

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Veterans' Affairs
Central Office
Two Years Ended June 30, 2008

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Springfield, Illinois 62706
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**REVIEW: 4335
DEPARTMENT OF VETERANS' AFFAIRS
CENTRAL OFFICE
YEAR ENDED JUNE 30, 2008**

**FINDINGS/RECOMMENDATIONS - 16
ACCEPTED - 2
IMPLEMENTED - 12
PARTIALLY ACCEPTED - 1
NOT ACCEPTED - 1**

REPEATED RECOMMENDATIONS - 5

PRIOR FINDINGS/RECOMMENDATIONS - 8

This review summarizes an audit of the Department of Veterans' Affairs for the year ended June 30, 2008, filed with the Legislative Audit Commission on June 25, 2009. The auditors performed a compliance examination in accordance with Government Auditing Standards and State law. The results of detailed State compliance audit testing of each of the Veterans' Homes are included in separate audit reports.

The Department of Veterans' Affairs was created in 1976 and replaced the Illinois Veterans' Commission. The Department was established to aid and assist all veterans, their dependents, and survivors in applying for veterans' benefits due by reason of military service, and to provide health care services for certain veterans, their spouses, widows, and widowers. The Department's primary function is to provide professional counseling and assistance relative to all veterans' programs, both State and federal.

The Department operates Veterans' Homes at Quincy, Manteno, LaSalle, and Anna. The facilities have a total capacity of 1,094 beds for providing long-term care, 950 nursing care beds and 144 domiciliary care beds. The Department maintains 50 full-service Veterans' Service Field Offices throughout the state to provide counseling and information services. In addition to the full-service offices, the Department also maintains 41 itinerant field offices.

Roy Dolgos served as Director during the first several months of the audit period, from July 1, 2006 through December 14, 2006. Tammy Duckworth was the Department's Director for the remainder of the audit period. She resigned effective February 6, 2009. Dan Grant became Director on February 9, 2009. He is a veteran of the Iraq war and currently serves as a Captain in the Illinois National Guard; he was not previously employed by the Department.

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The average number of employees by division was:

	FY08	FY07	FY06
Central Office	25	35	32
Central Office – Shared Services	11	0	0
Field Offices	72	73	66
State Approving Agency	6	7	8
Troops to Teachers	1	0	0
TOTAL	115	115	106

During FY08, the Department processed 4,973 claims compared to 6,346 in FY07, and 7,278 in FY06.

Expenditures From Appropriations

The General Assembly appropriated a total of \$23,240,400 to the Department for the year ended June 30, 2008. Total expenditures for the Department were \$14,397,061 in FY08, compared to \$12,989,913 in FY07, an increase of \$1.4 million, or 10.8%. Lapse period spending was \$1.8 million, which is 12.7% of total expenditures. Appendix A summarizes appropriations and expenditures for FY08 and FY07.

Examples of significant variations in expenditures include:

- \$95,814 for additional frontline staff;
- \$633,000 increase in grants from the Illinois Veterans' Assistance Fund was due to an increase in the number of grant applications received; and
- \$791,499 for health shared services.

Cash Receipts

Appearing in Appendix B is a summary of cash receipts for FY08 and FY07. Total cash receipts increased from \$531,884 in FY07 compared to \$1,002,547 in FY08. The majority of cash receipts were from the federal Department of Veterans' Affairs for the G.I. Education Fund, and the increase was due to the Department receiving four quarters of reimbursements in FY08 compared to two quarters received in FY07.

Property and Equipment

Appendix C is a summary of equipment transactions of the Department's Central Office during the period under review. The balance increased from \$1,475,748 as of July 1, 2007, to \$1,629,422 as of June 30, 2008, a net increase of 153,674, or 10.4%.

Accountants' Findings and Recommendations

Condensed below are the 16 findings and recommendations presented in the audit report. There were five repeated recommendations. The following recommendations are classified on the basis of information provided by Deborah Miller, Chief Fiscal Officer of the Department Veterans' Affairs, via electronic mail sent March 25, 2010.

