

**State of Illinois
Department of
Military Affairs**

**STATE COMPLIANCE
EXAMINATION**

**FOR THE TWO YEARS ENDED
JUNE 30, 2022**

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

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

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

DEPARTMENT OFFICIALS

Adjutant General (02/08/19-Present)	Major General Richard R. Neely
Assistant Adjutant General - Air (06/01/22 - Present)	Brigadier General Daniel McDonough
Assistant Adjutant General - Air (07/01/20 - 05/31/22)	Brigadier General Peter Nezamis
Assistant Adjutant General - Army (07/01/21 - Present)	Brigadier General Rodney Boyd
Assistant Adjutant General - Army (06/01/21 - 06/30/21)	Vacant
Assistant Adjutant General - Army (10/01/15 - 05/31/21)	Major General Michael Zerbonia
Military Executive - Chief of Staff (06/01/22 - Present)	Brigadier General (Ret) William Cobetto
Military Executive - Chief of Staff (05/12/22 - 05/31/22)	Vacant
Military Executive - Chief of Staff (08/04/08 - 05/11/22)	Colonel (Ret) James Smith
Chief Fiscal Officer (02/16/23 - Present)	Mr. Michael Runkles
Chief Fiscal Officer (02/01/13 - 02/15/23)	Ms. Elena Goutsalenko
Military Judge Advocate (11/01/21 - Present)	Mr. Matthew Swearingen
Military Judge Advocate (09/01/21 - 10/31/21)	Vacant
Military Judge Advocate (09/01/17 - 08/31/21)	Colonel (Ret) Robert Roth

DEPARTMENT OFFICE

The Department's primary administrative office is located at:

Camp Lincoln
1301 N. MacArthur Boulevard
Springfield, Illinois 62702



MANAGEMENT ASSERTION LETTER

August 25, 2023

Roth & Company, LLP
815 W. Van Buren Street, Suite 500
Chicago, Illinois 60607

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 Military Affairs (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following specified requirements during the two-year period ended June 30, 2022. Based on this evaluation, we assert that during the years ended June 30, 2021, and Month 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. Other than what has been previously disclosed and reported in the Schedule of Findings, 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. 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,

Department of Military Affairs

SIGNED ORIGINAL ON FILE

Richard R. Neely
Major General, ANG
The Adjutant General

SIGNED ORIGINAL ON FILE

Michael Runkles
Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Mathew Swearingen
General Counsel

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 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 Report</u>	<u>Prior Report</u>
Findings	18	18
Repeated Findings	11	11 *
Prior Recommendations Implemented or Not Repeated	7	5

* *Includes Finding 2018-015 which was combined into 2020-001.*

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-001	10	2020/2004	Property Control Weaknesses	Material Weakness/ Material Noncompliance
2022-002	15	2020/2012	Noncompliance with Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing	Material Weakness/ Material Noncompliance
2022-003	18	2020/2012	Inadequate Internal Control over Commodities	Material Weakness/ Material Noncompliance
2022-004	20	2020/2020	Weaknesses in Preparation of GAAP Reporting Forms	Material Weakness/ Material Noncompliance

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
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SCHEDULE OF FINDINGS (CONTINUED)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings (Continued)				
2022-005	23	2020/2018	Voucher Processing Internal Controls Not Operating Effectively	Material Weakness/ Material Noncompliance
2022-006	27	New	Failure to Provide Records of Compliance with Statutory Mandates	Material Weakness/ Material Noncompliance
2022-007	29	New	Inadequate Controls over the Identification of Leases under Statement No. 87 of the Governmental Accounting Standards Board	Material Weakness/ Material Noncompliance
2022-008	32	2020/2020	Inadequate Controls over Interagency Agreements	Material Weakness/ Material Noncompliance
2022-009	34	2020/2016	Failure to Develop a Formal Fraud Risk Assessment Program	Significant Deficiency/ Noncompliance
2022-010	36	2020/2020	Noncompliance with Vehicle Requirements	Significant Deficiency/ Noncompliance
2022-011	38	New	Trainings Not Completed Within the Required Timeframe	Significant Deficiency/ Noncompliance
2022-012	40	2020/2014	Inadequate Controls over Monthly Reconciliation	Significant Deficiency/ Noncompliance
2022-013	42	New	Noncompliance with the Civil Administrative Code of Illinois and African American Employment Plan Act	Significant Deficiency/ Noncompliance
2022-014	43	New	Inadequate Controls over Employee Records	Significant Deficiency/ Noncompliance
2022-015	46	New	Inaccurate Agency Workforce Reports	Significant Deficiency/ Noncompliance
2022-016	47	New	Failure to Fully Utilize the State's Enterprise Resource Planning System	Significant Deficiency/ Noncompliance

**STATE OF ILLINOIS
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SCHEDULE OF FINDINGS (CONTINUED)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings (Continued)				
2022-017	49	2020/2020	Inadequate Computer Security Controls	Significant Deficiency/ Noncompliance
2022-018	50	2020/2020	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency/ Noncompliance

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
A	52	2020/2018	Inadequate Controls over Agency Fee Imposition Reports
B	52	2020/2014	Failure to File Required Reports
C	52	2020/2020	Completion and Retention of Employment Eligibility Verification Form
D	52	2020/2018	Noncompliance with the Military Code of Illinois
E	53	2020/2020	Inaccurate Accounts Receivable Reporting
F	53	2020/2020	Weaknesses with Payment Card Industry Data Security Standards
G	53	2020/2020	Failure to Demonstrate the Completeness and Accuracy of the Report Components

EXIT CONFERENCE

The Department of Military Affairs waived an exit conference in a correspondence from Brigadier General (Ret) William Cobetto, Chief of Staff, on August 3, 2023. The responses to the recommendations were provided by Major General Richard R. Neely, Adjutant General and Alicia Collins, Chief Internal Auditor, in correspondences dated August 10, 2023 and August 24, 2023.



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 Military Affairs (Department) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 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.

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 requirements applicable to the Department during the two years ended June 30, 2022.

Specified Requirement B

As described in the accompanying Schedule of Findings as item 2022-006, the Department had not 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.

