Years. During our testing of the Department's emergency purchases, we noted one of six (17%) emergency purchases totaling \$50,000 had a contractual start date of April 18, 2022 and was therefore required to be published in the Illinois Procurement Bulletin (Bulletin) by April 23, 2022, in accordance with the Code. However, it was not published to the Bulletin until May 18, 2022, 25 days late.

In the previous examination, the Department failed to competitively solicit services and did not timely utilize either sole source or emergency purchase procedures. Further, the Department received services throughout Fiscal Year 2019 from a vendor without a written contract in place. We did not note exceptions of this type during the current examination.

This finding was first noted during the Department's Fiscal Year 2013 – Fiscal Year 2014 State compliance examination, eight years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Code (30 ILCS 500/20-30(b)) requires notice of all emergency procurements to be provided to the Procurement Policy Board and the Commission on Equity and Inclusion and published in the online electronic Bulletin no later than 5 calendar days after the contract is awarded.

Additionally, the Illinois Administrative Code (44 Ill. Admin. Code 1.2030(f)(2)(A)) states for purposes of an emergency, an emergency contract is awarded on the earliest of the date that a State agency communicates to a vendor to start work; publication on the Bulletin identifying the selected vendor; or the contract is signed by both parties.

Department management indicated, due to paperwork, the vendor was not awarded the contract until June 7, 2022. The Department considered June 7, 2022, the award date. However, they were not aware of the requirements of the Illinois Administrative Code and the consideration of the award date being the earliest of the three noted dates in the criteria above.

Failure to properly publish emergency procurement information in a timely manner and to the appropriate avenues represents noncompliance with the Code and can result in a lack of public oversight. (Finding Code No. 2022-016, 2020-015, 2018-004, 2016-004, 2014-004)

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-016. **FINDING** (Inaccurate Reporting of Emergency Purchases) (Continued)

RECOMMENDATION

We recommend the Department ensure all emergency purchases are timely published in the Illinois Procurement Bulletin.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department is now aware of the correct awarded emergency purchase date and will ensure emergency purchases are posted in a timely manner and in compliance with the Illinois Administrative Code.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-017. **FINDING** (Weaknesses in Administration of State Vehicles)

The Illinois Department of Veterans' Affairs (Department) did not have adequate controls concerning the reporting of vehicle accidents to the Department of Central Management Services (CMS), the maintenance of State vehicles, and ensuring all employees assigned a State-owned vehicle were licensed and insured.

- During our testing of automotive accident reporting, we noted one of nine (11%) accidents were not reported within seven calendar days to CMS Risk Management Division.
- During our testing of automotive maintenance, we noted the following exceptions:
 - Four of eight (50%) vehicles did not have an oil change timely.
 - Six of eight (75%) vehicles did not have a tire rotation performed timely.
 - Four of eight (50%) vehicles did not have an annual inspection completed in a timely manner.
- During our testing of personally assigned vehicles, we noted:
 - Five of five (100%) instances where the employee certifications were not completed on time. The certifications were not completed in the month of July for Fiscal Year 2021 and Fiscal Year 2022.
 - Six of 13 (46%) vehicles included on the Personally Assigned Vehicle listing provided by the Department were not included on the Individually Assigned Vehicle (IAV) Reports submitted to CMS for 2020 or 2021.
 - Four of nine (44%) vehicles included on the IAV Report for Fiscal Year 2021 were not included on the Personally Assigned Vehicle listing.
 - Two of 12 (17%) vehicles included on the IAV Report for Fiscal Year 2022 were not on the Personally Assigned Vehicle listing.

The Illinois Administrative Code (44 Ill. Adm. Code 5040.520) requires the Motorist's Report of Illinois Motor Vehicle Accident (SR-1) form to be completed as soon as possible and submitted to the office of the current insurance carrier. In no case is this report to be completed later than three days following an accident. The State of Illinois Vehicle Guide published by CMS requires employees involved in an accident while operating a vehicle on official State business to notify law enforcement of the accident. Additionally, this policy requires all accidents to be reported to the Division of Risk Management within seven days to ensure coverage under the State auto liability plan.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-017. **FINDING** (Weaknesses in Administration of State Vehicles) (Continued)

The Civil Administrative Code (20 ILCS 405/405-280) states that any State-owned motor vehicle shall have an oil change performed according to the applicable CMS policy. The current CMS policy for fuel, minor maintenance/oil changes and repairs states that oil change intervals are 12 months or 3,000 miles, whichever comes first, for vehicles with model years ten years or older and 12 months or 5,000 miles, whichever comes first, for vehicles with model years nine years or newer. Additionally, the current CMS policy for fuel, minor maintenance, oil changes and repairs requires tire rotations on all passenger vehicles every other oil change.

The Illinois Vehicle Code (625 ILCS 5/7-601(c)) states that every state employee who is assigned a state-owned vehicle is required to provide a certification to their agency's director annually. This certification affirms that the employee is licensed to drive the vehicle and has liability insurance coverage, or that they have filed a bond with the Secretary of State as proof of financial responsibility.

The Illinois Administrative Code (44 Ill. Admin. Code 5040.340) states that vehicles may be assigned to specific individuals if authorized in writing by the head of the agency to which the vehicle is assigned. Agencies will be required to report to CMS annually and when changes occur, including the name of each employee assigned a vehicle, the equipment number and license plate number of the assigned vehicle, employee's headquarters and residence, and any additional information requested by CMS.

Department management indicated the exceptions noted were due to a lack of understanding of the rules surrounding the administration of State vehicles.

Failure to adequately maintain controls over the administration of State vehicles represents noncompliance with State vehicle requirements and could increase the State's potential liability and risk of loss. (Finding Code No. 2022-017, 2020-016)

RECOMMENDATION

We recommend the Department develop and implement procedures which create stronger controls over its vehicles and address maintenance and reporting.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department is working to fill key positions and get the new employees properly trained on vehicle coordination to include maintenance and reporting.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-018. **FINDING** (Inaccurate Fee Imposition Report)

The Illinois Department of Veterans' Affairs (Department) did not properly report fees collected on the Agency Fee Imposition Report (Report) for Fiscal Years 2020 and 2021.