Not Accepted

- 7. Implement controls to ensure timely compliance with statutory requirements. Further, ensure a task force is established and ensure all duties of the task force are carried out in accordance with the National Guard Veterans Exposure to Hazardous Materials Act. Finally, establish a method to timely assist eligible members or veterans in obtaining information on available federal treatment services for exposure to depleted uranium.**

Findings: The Department of Veterans' Affairs (Department) did not comply with the National Guard Veterans Exposure to Hazardous Materials Act. The auditors noted the following deficiencies:

- A task force was not established within the Department to study the possible health effects of the exposure to hazardous materials or to submit a report to the General Assembly.
- The Department had not established a method to assist eligible members or veterans in obtaining information on available federal treatment services for exposure to depleted uranium.

Department personnel stated the legislation expired before any of the named entities made the appropriate appointments; therefore, a task force was never created. In addition, Department personnel stated they did not comply with other portions of this Act since the task force was not created.

Response: Not Accepted. This finding is in two parts: (1) that the Department had not established a task force to study the possible health effects of the exposure to hazardous materials or to submit a report to the General Assembly; and (2) the Department had not established a method to assist eligible members or veterans in obtaining information on available federal treatment services for exposure to depleted uranium.

As to the accusation that the Department had not established a task force, the National Guard Veterans Exposure to Hazardous Materials Act did not authorize the Department of Veterans' Affairs to establish a task force. The language of the Act established a task force and placed exactly one person from the Department on the task force, the Director. Neither the Department nor the Director were given the power or authority by this Act to

Not Accepted – concluded

establish a task force, to study the possible health effects of the exposure to hazardous materials or to submit a report to anybody of the State government. It is a settled concept of law that a State agency may only do those things that are specifically authorized or necessarily implied. The Department was not authorized to take any of the actions alleged as violations in this portion of the audit finding, nor was the Department authorized to implement the recommendation from the auditors to insure a task force is established or see that its duties are carried out. The authorities for the task force expired 01 Jan 08.

The finding that the Department failed to establish a method to assist eligible members or veterans in obtaining information on available federal treatment services for exposure to depleted uranium is correct, in that the Department did not establish new methods. Although the Department did not establish new methods to assist in obtaining this specific information, the auditors failed to examine the Department's current methods to assist members or veterans in obtaining information on all available federal treatment services, which would have shown that the established protocols meet any new requirements created by this Act.

Auditors' Comment: The Department never provided the auditors with any information about the Department's current method to assist members or veterans in obtaining information on all available federal treatment services, including, as specifically required by law, "a best practice health screening test for exposure to depleted uranium using a bioassay procedure involving sensitive methods capable of detecting depleted uranium at low levels and the use of the equipment with the capacity to discriminate between different radioisotopes in naturally occurring levels of uranium and the characteristic ratio and marker for depleted uranium." When asked about compliance with the Act, the Department merely gave the auditors a memo stating that the task force terminated on January 31, 2008 and the legislation expired before any of the named entities made the appropriate appointments. Further, the Department provided no documentation or communication showing that it attempted to have the appointments to the task force made by the appropriate entities.

Partially Accepted

- 14. Implement controls to ensure vouchers are approved within the required time frame. Comply with the Illinois State Records Act and maintain an adequate system of recordkeeping. Also, develop and implement procedures to identify all vouchers not paid within 60 days to ensure the proper amount of interest is paid. Additionally, do not make advance payment for goods unless procured through a contract which requires advance payment.**

Findings: The Department did not exercise adequate control over voucher processing. During testing auditors noted the following:

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- Twenty of 325 vouchers tested totaling \$62,521 were approved for payment from two to 63 days late.
- Three of 325 vouchers tested, totaling \$18,151, did not include payments for required interest, totaling \$248.
- Two of 325 vouchers tested, totaling \$2,699, were approved and paid prior to the receipt of goods.
- One of 325 vouchers tested, totaling \$1,890, did not document the date the invoice was received by the Department.

Response: Partially accepted. The Department agrees with most of this finding. Vouchers approved for payment late were mostly during the lapse period when staff is processing vouchers for the previous fiscal year as well as the current fiscal year. The Department will implement a fiscal year purchasing cut off to reduce the number of lapse period vouchers to allow time to also process current year voucher payments. Other vouchers approved for payment late were for invoices sent to Department divisions other than the fiscal department. The Department has instructed mail room personnel to deliver all vendor invoices to the fiscal department.

The Department voucher system calculates the interest due when vouchers are not paid within the terms of the Prompt Payment Act. The Department has no control over when the Comptroller pays vouchers processed.