Specified Requirement C

As described in the accompanying Schedule of Findings as items 2022-001 through 2022-005 and 2022-007 through 2022-008, the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 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 2022-009 through 2022-018.

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

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

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and



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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 through 2022-008 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-009 through 2022-018 to be significant deficiencies.

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

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

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
August 25, 2023



STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. **FINDING** (Property Control Weaknesses)

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

During testing, we noted the Department did not maintain detailed supporting documentation for its quarterly Agency Report of State Property (Form C-15) filed with the Office of Comptroller (Comptroller). As of June 30, 2021, and 2022, the Department reported total property of \$462.1 million and \$472.6 million, respectively. Due to the lack of detailed documentation, the following compliance examination procedures could not be performed:

- The State property listing provided by the Department in response to audit requests could not be reconciled with the ending balances reported in the Form C-15 Reports for the fourth quarters ended June 30, 2021 and June 30, 2022 and to the balances reported in the annual inventory certifications submitted to the Department of Central Management Services (CMS).
- Annual additions, deletions and net transfers report provided by the Department could not be agreed to activity reports in the quarterly Form C-15 Reports submitted to the Comptroller.
- Property additions per the Form C-15 Reports could not be reconciled to the Comptroller's records reflected on the Object Expense/Expenditures by Quarter Report (SA02).
- During testing, the Department failed to provide documentation of supporting calculations for the SCO-537/538 forms, and therefore, we were unable to test if the Department appropriately recorded the purchase as a building improvement, land improvement, or site improvement.

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

The State Property Control Act (Act) (30 ILCS 605/4) requires the Department to be accountable for the supervision, control, and inventory of all property under its jurisdiction and control. In addition, the State Records Act (5 ILCS 160/9) requires the Department to establish and maintain a program for agency records management, which should include effective controls over the maintenance of records. The Statewide Accounting Management System (SAMS) Manual (Procedure 07.30.20) states the effectiveness of any accounting and financial

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2022-001. **FINDING** (Property Control Weaknesses) (Continued)

information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handles that data properly. SAMS (Procedure 07.30.20) also requires the Department to reconcile their records to the SAMS system on a monthly basis, and this reconciliation must be completed within 60 days of the month end.

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

List to Floor and Floor to List Testing:

- Thirteen of 60 (22%) equipment items were not found in the Department's property listing.
- One of 60 (2%) equipment items was transferred to a different location, but transfer was not recorded in the property listing.
- One of 60 (2%) equipment items had an incorrect tag.
- Two of 60 (3%) equipment items were not clearly marked with the Department's inventory decal or tag to indicate it was the property of the State of Illinois.

Additions Testing:

- Thirty-eight of 60 (63%) equipment items, totaling \$689,471, were recorded in the Department's property records more than 90 days after acquisition, ranging from 42 to 1,408 days late.
- Seven of 60 (12%) equipment items were not accurately recorded. Specifically, two items, totaling \$11,609, were recorded without freight or installation charges, while five items, totaling \$65,358, were not recorded at original cost when purchased by the Department.
- Four of 60 (7%) equipment items, totaling \$172,020, were recorded twice in the Department's records.
- One of 60 (2%) equipment items, totaling \$5,696, was recorded 120 days prior to the equipment receipt date.

**STATE OF ILLINOIS
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SCHEDULE OF FINDINGS - CURRENT FINDINGS
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2022-001. **FINDING** (Property Control Weaknesses) (Continued)

Deletions Testing:

- Fourteen of 60 (23%) equipment items, totaling \$67,926, were removed from Department records more than 90 days after disposal, ranging from 105 to 172 days after disposal.

Form C-15:

- Two of 8 (25%) Form C-15 Reports were not submitted timely. The reports were submitted between one and ten days late.

Voucher Testing:

- One of eight (13%) State property expenditure vouchers tested, totaling \$152,613, were purchases of furniture and equipment with individual unit prices of \$1,000 and more, but were not found on the Department's property control records. In addition, purchases of new furniture of \$500 or more were not supported by a properly completed State Property Surplus - New Furniture Affidavit, filed to the administrator of CMS prior to purchase.
- Twenty-seven of 29 (93%) permanent improvement vouchers tested, totaling \$7,381,530, were remodeling, renovation, and site improvement expenditures, but were not added to the Department's property records.

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

The SAMS Manual (Procedure 29.10.10) requires the Department to maintain current property records, including the cost, acquisition date, location, description of asset, date of disposition, and authorization of disposition. Additionally, the Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.210) requires all equipment, regardless of value, be clearly marked with the Department's inventory decal to indicate it is property of the State of Illinois. Additionally, equipment with a value that is greater than \$1,000 and equipment that is subject to theft with a value less than \$1,000 must be marked with a unique identification number to be assigned by the agency holding the property. Further, the Code (44 Ill. Admin.

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For the Two Years Ended June 30, 2022**

2022-001. **FINDING** (Property Control Weaknesses) (Continued)

Code 5010.400) requires the Department to adjust property records within 90 days of acquisition, change, or deletion of equipment.

Annual Real Property Utilization Report:

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

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

Quarterly Transfers from the Capital Development Board (CDB)

- For nine of nine (100%) CDB projects tested, totaling \$12,816,993 as of June 30, 2022, the Department failed to record transfers-in from CDB to the Department's property records.

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

Historical Artifacts

List to Floor and Floor to List Testing:

- Three of 25 (12%) historical artifacts tested were not found in the locations indicated on the Department's artifacts listing.
- One of 25 (4%) historical artifacts tested was not found in the Department's artifacts listing.
- One of 25 (4%) historical artifacts tested was not tagged.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. **FINDING** (Property Control Weaknesses) (Continued)

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

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

Department management indicated, as they did during the prior examination period, contributing factors for the issues noted were the result of manpower deficiencies, staff not knowing correct procedures, lack of communication between Department personnel, and omission errors.