During our testing of the Reports, we noted the following:

- The Department was unable to provide support to reconcile a difference noted for Fund 0619 on the 2020 Report. This resulted in an understatement of \$454,046.

This finding was first noted during the Department's Fiscal Year 2015 – Fiscal Year 2016 State compliance examination, six years ago. As such, the Department has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The State Comptroller Act (15 ILCS 405/16.2) requires all State agencies that impose and collect fees to prepare the Agency Fee Imposition Report form. The Illinois State Auditing Act (30 ILCS 5/3-8.5) states the form shall list and describe the fees imposed by the agency, the purpose of the fees, the amount of revenue generated by each fee, and the funds into which the fees are deposited.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001(4)) requires all State agencies to establish and maintain a system, or systems, of internal fiscal administrative controls, to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The State Records Act (5 ILCS 160/8) requires the Department to maintain records containing adequate and proper documentation of the functions, procedures, and essential transactions of the Department to protect the legal and financial rights of the state.

Department management indicated the deficiency noted was due to a lack of adequate control mechanisms in place such as a supervisory review of reports prior to submission.

Inaccurate fee reporting reduces the reliability of Statewide fee information. (Finding Code No. 2022-018, 2020-017, 2018-006, 2016-006)

RECOMMENDATION

We recommend the Department ensure the accuracy of the Agency Fee Imposition Report.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-018. **FINDING** (Inaccurate Fee Imposition Report) (Continued)

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and will take the necessary steps to ensure the accuracy of the Agency Fee Imposition Report.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-019. **FINDING** (Incorrect Calculation of Resident Maintenance Fees)

The Illinois Department of Veterans' Affairs (Department) did not calculate resident maintenance fees in accordance with the Illinois Administrative Code (Code).

The Code (95 Ill. Admin. Code 108.130) states residents at the veterans' homes are entitled to an allowance of \$100 per month for every \$1,000 paid in monthly maintenance fees. However, the Department gives each resident a \$200 allowance without considering the monthly maintenance fee charged. A Department policy, HOM-011, revised February 27, 2018, stated residents of veterans' homes are currently allowed to keep the first \$200 of their monthly income before the maintenance fee is assessed as a spending allowance. The maintenance fee will continue to be calculated at 90% of a resident's remaining income, up to a new monthly maximum. This condition existed at all the Department's veterans' homes during the examination period.

This finding was first noted during the Department's Fiscal Year 2015 – Fiscal Year 2016 State compliance examination, six years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

Department management indicated, due to competing priorities, they were unsuccessful in rectifying this ongoing issue.

Failure to follow the Code's calculation for maintenance fees may result in a loss of revenue to the State or overcharging residents at the veterans' homes. (Finding Code No. 2022-019, 2020-018, 2018-007, 2016-007)

RECOMMENDATION

We recommend the Department seek an update to the Illinois Administrative Code to reflect the methodology used to calculate maintenance fees.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department's legal division and legislative liaison will work with the Senior Homes Administrator to update the Administrative Code. However, the Department would like to note that the time frame covered for this audit was during the COVID-19 pandemic. The Joint Committee on Administrative Rules was focused on emergency rules related to COVID-19, not standard Department operations. The priority for all State Agencies was COVID-19, and for the Department this meant increased support for the five state-run veterans' homes from all divisions within the Department.

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2022-020. **FINDING** (Untimely Deposit of Receipts)

The Illinois Department of Veterans' Affairs (Department) failed to deposit cash receipts into its locally held and Treasury held funds in a timely manner as required by the State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2).

During our testing of the locally held fund receipts at the Department's veterans' homes, we noted the following exceptions:

- Two of 40 (5%) receipts, totaling \$420, from the Quincy Veterans' Home Protestant Chapel Fund (Fund 1158) and Benefit Fund (Fund 1152) were not deposited timely. These receipts were deposited one to two days late.
- Two of 40 (5%) receipts, totaling \$150, from the Anna Benefit Fund (Fund 1339) were not deposited timely. These receipts were deposited one to three days late.

During our testing of receipts for Treasury held funds, we noted twenty-four of 40 (60%) receipts tested, totaling \$1,368,249, from various funds were not deposited timely. These receipts were deposited one to 27 days late.

The Act (30 ILCS 230/2) requires payment into the State treasury the gross amount of money so received on the day of actual physical receipt with respect to any single item of receipt exceeding \$10,000, within 24 hours of physical receipt, or within 48 hours of actual physical receipt with respect to an accumulation of receipts exceeding \$500 but less than \$10,000, disregarding holidays, Saturdays, and Sundays. The Act requires cash receipts of less than \$500 to be deposited once the total amount of money received exceeds \$500, or until the next succeeding 1st or 15th day of the month.

Department management indicated the deposits were not deposited timely due to oversight.

Failure to deposit cash receipts in a timely manner represents noncompliance with the Act and could result in lost or misplaced checks if proper precautions are not taken to secure the funds prior to deposit. (Finding Code No. 2022-020, 2020-019)

RECOMMENDATION

We recommend the Department strengthen its controls over the deposit of receipts.

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2022-020. **FINDING** (Untimely Deposit of Receipts) (Continued)

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and will work with new fiscal staff on understanding the deposit requirements set forth in the State Officers and Employees Money Disposition Act (30 ILCS 230/2).

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2022-021. **FINDING** (Inaccurate Compilation and Reporting of Field Service Office Activities and Information)

The Illinois Department of Veterans' Affairs (Department) inaccurately compiled and reported activities and information of its field service offices staffed by Veteran Service Officers (VSOs).

The Department operates field service offices in counties throughout the State on either a full-time or itinerant basis to provide veterans with local access to information regarding federal and State benefits associated with their military service. VSOs are employed in these locations to answer questions, help with filing paperwork, address telephone calls, and issue hunting/fishing and camping licenses. The VSOs prepare daily, weekly, and monthly records of their number of veterans served in-person, requests handled by U.S mail, and telephone call questions received, in addition to a categorized breakdown of the types of services and information provided.