One vendor required payment prior to shipment of goods. The Department will review vendor terms prior to purchasing items to ensure items are not paid for prior to receipt.

One invoice due to another state agency was received during GAAP reporting.

Due to staff multi-tasking during lapse and GAAP reporting, the invoice was overlooked and not date stamped. All fiscal department correspondence is received and date stamped by the one staff member. The fiscal department will send out a reminder that all correspondence must be date stamped to ensure transactions are completed timely.

Accepted or Implemented

1. **Strengthen internal controls over travel to ensure reimbursements are in accordance with the Governors Travel Control Board and Travel Regulation Council rules and travel vouchers are properly supported. Further, the Department should obtain reimbursements for overpayments. (Repeated-2006)**

Findings: The Department did not exercise adequate control over its travel expenditures. During testing auditors noted the following:

Accepted or Implemented – continued

- One of 25 travel vouchers tested, totaling \$976, was paid to a vendor at rates in excess of State travel allowances. Auditors noted four instances of reimbursement for lodging rates claimed in excess of rates set forth by the Governor's Travel Control Board. Excess rates claimed for lodging totaled \$616.
- Three of 25 travel vouchers tested, totaling \$2,216 did not state in specific terms the purpose of travel and the auditors could not determine if travel was required by the official State duties of the employee.
- One of 25 travel vouchers tested claimed mileage in amounts greater than the usual route. The traveler did not explain or separately detail the reasons for the excess mileage. Mileage claimed was greater than mileage for the usual route by 17 to 44 miles, resulting in payments of \$196.
- One of 25 travel vouchers tested was not supported by proper documentation. Plane tickets in the amount of \$956 were reimbursed without proper documentation to support the expense.

Department personnel stated they were unable to obtain the State rate for lodging for employees during the DuQuoin State Fair. However, the auditors noted that this was not documented on the voucher. In addition, Department personnel stated that they did not question the stated purpose of travel as management staff approved travel in advance. Department personnel stated the mileage differences were due to oversight and the traveler taking a less direct route. Finally, Department personnel stated they believed the notification and confirmation of booking was adequate support for plane tickets. However; the auditors noted the cost listed on these documents of \$556 did not agree to the amount reimbursed on the travel voucher of \$956.

Updated Response: Implemented. In an effort to "Go Green", the link to the Governor's Travel Control Board Travel guide was provided to management staff instead of a printed copy. Staff training of travel rules was conducted. Also an emphasis has been placed on review of travel reimbursements by fiscal staff.

- 2. Implement controls to ensure employees complete leave requests for time off, accurately complete the time sheets and agree those records to Central Time and Attendance System (CTAS) to ensure accrued absence balances are accurate. (Repeated-2006)**

Findings: The Department did not exercise adequate controls over employee attendance records. During testing of four months of 41 employees' attendance records, auditors noted the following:

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- Twenty-one (51%) employees' time sheets did not agree to Central Time and Attendance System (CTAS) reports. Auditors noted 41 discrepancies between time sheets and CTAS reports.
- Three employees' EET/overtime worked on their time sheet did not agree to the EET/overtime request totaling approximately 10 hours.
- Nine employees' time sheets did not agree to the leave requests. Auditors noted ten discrepancies between time sheets and leave request forms.
- One employee's time sheet could not be located for the month of June 2007 and therefore, could not be tested.
- Fifteen (37%) employees' leave requests were not submitted and/or approved timely. Thirty-three instances were noted where the date approved was from 3 to 215 days after the date the leave occurred. Seventeen instances were noted where the date the request was signed by the employee was from 3 to 195 days after the time off occurred.
- Two employees did not work the scheduled 7.5 hour days as required. Auditors noted 23 instances where the number of hours worked on the two employees' time sheets were less than the required 7.5 hours.

Department personnel stated that as management positions have entered the bargaining unit, this has increased the volume of time sheets required to be completed by the non-bargaining unit managers. Managers are not able to adequately review time off requests and compare them to time sheets to ensure employee attendance records are accurately reported.

Updated Response: Implemented. Leave request and time sheet procedures staff training was conducted. Human Resource Department personnel have been allocated to provide oversight and reconcile time sheets to CTAS to ensure accrued absence balances are correct. The agency is in process of implementing an automated time keeping system.

3. Prepare and publish annual reports to the Governor regarding the administration and general operation of the Department within a reasonable timeframe after the end of each fiscal year.