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

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has migrated from the Legacy AIS property accounting system to the ERP property management system and is actively tracking the equipment items to ensure property records are accurate. Also, the Department will strengthen its controls to ensure property reports are timely submitted.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2022

- 2022-002. **FINDING** (Noncompliance with Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing)

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

During our review of the Department's internal audit activities for Fiscal Years 2021 and 2022, we noted the following:

- The Department did not have a two-year audit plan for the Fiscal Year ended June 30, 2021.
- Audits of the Department's major systems of internal accounting and administrative controls were not completed during Fiscal Years 2021 and 2022, thus there were no internal audit reports completed and issued during the two fiscal years ended June 30, 2022.

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

- The Chief Internal Auditor did not submit a written report to the Adjutant General detailing how the audit plan was carried out, the significant findings, and the extent to which recommended changes were implemented for Fiscal Years 2021 and 2022.

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

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
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2022-002. **FINDING** (Noncompliance with Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing) (Continued)

- The Department failed to perform internal assessments for Fiscal Years 2021 and 2022.

The internal auditing standards (Sections No. 1310 to 1312) require the quality assurance and improvement program to include both internal and external assessments. Internal assessments must include ongoing monitoring of the performance of the internal audit activity, and periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

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

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

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

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

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

RECOMMENDATION

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

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-002. **FINDING** (Noncompliance with Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing) (Continued)

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has amended the audit plan to include a more comprehensive review of the Department. The Chief Internal Auditor has also completed over 100 hours of training in order to gain a thorough understanding of the compliance requirements applicable to the Department.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS - CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-003. **FINDING** (Inadequate Internal Control over Commodities)

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

The Department uses a web-based database for ordering commodities inventory. The database allows Readiness Centers' (armories) Managers throughout the State to email orders to the Storekeeper and the Department to maintain an items-on-hand count. During our testing, we noted the following:

- In Fiscal Year 2021, the Department performed an inventory count with differences noted. There was no reconciliation performed to the Department account.
- In Fiscal Year 2022, the Department did not perform periodic inventory counts at all.
- The Department was unable to provide a complete listing of commodities on hand as of June 30, 2021 and June 30, 2022. Throughout our testing, we noted commodities that were not tracked in the Department's database. The Department reported commodities on hand as of June 30, 2021 and June 30, 2022 amounting to \$85,480 and \$102,036, respectively, and total commodities expenditures reported during Fiscal Year 2021 and Fiscal Year 2022 totaled \$574,709 and \$762,519, respectively.

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

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

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2022-003. **FINDING** (Inadequate Internal Control over Commodities) (Continued)

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

During the prior examination, Department management indicated their commodities database was not developed to reflect historical data and the Storekeeper was not familiar with an option for pulling a monthly record and keeping it on file for audit purposes. During the current examination, Department management indicated the exceptions noted were due to employees' lack of familiarity with the requirements and competing requirements of the Department.

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

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has implemented a monthly inventory data collection and a backup records retention program to maintain an acceptable just-in-time inventory.

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SCHEDULE OF FINDINGS - CURRENT FINDINGS
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2022-004. **FINDING** (Weaknesses in Preparation of GAAP Reporting Forms)

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

The Department reported federal activity in six funds during fiscal years 2021 and 2022. While performing Agreed-Upon Procedures over the fiscal year 2022 SCO-563, 567 and 568 GAAP forms, we noted the Department inaccurately reported or could not support financial information on Forms SCO-563, 567, 568 and the SEFA:

- SCO-567 Form
 - Fund 1336 current year expenditures were understated by approximately \$3 thousand in National Guard ChalleNGe Program (Assistance Listing No. 12.404).
- SCO-568 Form
 - Fund 333 current year expenditures were understated by approximately \$3 thousand in National Guard ChalleNGe Program (Assistance Listing No. 12.404).
 - Fund 333 current year expenditures includes expenditures of approximately \$23 thousand for a federal program (Assistance Listing No. 12.000) which is not included in the Assistance Listing. In addition, the specific program title and assistance listing number could not be found in the grant agreement.
- The Department agreed to Form SCO-563 changes based on Office of Comptroller review. The Department did not verify if the amounts were accurate, and support was not provided to substantiate the amounts reported.
 - Fund 333 current year expenditures amounts were adjusted resulting in overstatement of \$891 thousand in National Guard Military O&M Projects (Assistance Listing No. 12.401) and overstatement of \$866 thousand in National Guard ChalleNGe Program (Assistance Listing No. 12.404).
 - Fund 333 current year liabilities amounts were adjusted resulting in understatement of \$177 thousand in National Guard Military O&M Projects (Assistance Listing No. 12.401).

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2022-004. **FINDING** (Weaknesses in Preparation of GAAP Reporting Forms)
(Continued)

- Fund 333 current year receipts amounts were adjusted resulting in overstatement of \$212 thousand in National Guard Military O&M Projects (Assistance Listing No. 12.401), and overstatement of \$235 thousand in National Guard ChalleNGe Program (Assistance Listing No. 12.404).
- Fund 333 current year receivables amounts were adjusted resulting in understatement of \$9 thousand in National Guard Military O&M Projects (Assistance Listing No. 12.401) and understatement of \$235 thousand National Guard ChalleNGe Program (Assistance Listing No. 12.404).
- The Department prepared its SEFA with the following errors:
 - Federal expenditures for Military Construction, National Guard (Assistance Listing No. 12.400) were understated by approximately \$3.6 million.
 - Federal expenditures for National Guard Military O&M Projects (Assistance Listing No. 12.401) were understated by approximately \$3.3 million.
 - Federal expenditures for National Guard ChalleNGe Program (Assistance Listing No. 12.404) were understated by approximately \$194 thousand.
 - Federal expenditures for Equitable Sharing Program (Assistance Listing No. 16.922) were understated by approximately \$11 thousand.

Management has ultimate responsibility for the Department's internal control over financial reporting, which should include an adequate system of review designed to ensure the completeness and accuracy of the Department's financial reporting. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that the accounting and recording of financial data permits for the preparation of reliable financial reports. The State Records Act (5 ILCS 160/9) requires the Department to establish and maintain a program for agency records management, which should include effective controls over maintenance of records.