We noted the following during our examination:

- We reviewed four consecutive weekly itineraries for the four field office supervisors and noted the following:
 - Two of four (50%) supervisor itineraries could not be provided.
 - Two of four (50%) sign-in sheets could not be provided.
 - One of four (25%) itineraries did not match the sign-in sheets.
- We reviewed a total of eight statistical reports from a sample of three locations and noted the following:
 - Seven of eight (88%) instances where a monthly statistical report was not provided.
 - One of eight (13%) instances where the Daily Interview Record could not be traced to sign-in sheets.

During the previous examination we were also unable to determine whether the field service offices were open during their stated hours as posted online, and we also noted weaknesses with the issuance of camping license applications. Corrective action for these exceptions was implemented during the examination period.

This finding was first noted during the Department's Fiscal Year 2017 – Fiscal Year 2018 State compliance examination, four years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

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2022-021. **FINDING** (Inaccurate Compilation and Reporting of Field Service Office Activities and Information) (Continued)

The Department of Veterans' Affairs Act (20 ILCS 2805/3) requires the Department to establish such field offices as it finds necessary to enable it to perform its duties.

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

The State Records Act (5 ILCS 160/9) requires the Department to establish and maintain an active, continuing program for the economical and efficient management of the records of the Department.

Department management indicated that due to the COVID-19 pandemic these records could not be kept up during the heaviest of the restrictions and remote working. During this time the availability for a supervisory on-site visit had to be deferred for practical reasons.

Failure to accurately compile and retain data regarding services provided by VSOs at field offices results in inaccurate data for use by the Department upon which to base decisions. The failure to effectively operate field offices at their stated times represents statutory noncompliance. (Finding Code No. 2022-021, 2020-020, 2018-010)

RECOMMENDATION

We recommend the Department strengthen controls and enforce procedures to ensure VSOs and their supervisors maintain accurate and complete records. Furthermore, we recommend the Department ensure supervisors adequately supervise the field offices for which they are responsible.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department will work to strengthen controls and enforce procedures to ensure field office supervisors are adequately documenting visits to field offices for which they are responsible. The field office supervisors will communicate to the Veteran Service Officers at each field office the statutory requirement to maintain accurate and complete records of services provided.

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2022-022. **FINDING** (Lack of Department-Wide Disaster Recovery Plan or Testing to Ensure Recovery of Applications and Data)

The Illinois Department of Veterans' Affairs (Department) did not provide adequate planning for the recovery of its applications and data.

The Department had not developed a Department-wide disaster recovery plan or performed disaster recovery testing during the examination period.

The Department had application specific recovery plans for four applications; however, these plans lacked some elements such as training requirements and testing schedules.

The Department provided an updated Business Impact Analysis (BIA) dated August 30, 2021. The BIA documented seven business areas and 40 business functions and applications that support them. However, the Department had not fully incorporated the results of its business impact analysis into its contingency plans.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology (NIST) requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

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

The Department indicated a lack of resources caused the lack of development of the Department-wide Recovery Plan as well as recovery testing exercises.

The finding was first noted during the Department's Fiscal Year 2017 – Fiscal Year 2018 State compliance examination, four years ago. As such, Department management has been unsuccessful in fully implementing a corrective action plan to remedy this deficiency.

Without an adequately documented and tested recovery plan, the Department cannot ensure its critical systems could be recovered within an acceptable period, and therefore minimizing the impact associated with a disaster. (Finding Code No. 2022-022, 2020-022, 2018-013)

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2022-022. **FINDING** (Lack of Department-Wide Disaster Recovery Plan or Testing to Ensure Recovery of Applications and Data) (Continued)

RECOMMENDATION

We recommend the Department develop a Department-wide Recovery Plan and incorporate the results of its BIA to ensure recovery plans reflect the needs of the Department.

In addition, we recommend disaster recovery testing of critical systems and components be conducted and documented at least annually.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department has initiated contact with the Department of Innovation and Technology for assistance in both strengthening existing disaster recovery plans and developing plans for the remaining systems. The 2021 Business Impact Analysis will be updated as needed and the Department will continue to incorporate the results into its contingency plans.

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2022-023. **FINDING** (Lack of Adequate Controls Over the Review of Internal Controls Over Service Providers)

The Illinois Department of Veterans' Affairs (Department) did not obtain or conduct timely independent internal control reviews over all of its service providers.

The Department utilizes four service providers for medical billing, hosting of medical records, and application hosting. Some of the information controlled by the service providers would be classified as personally identifiable information and protected health information.

During testing, we noted the following:

- The Department did not obtain a System and Organization Control (SOC) report for two of four (50%) service providers.
- The Department did not complete a review of the two SOC reports received.
- The Department failed to monitor and document the Complementary User Entity Controls (CUECs) relevant to the Department's operations.
- The Department could not provide a contract or agreement with one of the service providers (25%).

The Department is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process being outsourced.

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

Additionally, the Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, fifth revision) published by the National Institute of Standards and Technology (NIST), System and Service Acquisition and Configuration Management Sections, sanctions the development, implementation, and monitoring of internal controls over changes, access, and service providers.

The Department indicated a lack of resources caused the lack of development of service provider management.

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2022-023. **FINDING** (Lack of Adequate Controls Over the Review of Internal Controls Over Service Providers) (Continued)

The finding was first noted during the Department's Fiscal Year 2017 – Fiscal Year 2018 State compliance examination, four years ago. As such, Department management has been unsuccessful in fully implementing a corrective action plan to remedy this deficiency.

Without having obtained and reviewed a SOC report or another form of independent internal control review, the Department does not have assurance the service providers' internal controls are adequate. (Finding Code No. 2022-023, 2020-023, 2018-015)

RECOMMENDATION

We recommend the Department:

- Develop contract and agreement procedures for service providers to ensure security, integrity, availability, confidentiality, and privacy controls over the Department's applications and data are adequately addressed.
- Obtain SOC reports and perform documented reviews to:
 - Determine how the opinion of the report impacts the Department's use of the service provider.
 - Formally evaluate the CUECs.
- Obtain assurance of the control environment when a SOC report is not available.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department does utilize confidentiality/privacy provisions in its contracts with its service providers. SOC reports are highly technical and challenging to find individuals with the knowledge/expertise to review these types of reports. The Department will work with the Department of Innovation and Technology (DoIT) on a strategy to address the issue of obtaining and reviewing SOC reports in a timely manner.