Findings: The Department did not comply with the Department of Veterans Affairs Act regarding the completion and submission of its annual report. As of December 16, 2007 the Department did not complete its FY07 annual report.

Response: Accepted. The Department will implement a plan to complete the annual reports within a reasonable timeframe after the end of each fiscal year.

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Updated Response: Implemented. The FY08 and FY09 Annual Reports are completed.

- 4. Conduct an annual review of the benefits received by Illinois veterans that compares benefits received by Illinois veterans with the benefits received by veterans in all other states and U.S. territories or seek legislative remedy.**

Findings: The Department did not comply with the Department of Veterans Affairs Act regarding an annual review of the benefits received by Illinois veterans. The Department was unable to provide documentation that they conducted annual reviews of benefits received by Illinois veterans that compared benefits received by Illinois veterans with the benefits received by veterans in all other states and U.S. territories.

Department personnel stated that the annual reviews were not conducted due to individual veterans' benefits by state not being available to the Department.

Response: The Department is reviewing the legislation to determine what type of report will provide value and address the legislative intent of this requirement. The Department Director and Assistant Director attend the State Directors of Department of Veterans' Affairs conferences to network with other State DVA Directors and compare benefits of other states as well as share the Veteran benefits provided by Illinois. Through this network, the Director and Assistant Director have found solutions and ideas for Illinois Veterans Programs as well as assisted other states that provide Veteran benefits similar to Illinois.

Updated Response: Implemented. Annual review of benefits received by Illinois veterans complete and reports filed for FY08 and FY09.

- 5. Create a list of honorably discharged veterans who are interested in working on a volunteer basis on projects that restore Illinois' natural habitat. Also, promote the opportunity to volunteer for the Veterans Conservation Corps through the field offices and through cooperating veterans' organizations.**

Findings: The Department did not establish the Veterans' Conservation Corps as required by the Department of Veterans' Affairs Act. In FY08, the Department received an appropriation in the amount of \$50,000 for costs associated with Veterans' Conservation Corps. Auditors noted the following deficiencies:

- The Department did not create a list of honorably discharged veterans who are interested in working on a volunteer basis on projects that restore Illinois' natural habitat.
- The Department did not promote the opportunity to volunteer for the Veterans Conservation Corps through its field offices and through cooperating veterans' organizations.

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Response: Accepted. The Department has consulted with DNR on the best approach to take in creating the Veterans' Conservation Corps program. The Department has also been developing materials to promote the program. Moving forward, the Department will continue to work with DNR, develop literature to promote the program and provide those materials to Veterans through the Department's field offices and Veterans' organizations. The Department will continue to work on the Conservation Corps and create a list of honorably discharged veterans who are interested in working on a volunteer basis on projects to restore Illinois' natural habitat.

Updated Response: Implemented. The Veterans Conservation Corps is included on the Department's website. The website provides details about the Conservation Corps as well as contact phone numbers for the program. The Veteran Service Offices have pamphlets promoting participation in the Veterans Conservation Corps. The Veteran Service Officers refer interested Veterans to the Department of Natural Resources to join the Veterans Conservation Corps.

6. Appoint all specified members to the Veterans' Memorial Commission and conduct studies or make reports regarding laws and rules affecting veterans' memorials in Illinois. (Repeated-2006)

Findings: The Department did not fully comply with the Department of Veterans Affairs Act regarding the Veterans' Memorial Commission. Auditors noted the following deficiencies:

- Three of 12 appointments to the Commission were vacant during the period. The Director of the Department had not appointed three representatives of different veterans' service organizations to the Commission.
- The Commission did not conduct studies or make reports regarding laws and rules affecting veterans' memorials in Illinois.

Department personnel stated that a representative from the Department contacted numerous veterans' organizations requesting representatives from their organizations to participate on the Commission; however, the Department did not receive any responses. Furthermore, Department personnel stated the Commission has created a database to capture data about veterans' memorials in Illinois and will soon conduct studies and make reports regarding laws and rules affecting veterans' memorials.

Response: Accepted. The Department agrees with this finding and will make the appointments to the Veterans' Memorial Commission to conduct studies or make reports regarding laws and rules affecting Veterans' memorials in Illinois.