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2022-004. **FINDING** (Weaknesses in Preparation of GAAP Reporting Forms)
(Continued)

Department management indicated exceptions were due to data entry error and a lack of training on the preparation of GAAP packages. The Department worked closely with the Office of Comptroller to prepare a number of end-of-year reports. Those consultations relied heavily on the Office of Comptroller's records, rather than the Department's records due to the deadline for submission of said reports. These factors caused the deficiencies noted.

Failure to submit correct and properly supported information to the Office of Comptroller decreases the accuracy of federal financial information used for the Statewide SEFA. (Finding Code No. 2022-004, 2020-004)

RECOMMENDATION

We recommend the Department ensure accurate financial information is submitted to the Office of Comptroller. Further, we recommend the Department review and revise, as necessary, its current system to gather, compile, document, and review the financial information to be reported in the GAAP Reporting Package forms.

DEPARTMENT RESPONSE

The Department agrees with the finding. Under the guidance of the Deputy Fiscal Officer, the internal procedures and methods have been revised to accurately report the GAAP Reporting Package forms. The Deputy Fiscal Officer conducted an in-depth review of historical records back 5 years to ensure the figures reported are accurate and current. The Department is confident the records reflect accurate figures. This in-depth review will allow for timely completion of GAAP Reporting in compliance with 30 ILCS 10/3001 and 5 ILCS 160/9.

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2022-005. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)

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

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning (ERP) System operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Department to determine whether certain key attributes were properly entered by the Department's staff into the ERP System. 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.

Our testing noted 7 of 140 (5%) attributes were not properly entered into the ERP System. Therefore, the Department's internal controls over voucher processing **were not operating effectively.**

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

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

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2022-005. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)
(Continued)

Even given the limitations noted above, we conducted an analysis of the Department's expenditures data for Fiscal Years 2021 and 2022 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Code (74 Ill. Admin. Code 900). We noted the following noncompliance:

- The Department owed 8 vendors interest totaling \$3,474 in Fiscal Years 2021 and 2022; however, the Department had not approved these vouchers for payment to the vendors.

The Act (30 ILCS 540/3-2) requires agencies to pay vendors who had not been paid within 90 days of receipt of a proper bill or invoice interest.

- The Department did not timely approve 8,081 of 25,199 (32%) vouchers processed during the examination period, totaling \$23,208,611. We noted these vouchers were submitted by the Department to the Office of Comptroller between 1 and 376 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Department to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

- Two of 139 (1%) vouchers tested, totaling \$3,586, included toll charges, supplies and equipment expenditures totaling \$3,169 that were recognized as expenses in the wrong fiscal year.

The State Finance Act (30 ILCS 105/25) requires all appropriations to be available for expenditure for the fiscal year or for a lesser period if the Act making that appropriation so specifies.

- For three of 139 (2%) vouchers tested, totaling \$139,618, the Department failed to maintain supporting documentation showing the dates invoices were received.

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

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2022-005. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)
(Continued)

rights of the State and of persons directly affected by the Department's activities.

- Two of 25 (8%) travel vouchers tested, totaling \$58,832, were found to be duplicate payments made to vendors.

Prudent business practices require controls to be in place to ensure that vendors are only paid once for services rendered. In addition, the FCIAA (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. The Department's system of internal controls should include procedures to prevent duplicate payments to vendors.

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

Department personnel stated, as they did during the prior examination period, exceptions noted were the result of manpower deficiencies, staff not knowing correct procedures, lack of communication between Department personnel, and omission errors.

Failure to properly enter the key attributes into the State's ERP System when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP System, which can result in improper interest calculations and expenditures. Also, failure to timely process proper bills, approve vouchers for payment of interest due, paying expenditures from the incorrect fiscal year appropriation, and failure to maintain adequate documentation represent noncompliance with the Code and the Act. Finally, failure of the Department to implement controls to avoid duplicate payments will result in overpayment to vendors and inefficient use of State funds. (Finding Code No. 2022-005, 2020-013, 2018-016)

RECOMMENDATION

We recommend the Department design and maintain internal controls to provide assurance its data entry of key attributes into the ERP System is complete and accurate. We also recommend the Department strengthen its internal controls to

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2022-005. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)
(Continued)

ensure bills are processed within 30 days of receipt, vouchers are approved for payment of interest due to vendors, expenditures are properly documented and posted to the correct fiscal year, and vendors are not paid twice for the same charge.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department requires the use of a date stamp in order to document receipt and approval of vouchers prior to payment submission. Additionally, a revised method of document organization has facilitated the complete and accurate data entry of key attributes into the ERP System. This will also indicate the use of Non-Appropriated Funds and prior year funding authority, ensure prompt payment of bills, allow for tracking of interest due, facilitate appropriate fiscal year expenditure posting and prevent duplicate payments.

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2022-006. **FINDING** (Failure to Provide Records of Compliance with Statutory Mandates)

The Department of Military Affairs (Department) did not provide adequate documentation or support for testing compliance with multiple statutory mandates.

During testing of the Military Code of Illinois (20 ILCS 1805/43), the Department could not provide support to verify the termination of officers' commissions for 10 of 40 (25%) officers tested. Therefore, we were unable to determine whether the Department complied with the statute.

The Military Code of Illinois (20 ILCS 1805/43) states that when an officer is absent without leave from four consecutive unit training assemblies or the annual training period such officer's commission shall be terminated.

We also requested a response and information on the Department's compliance with other sections of the Military Code of Illinois. However, the Department did not provide responses to our requests. Therefore, we were unable to determine if the Department was in compliance with the following statutory mandates:

- Military Code of Illinois (20 ILCS 1805/42 thru 1805/42)
- Military Code of Illinois (20 ILCS 1805/48 thru 1805/50)
- Military Code of Illinois (20 ILCS 1805/54 thru 1805/56)

The Illinois State Auditing Act (Act) (30 ILCS 5/3-12) requires the Department to promptly comply with, and aid and assist the Auditor General in the exercise of his powers and duties under the Act. Further, the Act requires the Department to make available to the Auditor General any record or information requested that is within the scope of the audit without delay.

Department management indicated the issues noted were due to competing priorities of federal employees.