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2022-024. **FINDING** (Weakness in Change Management)

The Illinois Department of Veterans' Affairs (Department) did not have an effective separation of duties for programmers developing or maintaining its computer systems.

The Department had established several computer systems, which maintained critical, confidential, and sensitive information in order to meet its mission and mandate.

During our testing we noted Department of Innovation and Technology (DoIT) programmers, working on behalf of the Department were responsible for developing and making changes to computer systems, had access to the production environment and the capability to implement changes. The same programmers that made changes to a computer system also moved the change to the production environment.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls.

Furthermore, the Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, fifth revision) published by the National Institute of Standards and Technology (NIST), System and Service Acquisition and Configuration Management Sections, states policies and procedures should be in place detailing who can authorize modifications and how the authorizations are to be documented.

Department management indicated the lack of staffing caused the exceptions.

The lack of separation of duties in the computer environment increases the risk the confidentiality, integrity, and availability of data will be compromised. (Finding Code No. 2022-024, 2020-024)

RECOMMENDATION

We recommend the Department restrict program access to all production programs and data and prevent the same programmer from making and then moving changes to production.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. Effective February 27, 2023, DoIT staff assigned to the Department have established a new policy and workflow which established segregation of duties requiring code changes to receive approval from the Chief Information Officer (CIO) and then be promoted to the production environment by a different staff member rather than the original programmer.

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2022-025. **FINDING** (Failure to Implement Controls Related to Cybersecurity Programs, Practices, and Control of Confidential Information)

The Illinois Department of Veterans' Affairs (Department) failed to implement internal controls related to cybersecurity programs, practices, and control of confidential information.

The Department is responsible for assistance of veterans and their families to navigate the system of federal, state and local resources and benefits by providing long-term health care to eligible veterans and finding resources to assist with education, mental health, housing, employment and other challenges. As a result of the Department's mission to assist veterans and their families, the Department maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, Social Security numbers, and protected health information of veterans and their families.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs, practices, and control of confidential information. During our examination, we requested the Department's documentation demonstrating their cybersecurity programs, practices, and control of confidential information. However, the Department had not developed:

- Policies or procedures documenting controls related to :
 - Onboarding of staff and contractors,
 - Verification of backups and off-site storage,
 - Verification of compliance with the Department of Innovation and Technology's (DoIT) Data Wiping Procedures,
 - Protection and disposal of hardcopy documents containing confidential information, and
 - Reporting security violations or suspected violations.

In addition, the Department had not:

- Reviewed policies and procedures in place at least annually to ensure they reflect the current environment.
- Complied with the requirements in the "Information Security Guidelines for Agency Roles and Responsibilities and Delegating Authority" and identified, documented, and maintained a list of Department information security roles and the individual employees assigned to those roles.
- Developed a risk management methodology, conducted a comprehensive risk assessment, or implemented risk reducing internal controls.

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2022-025. **FINDING** (Failure to Implement Controls Related to Cybersecurity Programs, Practices, and Control of Confidential Information) (Continued)

- Developed a data classification methodology or provided documentation outlining the classification of their data.
- Developed a cybersecurity plan describing the security program, policies, and procedures.
- Provided a current Data Breach Notification Policy. An outdated 2007 Policy from the Department of Central Management Services was provided.
- Developed policies and procedures to support compliance with HIPAA Privacy and Security Rule requirements.
- Developed controls to ensure separated users' access rights to applications were timely removed. We noted 42 of 81 (52%) separated users still had access to applications.

We tested the training provided during calendar year 2021 for a sample of 40 employees to determine if employees had taken the annual cybersecurity training as required by the Data Security on State Computers Act (20 ILCS 450/25), noting 10 (25%) employees did not complete the calendar year 2021 training.

Lastly, the Department did not have knowledge on how their assets were monitored, how or if security events were timely detected, and the actions taken in response to a security event.

The Framework for Improving Critical Infrastructure and the Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Data Security on State Computers Act (20 ILCS 450/25 (b)) states every employee is to annually undergo training by DoIT concerning cybersecurity.

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

The Department indicated ongoing resource shortages prevented them from addressing these requirements.

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2022-025. **FINDING** (Failure to Implement Controls Related to Cybersecurity Programs, Practices, and Control of Confidential Information) (Continued)

Failure to implement internal controls related to cybersecurity programs, practices and control of confidential information could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2022-025)

RECOMMENDATION

We recommend the Department work with DoIT to obtain a detailed understanding of each party's responsibilities related to cybersecurity controls. Further, we recommend the Department:

- Conduct an analysis of DoIT's policies and procedures to determine if the Department is meeting the requirements set forth in DoIT's policies and procedures. In addition, the Department should develop detailed policies and procedures related to, at a minimum:
 - Onboarding of staff and contractors,
 - Verification of backups and off-site storage,
 - Verification of compliance with DoIT's Data Wiping Procedures,
 - Protection and disposal of hardcopy documents containing confidential information,
 - Reporting security violations or suspected violations.
- Upon development, review policies and procedures at least annually to ensure they reflect the current environment.
- Comply with the requirements in the "Information Security Guidelines for Agency Roles and Responsibilities and Delegating Authority" and identify, document, and maintain a list of Department information security roles and the individual employees assigned to those roles.
- Develop a risk management methodology and conduct a risk assessment. Additionally, the Department should implement risk reducing internal controls.
- Develop a data classification methodology, classify its data, and implement proper safeguards accordingly.
- Develop a cybersecurity plan describing the security program, policies, and procedures.
- Develop a current Data Breach Notification Policy.

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2022-025. **FINDING** (Failure to Implement Controls Related to Cybersecurity Programs, Practices, and Control of Confidential Information) (Continued)

- Develop policies and procedures to support compliance with HIPAA Privacy and Security Rule requirements.
- Develop controls to ensure separated users' access rights to applications are timely removed.
- Ensure all staff complete the annual cybersecurity training.
- Work with DoIT to obtain an understanding of the security solutions utilized to secure the Department's assets and the controls over the timely detection and remediation of security events.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. An updated Data Breach Notification Policy has been developed. In response to the other 10 recommendations, the Department will begin with a comprehensive cybersecurity audit conducted by internal audit. A corrective action plan (or multiple plans as needed) will be executed in connection with internal audit's findings.