Accepted or Implemented – continued

8. Establish appropriate internal controls and enforce procedures to ensure employees maintain accurate and complete records. (Repeated-2006)

Findings: The Department inaccurately compiled and reported the activities of its Veterans' Service Officers. Auditors tested 10 of 49 full-time field offices operated by the Department. At each of the 10 field offices, auditors tested six months' worth of monthly statistical reports for all Veterans' Service Officers at each field office for a total of 89 monthly statistical reports tested. In addition, auditors judgmentally selected one week from each of the monthly statistical reports for detail testing and comparison to its corresponding daily interview records for a total of 89 weeks tested, and noted the following:

- Six of 89 weekly statistical reports did not accurately trace to the underlying daily interview records.
- Two of 89 monthly statistical reports did not accurately trace to the underlying weekly statistical reports.
- Four of 89 monthly statistical reports were not mathematically correct.
- One of 89 weekly statistical reports was not mathematically correct.
- Five of 89 monthly statistical reports were not signed by the Veterans' Service Officer.
- Twenty-six of 89 weekly statistical reports were not signed by the Veterans' Service Officer.
- Four of 89 months tested contained between one and twelve reports which the Department was unable to provide.

In addition, auditors selected seven of 32 itinerant offices with telephones to inquire anonymously about hours of operation with the Veterans' Service Officers (VSO). Three of seven itinerant offices stated hours of operation which varied from the hours listed on the Department's website. Additionally, one of seven itinerant offices did not have a valid phone number listed on the Department's website.

Furthermore, auditors reviewed four consecutive weekly itineraries as submitted by the North, Central, and South division field office supervisors and noted the itineraries did not match the supervisor sign-in records for four of 37 visits tested.

Department personnel stated the field service officers monthly statistical reporting is a manual process. A manual reporting process has greater risk of error. The Department is currently pursuing automated reporting options.

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Updated Response: Implemented. The Veteran Service Officer Supervisors perform periodic evaluation and review of monthly reports for errors. The Field Service Division Manager is working on a new program to automate report calculations.

9. Take appropriate measures to ensure performance evaluations are conducted annually as required by policy.

Findings: The Department did not complete annual employee performance evaluations for 13 of 25 employees tested. Employee evaluations were completed from 42 to 179 days late. In addition, four employees did not receive a FY07 evaluation and six employees had not received a FY08 evaluation.

Department personnel stated that as management positions have entered the bargaining unit, this has increased the volume of evaluations required to be completed by the remaining non-bargaining unit managers.

Updated Response: Implemented. The Human Resource Department has created an improved spreadsheet to track employee performance evaluation due dates. One HR staff member is in charge of reviewing the spreadsheet, informing Department Managers when evaluations are due, and monitoring timely completion of performance evaluations.

10. Ensure overtime is approved in advance and that overtime requests be filled out.

Findings: The Department did not exercise adequate controls over employees' use of overtime. During testing, auditors noted that eleven of 50 employees did not receive approval prior to working approximately 84 hours of overtime as required by the Department's Manual. There were two instances where overtime requests were approved five to 15 days after the date the overtime was worked, and 13 instances where overtime requests were filled out by the employee from one to 34 days after the date of overtime worked. Fifteen instances were noted where overtime requests were never filled out.

Department personnel stated that employees receive verbal approval for overtime and follow up with a written request as time allows.

Response: Accepted. The Department has contracted services to review and update all Department policies and procedures for streamlining, consistency and compliance with applicable statutes. The Department will provide refresher training on overtime approval in accordance with the updated policy.

Updated Response: Implemented. Overtime request procedures were reviewed during a management meeting.

Accepted or Implemented – continued

- 11. Implement controls to ensure and verify that State vehicles are used in accordance with applicable rules and regulations. In addition, obtain and maintain adequate support before paying expenditures.**

Findings: The Department did not maintain adequate control over State vehicles. Auditors noted the following:

- Ten of 25 operation of automobile vouchers tested included weekend gas purchases totaling \$1,019. The Department was unable to provide support for the business purpose of these weekend gas purchases; therefore, auditors could not determine if vehicles were used for personal purposes, other than commuting.
- Eight of 25 operation of automobile vouchers tested contained automotive expenditures that lacked supporting documentation. These eight vouchers were missing a total of 10 gas tickets that totaled \$373 of purchases paid by the Agency with no supporting documentation.