Failure to provide the Auditor General with the requested information represents noncompliance with the Act and prevents the Department from demonstrating compliance with State law. (Finding Code No. 2022-006)

RECOMMENDATION

We recommend the Department comply with the Act and provide the Auditor General with requested documentation without delay.

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2022-006. **FINDING** (Failure to Provide Records of Compliance with Statutory Mandates)
(Continued)

DEPARTMENT RESPONSE

The Department agrees with the finding. The United States Property and Fiscal Officer the Human Resources Departments for the Illinois National Guard are attempting to make information available for review by the Department of Military Affairs.

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- 2022-007. **FINDING** (Inadequate Controls over the Identification of Leases under Statement No. 87 of the Governmental Accounting Standards Board)

The Department of Military 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).

We requested the Department provide a population of leases within the scope of GASB 87. In response to this request, the Department provided all copies of agreements identified during the examination period. In reviewing the documents provided, we noted agreements that fell within the scope of GASB 87; however, the Department was unable to provide a population consisting solely of agreements that fell within the scope of GASB 87.

Due to these conditions, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Department's GASB 87 leases.

Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole, we performed testing on a sample of GASB 87 leases.

During our testing of the Department as a lessee, we noted the following:

- Eight leases (totaling \$2,179,416) were not included in the Department's Capital Asset Summary (SCO-538) as right-to-use assets. In addition, the Accounting for Leases-Lessee form (SCO-560) for these leases were not completed properly. Specifically,
 - Eight SCO-560 forms did not include information regarding total economic useful life and remaining life at lease start date.
 - Six SCO-560 forms included incorrect noncancelable lease periods.
 - Four SCO-560 forms included incorrect total number of payments over lease life.
 - Three SCO-560 forms included incorrect periods after optional termination date.
 - One SCO-560 form included incorrect total fixed payments amount.
- Seven leases (totaling \$1,186,980) were not paid in accordance with the lease term, resulting in a net understatement of contractual expenditures by \$12,750.

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2022-007. **FINDING** (Inadequate Controls over the Identification of Leases under Statement No. 87 of the Governmental Accounting Standards Board) (Continued)

During our testing of the Department as a lessor, we noted that for one lease (totaling \$90,036), the Accounting for Leases-Lessor form (SCO-561) was not timely filed with the Office of Comptroller. The form SCO-561 was filed 259 days late. As a result, the lease receivable asset and deferred inflows of resources were not properly entered into the Department's record.

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

The Statewide Accounting Management System (SAMS) Manual (Procedure 27.20.60 and Procedure 27.20.61) requires the Department to properly complete SCO-560 and SCO-561 forms that falls within the scope of GASB 87. The SAMS Manual (Procedure 27.20.38) also requires the Department to report all leases and the related depreciation in SCO-538.

Department management indicated the conditions were caused by employee error and oversight.

Failure to maintain adequate controls over implementation of GASB 87 leases may result in incorrect accounting and reporting of contracts and obligations. Without the Department providing complete and adequate documentation to enable testing, we were unable to provide useful and relevant feedback to the

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2022-007. **FINDING** (Inadequate Controls over the Identification of Leases under Statement No. 87 of the Governmental Accounting Standards Board) (Continued)

General Assembly regarding the Department's GASB 87 leases. (Finding Code No. 2022-007)

RECOMMENDATION

We recommend the Department strengthen controls to review all lease transactions, determine whether current lease agreements are properly classified under GASB 87, and ensure timely and proper filing of contracts and related documents. Further, we recommend the Department calculate and pay lease expenditures in accordance with the lease agreement.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department's internal controls are being strengthened and reviewed to comply with the lease standard, as well as to reduce employee oversight and errors.

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2022-008. **FINDING** (Inadequate Controls over Interagency Agreements)

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

The Department provided a listing of interagency agreements for Fiscal Year 2021. However, it could not provide a listing for Fiscal Year 2022. In addition, the Department provided copies of what the Department considered to be interagency agreements in effect during the examination period. However, upon reviewing these agreements, we noted that not all of the agreements were actually interagency agreements.

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

Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole, we reviewed the Department's interagency agreements and noted 2 of 8 (25%) interagency agreements tested were executed 3 to 19 days after the start dates of the agreements.

The State Records Act (5 ILCS 160/9) requires the Department to establish and maintain a program for agency records management, which should include effective controls over maintenance of records. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are used efficiently and effectively and in compliance with applicable laws.

Department management indicated exceptions noted were due to employee turnover.

Failure to fully execute interagency agreements prior to the commencement of services or terms leaves the Department vulnerable to unnecessary liabilities and potential legal issues. In addition, without the Department providing complete and adequate documentation to enable testing, we were unable to provide useful and relevant feedback to the General Assembly regarding the Department's interagency agreements. (Finding Code No. 2022-008, 2020-005, 2018-001)

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2022-008. **FINDING** (Inadequate Controls over Interagency Agreements) (Continued)

RECOMMENDATION

We recommend the Department ensure interagency agreement records are properly tracked and maintained. We also recommend the Department ensure all interagency agreements are properly executed prior to the start of the services.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department is reviewing the internal controls and procedures over maintenance of interagency agreement records in order to facilitate the proper tracking and maintenance of the records and ensure all interagency agreements are properly executed prior to the start of the services.

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2022-009. **FINDING** (Failure to Develop a Formal Fraud Risk Assessment Program)

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

The Department relied on current internal controls and various other informal activities that had been implemented to prevent and detect fraud, but did not have a formal, comprehensive, written fraud risk assessment policy in place.

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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Additionally, it is management's responsibility to prevent and detect fraud.

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

During the previous examination, Department management indicated a formal fraud risk assessment program was unable to be developed due to competing priorities. During the current year examination, Department management indicated a formal fraud risk assessment program is still being developed.

The Department managed expenditures of \$56 million and \$54 million in fiscal year 2021 and fiscal year 2022, respectively. Without an adequate program to identify and address the specific risks associated with fraud, fraudulent activities may go undetected and could result in misstatements in the Department's financial reporting to the State or misappropriation of Department assets. (Finding Code No. 2022-009, 2020-009, 2018-010, 2016-011)

RECOMMENDATION

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

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2022-009. **FINDING** (Failure to Develop a Formal Fraud Risk Assessment Program)
(Continued)

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has developed a fraud risk assessment. A formal written policy to prevent and detect potential fraud is currently in development.