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2022-026. **FINDING** (Noncompliance with the State Finance Act)

The Illinois Department of Veterans' Affairs (Department) failed to comply with the provisions of the State Finance Act (Act) regarding transfer limits and medical payments.

- During our testing of transfers made during the examination period, we noted the Department's net transfers out amount for the General Revenue Fund (0001) for Fiscal Year 2021 exceeded the transfer limit of 8% by \$2,498.

The Act (30 ILCS 105/13.2) requires for State Fiscal Year 2021, transfers among line item appropriations to a State agency from the same State treasury fund may be made for operational or lump sum expenses only, provided that the sum of such transfers for a State agency in State Fiscal Year 2021 shall not exceed 8% of the aggregate amount appropriated to that State agency for operational or lump sum expenses.

Department management stated this over-transfer was due to oversight.

- The Department had no system to track the aggregate amount of medical payments made during each Fiscal Year of the examination period.

The Act (30 ILCS 105/25) states the aggregate amount of payments to be made without regard for fiscal year limitations as contain in subsections (b-1), (b-3), (b-4), (b-5), and (c) of this Section, and determined by using GAAP, shall not exceed the following amounts: (1) \$6,000,000,000 for outstanding liabilities related to fiscal year 2012; (2) \$5,300,000,000 for outstanding liabilities related to fiscal year 2013; (3) \$4,600,000,000 for outstanding liabilities related to fiscal year 2014; (4) \$4,000,000,000 for outstanding liabilities related to fiscal year 2015; (5) \$3,300,000,000 for outstanding liabilities related to fiscal year 2016; (6) \$2,600,000,000 for outstanding liabilities related to fiscal year 2017; (7) \$2,000,000,000 for outstanding liabilities related to fiscal year 2018; (8) \$1,300,000,000 for outstanding liabilities related to fiscal year 2019; (9) \$600,000,000 for outstanding liabilities related to fiscal year 2020; and (10) \$0 for outstanding liabilities related to fiscal year 2021 and fiscal years thereafter.

Department management stated due to competing priorities, they had not established a tracking mechanism for medical payments made during each Fiscal Year.

Failure to transfer funds in the appropriate increments, as well as failure to establish a tracking mechanism for the aggregate amount of medical payments made each year, represents noncompliance with a statutory requirement. (Finding Code No. 2022-026)

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2022-026. **FINDING** (Noncompliance with the State Finance Act) (Continued)

RECOMMENDATION

We recommend the Department strengthen controls over the practice of transferring funds to ensure transfers remain below the stated limit. Additionally, we recommend the Department implement a system to track the aggregate amount of medical payments made during each Fiscal Year.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and has taken the necessary steps to ensure the SB03 Appropriation Transfer Report is completed monthly. In addition, the Department will implement a system to track the aggregate amount of medical payments during a fiscal year.

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2022-027. **FINDING** (Inadequate Controls over Fringe Benefits)

The Illinois Department of Veterans' Affairs (Department) did not have adequate controls over employee fringe benefits.

While the Department has been tracking employees that were assigned personal vehicles, they were not able to confirm if an annual report was collected from those employees, and it does not appear taxable fringe benefits were charged to those employees.

Internal Revenue Service (IRS) Publication 15-B, "Employer's Tax Guide to Fringe Benefits," and the Office of Comptroller's (Comptroller) Payroll Bulletin 3-85, require each agency to treat the fair market value of employee personal use of State vehicles as a taxable fringe benefit to be included in the employee's income. The taxable income derived by the employee for personal use of the State vehicle is calculated at a rate of \$3.00 per working day. In addition, the Comptroller's Payroll Bulletin 3-85 requires each agency obtain sufficient documentation from its employees to allow proper computation of the amount of personal use of State vehicle fringe benefits, which are included in each employee's taxable income.

Department management indicated the exception was caused by oversight and not having a system in place to ensure fringe benefits are tracked and accurately reported.

Failure to properly calculate fringe benefits is noncompliance with IRS Publication 15-B and the Comptroller's Payroll Bulletin 3-85 and can result in underreporting of employees' taxable wages and income taxes withheld. (Finding Code No. 2022-027)

RECOMMENDATION

We recommend the Department implement controls to ensure taxable fringe benefits are being reported for employees who are assigned a personal vehicle.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and has taken the necessary steps to ensure that fringe benefits are included in taxable income for employees assigned a vehicle pursuant to IRS Publication 15-B and IOC Payroll Bulletin 3-85.

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2022-028. **FINDING** (Inadequate Controls over the Maintenance of Postage Meters)

The Illinois Department of Veterans' Affairs (Department) failed to exercise proper controls over its maintenance of postage meters.

During our testing of postage meter balances, we noted the following:

- Postage balances and usage was not maintained for Fiscal Years 2021 and 2022 for the Field Services Offices.
- For Fiscal Years 2021 and 2022, the Department purchased postage utilizing the detailed object code for postage within the General Revenue Fund (0001). The Department was unable to communicate to the auditors in which area the postage was utilized (i.e. Central Office, Field Services Offices, or Chicago Home). As a result, we were unable to calculate the turnover ratio for these areas.
- Postage balances and usage were not maintained for Fiscal Year 2022 for the Chicago Home. We were unable to calculate the turnover ratio for this Home.
- The Manteno Home's Fiscal Year 2021 postage meter turnover ratio was 1.72, which equated to 7 months outstanding, indicative of stockpiling. The Department did not provide an explanation of the ratio.
- Postage purchases according to Department records compared to those per the Office of Comptroller differed for six of 14 (43%) locations, ranging from \$(700) to \$10,000. The Department could not provide explanations for the differences.

The Illinois Procurement Code (30 ILCS 500/50-55) states every State agency shall inventory or stock no more than a 12-month need of equipment, supplies, commodities, articles, and other items, except as otherwise authorized by the State agency's regulations. Every State agency shall periodically review its inventory to ensure compliance with this Section. If, upon review, an agency determines it has more than a 12-month supply of any equipment, supplies, commodities, or other items, the agency shall undertake transfers of the oversupplied items or other action necessary to maintain compliance with this Section.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001/(4)) requires the Department to establish and maintain a system, or systems, of internal, fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The Department indicated insufficient internal controls and record-keeping due to oversight led to the noted exceptions.