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2022-010. **FINDING** (Noncompliance with Vehicle Requirements)

The Department of Military Affairs (Department) did not follow State laws and regulations regarding the operation of its automobiles. As of June 30, 2022, the Department had 46 vehicles.

During testing, we noted the following:

- The Department's Vehicle Use Policy was submitted to the Department of Central Management Services (CMS); however, we noted the Department's policy was not included on CMS's website. Hence, the Department failed to ensure the policy was posted on CMS's website as required by the State Vehicle Use Act. The State Vehicle Use Act (Act) (30 ILCS 617/10(b)) requires the Department to draft and submit a Vehicle Use Policy to the Division of Vehicles within CMS to be included on the official CMS website.
- During testing of the vehicle maintenance records for eight vehicles, two (25%) did not have the annual inspection. In addition, three (38%) vehicles did not receive adequate tire rotations during the fiscal years tested. The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.400) requires the Department to ensure all State-owned or leased vehicles undergo regular service and/or repair in order to maintain the vehicles in a road worthy, safe, operating condition. The Code (44 Ill Admin, Code 5040.410) requires the Department ensure all State-owned vehicles are inspected by CMS or an authorized vendor at least once per year or as required by law.
- During testing of vehicle accident reports, we noted one of three (33%) vehicle accidents tested was reported 44 days late. The Code (44 Ill. Admin. Code 5040.520) requires a driver of any vehicle that is involved in an accident of any type within the scope or course of the employment to report such accident to the appropriate law enforcement agency and to CMS Auto Liability Unit by completing the Illinois Motorist Report (Form SR-1). In all cases, the completed Form SR-1 must be received by CMS no later than seven calendar days following the accident or the driver and agency risk forfeiture of coverage under the State's auto liability plan.

Department management indicated the exceptions were due to employee error and inconsistent controls in place.

Failure to put the Vehicle Use Policy on the CMS website is noncompliance with the Act. Failure to perform regular maintenance and have annual inspections performed on State vehicles could result in more significant expenditures related

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2022-010. **FINDING** (Noncompliance with Vehicle Requirements) (Continued)

to the repair or replacement of the vehicles. Further, failure to report automobile accidents to CMS in a timely manner may cause the Department to be denied coverage and result in additional liabilities for the Department and results in noncompliance with the Code. (Finding Code No. 2022-010, 2020-010)

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has communicated with CMS to verify the Vehicle Use Policy is properly posted on the CMS website. The newly appointed Vehicle Coordinator has implemented quarterly inspections of all Department vehicles and will provide CMS with the updated policy, once approved.

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2022-011. **FINDING** (Trainings Not Completed Within the Required Timeframe)

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

During our sample testing of 40 employees in determining the Department's compliance with various training requirements, we noted the following:

- Two (5%) employees did not complete the annual cybersecurity training timely during calendar year 2020. These employees completed the training 4 and 7 days late. Additionally, one employee did not complete the annual cybersecurity training for calendar year 2020. Further, 3 of 8 (38%) new hires completed the initial cybersecurity training 6 to 27 days late.

The Data Security on State Computers Act (20 ILCS 450/25) requires every employee to annually undergo the online cybersecurity training established by the Department which includes detecting phishing scams, preventing spyware infections and identity theft, and preventing and responding to data breaches.

- Three (8%) employees did not complete the annual ethics training timely during calendar year 2020. These employees completed the training 4 to 8 days late. Additionally, 1 of 8 (13%) new hires completed the initial ethics training 27 days late.

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

- Two (5%) employees did not complete the annual sexual harassment training timely during calendar year 2020. These employees completed the training 7 to 20 days late. Additionally, 2 of 8 (25%) new hires completed the initial sexual harassment training 6 to 27 days late.

The Illinois Human Rights Act (775 ILCS 5/2-105(B)(5)(c)) requires the Department to provide training on sexual harassment prevention and the Department's sexual harassment policy as a component of all ongoing or new employee training programs.

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2022-011. **FINDING** (Trainings Not Completed Within the Required Timeframe)
(Continued)

Department management indicated the lack of workforce resources and enforcement deficiencies resulted in the exceptions.

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

RECOMMENDATION

We recommend the Department strengthen its internal controls in monitoring employees to ensure all employees complete the required trainings in a timely manner.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has strengthened tracking procedures of training requirements for all employees. Additionally, the training instructions provided to all employees has been updated to more clearly illustrate the correct website to conduct and receive appropriate credit for the current training requirements.

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2022-012. **FINDING** (Inadequate Controls over Monthly Reconciliations)

The Department of Military Affairs (Department) did not perform timely reconciliation of its monthly appropriation balance.

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

- Five of 24 (21%) reconciliations of the Comptroller's Monthly Obligation Activity Report (SC15) or the monthly Agency Contract Report (SC14) were completed 41 to 376 days late.
- One of 56 (2%) reconciliations of the monthly Cash Report (SB05) was completed 84 days late.

The Statewide Accounting Management System (SAMS) Manual (Procedure 07.30.20) states the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that ensures these requirements are being satisfied. This reconciliation must be completed within 60 days of the month end.

Additionally, 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 revenues, expenditures, transfers of assets, resources, and 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.

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

During the prior examination period, Department management indicated the issues noted on reconciliations were due to human error and lack of awareness of all reconciliation requirements. During the current examination period, Department personnel stated exceptions were due to human error and failure to properly document the dates when reconciliations were performed.

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2022-012. **FINDING** (Inadequate Controls over Monthly Reconciliations) (Continued)

Failure to perform timely reconciliation between the Department's records and the Comptroller's records represents noncompliance with SAMS and could result in incomplete or inaccurate financial information. (Finding Code No. 2022-012, 2020-006, 2018-005, 2016-009, 2014-006)

RECOMMENDATION

We recommend the Department ensure required reconciliations are performed and reviewed timely as well as documented properly.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has gained a thorough understanding of all reconciliations that are required. The review and submission of these reports will be documented and retained within the Department. The Chief Internal Auditor conducts a sample review of the required reconciliation reports on a semi-annual basis. If discrepancies were noted, corrections were made appropriately.