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2022-028. **FINDING** (Inadequate Controls over Maintenance of Postage Meters) (Continued)

Failure to exercise proper controls over the maintenance of the postage meters increases the risk the Department could stockpile postage and not match current year appropriations with current year postage usage. (Finding Code No. 2022-028)

RECOMMENDATION

We recommend the Department strengthen controls over postage and document and retain usage information about the beginning and ending postage meter balances.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and will work with fiscal staff to maintain proper accounting of postage meters.

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2022-029. **FINDING** (Noncompliance with the Accountability for the Investment of Public Funds Act)

The Illinois Department of Veterans' Affairs (Department) failed to comply with the Accountability for the Investment of Public Funds Act (Act).

During our testing of the Department's investment of public funds, we noted the following exceptions:

- The amount of funds reported as held by the Department did not agree to Department records in these months:
 - November 2020 LaSalle Veterans' Home Benefit Trust Fund (Fund 1261), with a difference noted of \$5.
 - April 2021 Anna Veterans' Home Member's Trust Fund (Fund 1348), with a difference noted of \$6,000.
 - May 2022 LaSalle Veterans' Home Member's Trust Fund (Fund 1260) and Fund 1261, with a difference noted of \$37,879 and \$2 respectively.
- The Department had the previous fiscal year amounts posted on the Department's website for all of the Quincy Veterans' Home locally held funds, including the Members Trust Fund (Fund 1246), the Benefit Trust Fund (Fund 1152), the Protestant Chapel Fund (Fund 1158) and the St. Lawrence Chapel Fund (Fund 1159) for April 2021.

The Act (30 ILCS 237/10) requires the Department to make available on its website sufficient information concerning the investment of any public funds held by the Department to identify: the amount of funds held by the Department on the last day of the preceding month or the average daily balance for the preceding month; the total monthly investment income and yield for all funds invested by the Department; the asset allocation of the investments made by the Department; and a complete listing of all approved depository institutions, commercial paper issuers, and broker-dealers approved to do business with the Department.

Department management indicated the exceptions noted were due to competing priorities which resulted in oversight. Specifically, the Department attributed the exception pertaining to the Quincy Veterans' Home to human error.

Failure to ensure the amount of funds held by the Department are accurate could result in inaccurate reporting of investment funds held outside of the State Treasury and represents noncompliance with the Act. (Finding Code No. 2022-029)

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2022-029. **FINDING** (Noncompliance with the Accountability for the Investment of Public Funds Act)
(Continued)

RECOMMENDATION

We recommend the Department strengthen controls to ensure investment information for applicable funds are complete and accurate prior to being posted to the Department's website.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and will strengthen controls to ensure investment information for applicable funds are complete and accurate prior to being posted to the Department's website.

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2022-030. **FINDING** (Inadequate Controls over the Identification of Leases under Statement No. 87 of the Governmental Accounting Standards Board)

The Illinois Department of Veterans' Affairs (Department) did not have adequate controls in place to support the implementation of Statement No. 87 of the Governmental Accounting Standards Board (GASB 87).

The Department did not take adequate measures to ensure all leases, both lessee and lessor leases, and contracts were properly reviewed to ensure applicable leases were included under GASB 87 recognition. The Department relied on the work of a contracted firm to complete the required documentation and surface level review of the leases they deemed applicable under GASB 87 without subsequently reviewing this work, and as such, failed to update any policies or procedures to assist going forward in the identification of leases under GASB 87 as they are relying on the work of the contracted firm to perform the review.

During our lessee lease testing, we noted four leases were improperly excluded from recognition under GASB 87. These four leases did not have an SCO-560 form filed with the Office of Comptroller (Comptroller) at the time of our testing. Using our professional judgement, we calculated the impact of this to be \$102,809 in unrecorded liabilities, \$357,734 in unrecorded assets and \$115,620 in unrecorded expenses.

During our lessor lease testing, we noted three leases were improperly excluded from recognition under GASB 87. These three leases did not have an SCO-561 filed with the Comptroller at the time of our testing. We were unable to determine the financial impact of these exceptions. We also noted lease receipts differed by \$18,067 from the terms of the lease agreement for one of three (33%) attested.

GASB 87 defines a lease as “a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.” GASB 87 became effective for the State of Illinois on July 1, 2021, with all existing leases revalued and recognized as of this date, except for existing sales-type or direct financing leases. This definition of a lease is not limited to contracts which may be termed as a lease, as leases meeting GASB 87’s lease definition may be embedded within other agreements or contracts.

The Statewide Accounting Management System (SAMS) Manual (Procedure 03.50.60) states lease transactions are processed by the Comptroller using forms SCO-560 and SCO-561, which must be completed by agencies. Additionally, the SAMS Manual (Procedure 15.20.20) outlines the procurement requirements for purchase orders which includes availability of appropriation clause and prohibited bidders and contractors certification.

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2022-030. **FINDING** (Inadequate Controls over the Identification of Leases under Statement No. 87 of the Governmental Accounting Standards Board) (Continued)

Department management indicated, due to limited resources in the fiscal department, they contracted out part of the financial services to a third-party contractor. When the contractor initially performed the analysis of leases, the four excluded contracts were not included in the contract listings, therefore, they were missed in the initial analysis. Due to the lack of expertise and resources in-house, the Department was unable to identify the implementation weaknesses noted.

Failure to report all applicable leases under GASB 87 can lead to misstated financial information and potential misappropriation of State assets. (Finding Code No. 2022-030)

RECOMMENDATION

We recommend the Department develop a process in which leases and contracts are reviewed for possible inclusion under GASB 87.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department is currently working with a contracted third party and Department personnel to implement procedures for compliance with GASB 87 reporting of leases and contracts.

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2022-031. **FINDING** (Weakness in Processing Refund Receipts)

The Illinois Department of Veterans' Affairs (Department) failed to exercise adequate controls over its processing of refund receipts.