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2022-013. **FINDING** (Noncompliance with the Civil Administrative Code of Illinois and African American Employment Plan Act)

The Department of Military Affairs (Department) failed to fully comply with the requirements of the Civil Administrative Code of Illinois (Code) and African American Employment Plan Act (Act).

During testing, we noted the Department did not submit the 2021 annual report on the State Hispanic Employment Plan, the State Asian-American Employment Plan, the African American Employment Plan, and the Native American Employment Plan to the Department of Central Management Services (CMS) and the Department of Human Rights (DHR) on forms prescribed by these Departments.

The Code (20 ILCS 405/405-125) and the Act (20 ILCS 30/20) require the Department to report annually to CMS and DHR, in a format prescribed by CMS, all of the Department's activities in implementing the State Hispanic Employment Plan, the State Asian-American Employment Plan, the Native American Employment Plan, and the African American Employment Plan.

Department management indicated the above conditions were caused by employee error and oversight.

Failure to adequately report on forms prescribed by CMS and DHR denies valuable information related to the Department's workforce to members of the General Assembly and State government officials charged with the goal of improving the employment of these diverse groups within the State government. (Finding Code No. 2022-013)

RECOMMENDATION

We recommend the Department strengthen procedures to ensure timely reporting of required reports with CMS and DHR.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department is revising the current Standard Operation Procedures for retention and submission of all required reports of the Civil Administrative Code and the African American Employment Plan Act to the CMS and DHR in a timely manner.

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2022-014. **FINDING** (Inadequate Controls over Employee Records)

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

During our testing of employee files for Fiscal Years 2021 and 2022, we noted the following:

Performance Evaluation

- Four of 40 (10%) employees did not have performance evaluations. Specifically, one employee's performance evaluation was not completed during Fiscal Year 2021, two employees' performance evaluations were not completed during Fiscal Year 2022, and one employee did not have performance evaluations completed for both Fiscal Years 2021 and 2022.
- One of 40 (3%) employees' performance evaluation did not have employee signatures for both Fiscal Years 2021 and 2022. In addition, the performance evaluation for Fiscal Year 2021 was approved by the Department's Head 365 days after the evaluation date.
- One of 40 (3%) employees did not have a performance evaluation timely completed at the end of the third and sixth month's probationary periods. The employee's third month evaluation was completed 99 days late and the sixth month evaluation was completed 28 days late.

The Illinois Administrative Code (80 Ill. Adm. Code 302.270) requires performance records include an evaluation of employee performance prepared by each agency on prescribed forms. Additionally, the performance evaluations are to be completed at the end of the third month of the probationary period and 15 days before the conclusion of the probationary period for employees serving a six-month probationary period; three and half months of the probationary period for employees serving a four-month probationary period; and no less than annually for certified employees.

Leave Accrual

- Two of 33 (6%) employees tested did not have a complete monthly Statement of Balances, Earnings and Hours on file for both Fiscal Years 2021 and 2022. As a result, we were unable to verify if personal, vacation, and sick time accruals were properly calculated.

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2022-014. **FINDING** (Inadequate Controls over Employee Records) (Continued)

- Three of 33 (9%) employees' vacation time accruals had mathematical errors resulting in misstatements of employees' leave balances from being understated by 2.25 hours to overstated by 45.50 hours.
- One of 33 (3%) employees' sick time accrual had mathematical errors resulting in the employee's balance being overstated by 2 hours.

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

Employment Eligibility Verification (I-9) forms

- Two of 40 (5%) employees' I-9 forms could not be located and provided for inspection. Both employees are active employees with hire dates of January 2020 and November 2012. Upon notification by the auditors, the Department's personnel completed the I-9 forms.

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.

Department management indicated the above conditions were caused by employee error and oversight.

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

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2022-014. **FINDING** (Inadequate Controls over Employee Records) (Continued)

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has strengthened procedures and developed a new Standard Operating Procedure for filing and retention of I-9 Forms along with the tracking and timely completion of employee evaluations. The prior discrepancies related to employee leave accrual errors have been corrected with the implementation of the new eTime employee time and attendance program, effective as of Fiscal Year 2022.

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2022-015. **FINDING** (Inaccurate Agency Workforce Reports)

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

During testing, we noted the Department inaccurately calculated totals and percentage totals in both Reports filed during the examination period. Further, the Department did not report totals or percentage totals on its 2021 Report for females.

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

Department management indicated exceptions were due to employee error and oversight.

Failure to include complete and accurate information on each annual Report could deter efforts by State officials, administrators, and residents to achieve a more diversified State workforce. (Finding Code No. 2022-015)

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has implemented a review procedure in the submission of its Agency Workforce Report within the Annual Report in order to ensure completeness and accuracy of the information provided.

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2022-016. **FINDING** (Failure to Fully Utilize the State’s Enterprise Resource Planning System)

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

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

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

During our examination, we noted the following:

- The Department billed entities for various services; however, the Department did not fully utilize the Public Sector Collection & Disbursements (PSCD) - Accounts Receivable ERP module. The PSCD maintains transactions related to accounts receivable. The Department’s accounts receivable amounted to approximately \$1.7 million and \$1 million as of June 30, 2021 and June 30, 2022, respectively.
- The Department purchased commodities and supplies from vendors; however, the Department did not fully utilize the Material Management and Warehouse Management ERP modules. The Material Management records transactions related to the purchase of commodities and supplies. Warehouse Management maintains, tracks and processes movement of goods and inventory.

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

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2022-016. **FINDING** (Failure to Fully Utilize the State’s Enterprise Resource Planning System) (Continued)

responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, and ethically within the context of the statutory boundaries of the specific government program.

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

Department management indicated the deficiencies noted were due to unfamiliarity with the full capabilities of the ERP and competing priorities for the responsible personnel.

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

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has completed additional training of the ERP System in order to gain a better understanding and use of the Accounts Receivable, Material Management, and Warehouse Management modules for efficient processing, recording, and reporting of transactions.