During our testing of refund receipts, we noted three of 4 (75%) refunds tested, totaling \$17,194, whose dollar amount could not be traced to the Department's receipt ledger.

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

The Department indicated the exceptions noted were due to competing priorities which resulted in oversight.

Failure to properly record refunds in the Department's receipt ledger could result in inaccurate records and hinder management's ability to make decisions. (Finding Code No. 2022-031)

RECOMMENDATION

We recommend the Department ensure its receipt records are complete with all refund receipts included.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and will work with fiscal staff to better understand the job aids that are provided by the Department of Innovation and Technology (DoIT) IL Acts Enterprise Resource Program (ERP) Team, on the SharePoint Portal, as well as create internal procedures on how to process refunds in ERP.

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2022-032. **FINDING** (Failure to Ensure Telecommunication Devices were Timely Returned)

The Illinois Department of Veterans' Affairs' (Department) did not exercise adequate controls over its telecommunications return policy during the examination period.

The Department could not provide support or return dates for nine of nine (100%) telecommunication cancellations tested that occurred during the examination period. As a result, we could not determine if the telecommunication devices were returned timely.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Department to protect the legal and financial rights of the State and the persons directly affected by the Department's activities.

The Department indicated these exceptions were caused by employee turnover and human error.

Failure to ensure that telecommunication devices are returned timely could lead to loss or misappropriation of these items. (Finding Code No. 2022-032)

RECOMMENDATION

We recommend the Department implement controls to ensure documentation is retained for the return of cancelled telecommunication devices.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department will work with staff to ensure that a telecom device checklist is created at the time of receipt of a device and return of a device, and that a copy of this checklist is kept electronically for the State Records Act (5 ILCS 160/8).

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A. **FINDING** (Noncompliance with the Quincy Veterans' Home Rehabilitation and Rebuilding Act)

In the prior year examination, the Illinois Department of Veterans' Affairs (Department) failed to comply with certain provisions of the Quincy Veterans' Home Rehabilitation and Rebuilding Act (Act).

In the current examination, we noted the Department published the required procedures outlined in the Act and was in compliance with the statute. (Finding Code No. 2020-002)

B. **FINDING** (Noncompliance with the Identity Protection Act)

In the prior year examination, we noted the Department's Identity Protection Policy failed to comply with the Identity Protection Act (5 ILCS 179/37) (Act).

In the current examination, we noted the Department revised its policy in Fiscal Year 2021 and included the missing items previously noted. (Finding Code No. 2020-005)

C. **FINDING** (Inadequate Controls over the Approval and Preparation of Vouchers)

In the prior engagement, the Department did not exercise adequate controls over the approval or preparation of vouchers.

In the current engagement, while we still noted exceptions pertaining to the preparation of the vouchers in regard to required signatures being present on voucher attachments, we did not note the extent of exceptions as we did previously. As such, this matter was reported in the Department's *Report of Immaterial Findings*. (Finding Code No. 2020-012, 2018-009)

D. **FINDING** (Failure to Demonstrate the Completeness and Accuracy of the Report Components)

In the prior examination, the Department did not have adequate internal controls to demonstrate the schedules and components (report components) within the Department's *Compliance Examination Report* were complete and accurate.

During the current examination, the report components the Department was unable to complete and/or ensure accuracy and completeness of were removed as a requirement in the *Compliance Examination Report*. The one report component required to be prepared by the Department, the Agency Officials listing, was completed accurately by the Department. (Finding Code No. 2020-025)

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E. **FINDING** (Computer Security Weaknesses)

In the prior year examination, the Illinois Department of Veterans' Affairs (Department) had not established adequate security controls over its computing environment.

In the current examination, our testing indicated the Department had implemented procedures to document new user access to applications. Additionally, our testing of new users' access approvals noted no exceptions. However, deficiencies regarding timely removal of access rights from separated employees and compliance with data wiping procedures were noted. As such, this matter was reported in the Department's *Compliance Examination Report* as part of Finding Code No. 2022-025. (Finding Code No. 2020-021)

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Status of Performance Audits

Illinois Department of Veterans' Affairs Legionnaires' Outbreak at the Quincy Veterans' Home

The Office of the Auditor General conducted a performance audit of the Illinois Department of Veterans' Affairs' and the Department of Public Health management of the Legionnaires' disease outbreaks at the Quincy Veterans' Home pursuant to Senate Resolution Number 1186. The audit was released in March 2019 and contained a total of 4 recommendations, 3 were directed to the Department of Veterans' Affairs.

STATUS OF PAST PERFORMANCE AUDIT RECOMMENDATIONS					
As of October 2022					
Audit	Rec. No.	Recommendation Description	Status		
			Implemented	Partially Implemented	Not Implemented
Quincy Veterans' Home	1	Notification of Disease Outbreak to Quincy Veterans' Home Staff	X		
Quincy Veterans' Home	2	Resident Monitoring	X		
Quincy Veterans' Home	4	Recommendations by the Centers for Disease Control	X		

Source: Summary of Legionnaires' Disease at Quincy performance audit recommendations and current status.

RECOMMENDATION 1 – NOTIFICATION OF DISEASE OUTBREAK TO QUINCY VETERANS' HOME STAFF

The Illinois Department of Veterans' Affairs and the Illinois Department of Public Health should ensure that once a legionella outbreak is confirmed at a State Veterans' Home, nursing staff and caregivers are given the necessary instructions and guidelines in a timely manner to limit exposure to aerosolized water in order to protect both the staff and residents from contracting Legionnaires' disease.

Current status: Implemented

The audit found that for at least six days, until August 27, 2015, there was limited notification or specific procedures provided to the nursing staff at the Quincy Veterans' Home that were necessary to protect residents or employees. Allegations of poor communication with staff regarding the outbreak were the focus of several legislative hearings. It was alleged by one nurse from the Quincy Veterans' Home that she learned of the outbreak via social media. It was also alleged that one of the staff who was eventually diagnosed with Legionnaires' disease was never informed by IDVA or the Quincy Veterans' Home that there was an outbreak and never told to get tested for it.

On August 21, 2015, the Adams County Health Department issued a Health Advisory for Legionella at the Quincy Veterans' Home to its internal staff, which was forwarded to the Quincy Veterans' Home management. Based on our review of documentation and emails provided by

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IDVA and IDPH, this Advisory was not shared with the Quincy Veterans' Home nursing staff. A document titled "Interim Guidelines for STAFF-Legionella" was distributed. August 27, 2015, was written at the top of the document. No email or other documentation was provided to support how the document was delivered to the staff. This is the first document auditors identified that provided staff with procedures or guidelines necessary to limit the exposure for both the residents and themselves. Public Act 100-0632, effective July 27, 2018, established requirements for a Veterans' Home administrator to notify all residents or next of kin within 24 hours of notification of a second case of Legionnaires' disease within a month at a Veteran's Home.

During the current audit, IDVA officials provided auditors with outbreak response plans for each campus detailing policies and procedures to follow when an outbreak occurs, specifically a respiratory illness. When a respiratory illness occurs at any campuses, in order to minimize exposure, staff are directed to monitor symptomatic residents and notify management officials of a possible outbreak. As part of training documents for Veterans' home employees, an overview of Legionella is provided to ensure new employees understand causes, risks, symptoms, and testing procedures to follow in the event of an outbreak.

Additionally, each Veterans' Home has a water management plan and outlines activities that would benefit the home in terms of maintaining water quality at the highest level, as these homes are at greater risk for patients falling ill with Legionnaires' disease. Each location was provided with an assessment of their water system, recommended best practices, where risk may exist in the current system, and contingency response plans in the event of an outbreak.

IDVA is required to follow statute 20 ILCS 2805/2.01c, which requires notification in the event of an outbreak (defined as two or more cases), including Legionnaire's disease. IDVA reported they continue to comply with this statute of notifying families and caregivers within 24 hours of an outbreak. All Homes employ several tools to inform/educate residents and caregivers/families. These correspondence include letters, phone calls, e-mails, and notifications on our IDVA website.

RECOMMENDATION 2 – RESIDENT MONITORING

The Illinois Department of Veterans' Affairs should develop resident monitoring protocols for use during suspected legionella outbreaks at State Veterans' homes to ensure timely diagnosis and treatment of Legionnaires' disease

Current status: **Implemented**

Auditors determined that the Quincy Veterans' Home did not have documentation to support increased monitoring of residents until after the residents exhibited the onset of the Legionnaires' disease symptoms. IDVA officials reported, on multiple occasions, that after notification of the outbreak, residents in skilled care were consistently monitored every 4 hours and independent living residents twice daily.

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No evidence of a written directive, email or bulletin to monitor residents every 4 hours was provided to auditors. Email correspondence did not support a protocol was in place which directed increased monitoring. Once patients exhibited fever symptoms, they were consistently monitored every four hours, if not more often.

IDVA has policies specific to Legionella in the infection control manual for each home that includes information about legionella, signs and symptoms, procedures, and outbreak investigations. The Department's infection control manual explicitly states, "In the event Legionaries Disease is suspected/confirmed enhanced surveillance will be implemented."

Additionally, the directive stated to refer to the Outbreak Investigation Policy. Each home has their own Outbreak Response Plan that outlines procedures for respiratory illness and monitoring patients. According to the Department's general Outbreak Investigation policy for all homes, once an outbreak is determined to exist, there is a directive to look for new cases by increased patient monitoring. Specifically, it states, "Increase Resident Monitoring; vital signs (daily, every 4 hours, as provider ordered and or PRN) and system reviews."

During the COVID-19 pandemic, staff were instructed to screen residents under the following directive:

1. Facility staff shall use a checklist-based screening protocol, administered orally and recorded in written or electronic format, for each resident. Staff will screen all residents who are not known or suspected to be positive for COVID-19 at least once every day. Screening will consist of at least the following:
 - a. Measure body temperature;
 - b. Measure oxygen saturation by pulse oximetry;
 - c. Symptoms of COVID-19, as listed by CDC
2. Staff will screen residents with the following frequency:
 - a. Residents not known or suspected to be positive for COVID-19 or suspected to have been exposed – at least once every day;
 - b. Residents known or suspected to be positive for COVID-19 or suspected to have been exposed - at least once every shift.

RECOMMENDATION 4 – RECOMMENDATIONS BY THE CENTERS FOR DISEASE CONTROL

The Illinois Department of Public Health and the Illinois Department of Veterans' Affairs should ensure the State facilities, such as the Quincy Veterans' Home, implement all recommendations from the Centers for Disease Control following confirmed outbreaks such as Legionnaires' disease.

Current status: **Implemented**

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According to the audit report, the CDC was contacted by IDPH following the outbreaks of Legionnaires' disease in 2015, 2016, 2017, and 2018. During each visit, environmental assessments were conducted to determine how to mitigate risk to employees and staff at the Quincy Veterans' Home. Following its visit, the CDC provided recommendations to possibly decrease the further spread of Legionnaires' disease. The recommendations focused on cooling tower and potable water improvements, and on patient/clinical surveillance.

Most notably, the CDC recommended point-of-use filter installation on all fixtures fed from the potable hot-water system. The Quincy Veterans' Home did not install point-of-use filters on all fixtures, choosing only to install them on showers. It was recommended again in 2017 and 2018 to install point-of-use filters on all fixtures to minimize the risk of exposure to residents, staff, and visitors. According to the Quincy Veterans' Home, filters were not installed on fixtures other than the showers until after the February 2018 outbreak, in April 2018.

All Homes have a water management plan in place with a vendor that offers web-based dashboards and collaboration on new or changing best practices. Performance of the plan, its execution and the results of any environmental sampling, will be reported and monitored by the Water Management Team (WMT). The Nursing Home Administrator has the overall responsibility of ensuring this plan is followed.

The homes' water management policies have been updated to include recently adopted standards from IDPH regarding new Legionella testing (77 IAC 340.1337, effective June 2, 2022). The department was required to develop a policy for testing its water supply for Legionella bacteria in accordance with expert guidelines developed by the CDC and ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers).

IDVA provided auditors with a copy of each home's Water Management Plan conducted along with a water management company who performed environmental assessments of each campus' water system. According to the assessment performed by the water management company, residential facilities at the Quincy Veterans' home are currently outfitted with point-of-use filters.