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2022-017. **FINDING** (Inadequate Computer Security Controls)

The Department of Military Affairs (Department) had not established adequate computer security controls.

The Department utilizes various applications offered by the Department of Innovation and Technology (DoIT) to process its financial transactions (including inventory and payroll) and maintain its asset records. These applications include the Enterprise Resource Planning (ERP) System, Central Time and Attendance System (CTAS), eTime, and Central Payroll System (CPS).

We obtained various security reports and user listing reports for these applications to determine if access was appropriate. During our testing, we noted user access rights for CTAS and eTime were not periodically reviewed.

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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and to maintain accountability over the State's resources.

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), Access Control section requires the implementation of internal controls over access.

Department management indicated the issues noted were due to competing priorities and lack of employee familiarity with the requirements.

Failure to implement adequate security controls increases the risk of unauthorized individuals gaining access to computing resources. (Finding Code No. 2022-017, 2020-015)

RECOMMENDATION

We recommend the Department conduct periodic reviews of users' rights to ensure only authorized individuals have access to its application and data.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has recently hired an IT Coordinator who performs a periodic review of all user access rights within the Department.

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SCHEDULE OF FINDINGS - CURRENT FINDINGS
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2022-018. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Department of Military Affairs (Department) had not implemented adequate internal controls related to its cybersecurity programs and practices.

As a result of the Department's function to maintain military personnel records and active duty service reports, the Department maintains computer systems which contain large volumes of confidential or personal information such as names, addresses, and Social Security numbers.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Department's cybersecurity program and practices, we noted the Department:

- Had not classified its data to identify and ensure adequate protection of information (i.e., confidential or personal information) most susceptible to attack.
- Had not evaluated and implemented appropriate controls to reduce the risk of attack.
- Had not developed a formal, comprehensive, adequate, and communicated security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.

The *Framework for Improving Critical Infrastructure Cybersecurity 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 require 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 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.

Department management indicated the issues noted were due to a lack of information technology (IT) staff.

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2022-018. **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2022-018, 2020-016)

RECOMMENDATION

The Department has the ultimate responsibility for ensuring confidential information is protected from accidental or unauthorized disclosure. Specifically, we recommend the Department:

- Perform an assessment to identify and classify data to ensure adequate protection of confidential or personal information most susceptible to attack.
- Evaluate identified risks and implement appropriate controls to reduce the risk.
- Establish and communicate the Department's security program (formal and comprehensive policies, procedures and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.

DEPARTMENT RESPONSE

The Department agrees with the finding. The IT Coordinator is developing an agency-wide data classification and protection policy. The policy will also include a schedule for review of classified data to assess the Department's risk of attack. All employees complete the cybersecurity training program, annually. The Department's Personnel Officer maintains the record of training. The Department has adopted the security programs of both the Federal and State information management networks, as applicable. The adopted programs have been tailored to meet the Department's uses and needs.

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SCHEDULE OF FINDINGS - PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2022

A. **FINDING** (Inadequate Controls over Agency Fee Imposition Reports)

During the prior examination, the Department Agency Fee Imposition Reports filed with the Office of Comptroller did not reconcile to the Department's receipt records.

During the current examination, the Department continued to strengthen internal controls to ensure all fees collected and reported in the Agency Fee Imposition Reports were accurate. We noted certain immaterial conditions of noncompliance as further described in the Department's *Independent Accountant's Report of Immaterial Findings* as Finding Code No. IM2022-004. (Finding Code No. 2020-007, 2018-008)

B. **FINDING** (Failure to File Required Reports)

During the prior examination, the Department did not fully comply with the reporting requirements within the Illinois Administrative Code (Code). Specifically, the Department could not provide documentation to support the submission of monthly reports to the Office of the Lieutenant Governor.

During the current examination, the Department continued to strengthen internal controls to submit the monthly reports to the appropriate parties as required and maintain documentation of the report submissions. However, we noted certain immaterial conditions of noncompliance as further described in the Department's *Independent Accountant's Report of Immaterial Findings* as Finding Code No. IM2022-005. (Finding Code No. 2020-008, 2018-009, 2016-010, 2014-007)

C. **FINDING** (Completion and Retention of Employment Eligibility Verification Form)

During the prior examination, the Department did not ensure the completion and retention of the Employment Eligibility Verification (I-9) forms.

During the current examination, we noted similar issues regarding retention of the I-9 forms. As such, this matter was reported in the Department's *Compliance Examination Report* as part of Finding Code No. 2022-014. (Finding Code No. 2020-011)

D. **FINDING** (Noncompliance with the Military Code of Illinois)

During the prior examination, the Department did not fully comply with the requirements of the Military Code of Illinois (Code). Specifically, the Department did not submit its annual report to the Office of the Governor (Governor) detailing transactions including receipts and expenditures of all appropriated fund on or before the first day of November.

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During the current examination, the Department continued to strengthen internal controls to submit the annual report to the Governor. However, we noted a certain immaterial condition of noncompliance as further described in the Department's *Independent Accountant's Report of Immaterial Findings* as Finding Code No. IM2022-007. (Finding Code No. 2020-012, 2018-014)

E. **FINDING** (Inaccurate Accounts Receivable Reporting)

During the prior examination, the Department did not accurately report accounts receivable balances to the Office of Comptroller.

During the current examination, the Department continued to strengthen internal controls to ensure quarterly accounts receivable reports were adequately supported and accurately prepared prior to submission to the Office of Comptroller. We noted certain immaterial conditions of noncompliance as further described in the Department's *Independent Accountant's Report of Immaterial Findings* as Finding Code No. IM2022-006. (Finding Code No. 2020-014)

F. **FINDING** (Weaknesses with Payment Card Industry Data Security Standards)

During the prior examination, the Department did not complete all requirements to demonstrate full compliance with the Payment Card Industry Data Security Standards (PCI DSS).

During the current examination, no exceptions were noted during our testing of the Department's compliance with the PCI DSS. (Finding Code No. 2020-017)

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

During 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, report components were no longer required in the *Compliance Examination Report*. (Finding Code 2020-018)