Department personnel stated they rely on management integrity to ensure state vehicles are used in accordance with State policy. In addition, Department personnel stated the lack of supporting documentation was due to employees not submitting gas receipts.

Response: Accepted. Management will review and update procedures for ensuring receipt of gas tickets from staff traveling. The Department provides support and services to Veterans twenty-four hours a day, seven days a week. Many Department outreach events and meetings such as Veteran Advisory Council meeting at each of the Veterans Homes are held after hours and on the weekends. This often will require agency personnel to obtain automotive purchases after hours and on weekends. The Department will request additional information be provided to document the Department event requiring the after hours and weekend automotive expenditures.

Updated Response: Implemented. State vehicle procedures were reviewed in a management meeting including the necessity of keeping gas receipts. The Department has implemented travel folders for each vehicle. The travel folders include pages to record mileage and an envelope for receipts. The travel folder is given out with the keys to the vehicle and then turned in upon return from travel with the keys.

- 12. Review and update Disaster Recovery Plan. Once updated, ensure the Plan is approved by management and adequately tested to ensure it meets the Department's needs. Perform and document tests of the Plan at least once a year. In addition, continuously update the Plan to reflect environmental changes and improvements identified from tests. (Repeated-2006)**

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Findings: The Department had not updated its Disaster Recovery Plan or performed recovery testing of the Central Office computing environment within the examination period. The Department maintains a Disaster Recovery Plan dated 1999. Although some contact lists and the organizational chart were updated in 2008, the essential parts of the Plan had not been updated since 1999. The Plan contains outdated information and does not address the Central Office's role in recovery of the Department's Homes and Field Offices. Additionally, testing of the Department's Disaster Recovery Plan had not been conducted in the examination period.

Updated Response: Accepted. New Chief Information Officer has been hired. A new Disaster Contingency plan is being developed.

13. Adequately monitor grants to ensure all required reports are received from the grantee, and adequately document monitoring efforts.

Findings: The Department did not enforce compliance with its grant agreements' requirements regarding timely submission of required reports. The Department awarded Veterans' Assistance grants totaling \$1,852,377 and \$1,408,204 in FY07 and FY08, respectively.

Auditors noted seven of 15 grants tested totaling \$661,000, where the grantees did not submit or timely submit a semi-annual report. One grantee did not submit the semi-annual report, and six grantees submitted the semi-annual report between 57 and 186 days late.

Department personnel stated this was a new program established during a time of management turnover which caused the weaknesses.

Response: Accepted. The Department will rewrite the grant agreement and provide a standard reporting format for grantees. In addition, the Department is working on Administrative Rules for the Veterans Cash Grant Program. This will assist the Department to adequately monitor the Veterans Cash Grant reports. The Department has developed a Veterans Cash Grant database to assist with monitoring of the grant program and grant reporting.

Updated Response: Implemented. The grant writer has been assigned to monitor and document grant reporting. The agency is in process of updating the grant application and agreement in accordance with Public Act 96-0795. Updated Administrative Rules are still at JCAR but are expected to be filed with the Secretary of State within the next 60 days.

The Department will enhance the database program to provide improved documentation of grant monitoring.

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Accepted or Implemented – concluded

15. Implement controls to ensure all equipment is accurately and timely recorded on the Department's property records and properly tagged.

Findings: The Department did not have adequate controls over equipment. During testing auditors noted the following:

- The Department did not include the purchase of 15 shredders, totaling \$3,281, on its property control inventory records. Department personnel stated these items were added to the property control records in July 2008 and that the account technician did not give a copy of payment to the property control employee in a timely manner.
- Two of 50 equipment items tested, totaling \$6,014, could not be located. In addition, Department personnel stated that one item was a server rack that originally had the ID tag on the doors. The doors were removed and surplused and the rack was transferred to one of the homes without an ID tag. The other item was placed on the discrepancy report and has been surplused as a black tag to CMS.
- One of 50 equipment items tested, totaling \$15,328 was located at a different location than what was recorded on the property control records. Department personnel stated that the car was accidentally listed with the same property tag number as another car at a different location on the property listing and has since been corrected.
- One of 50 equipment items tested, totaling \$3,663, did not contain a proper State identification tag. Department personnel stated a piece of the item was removed which had the original tag number on it.
- Four of 50 equipment items could not be traced back to the Department's inventory records. Department personnel stated two items are IT equipment and all central office IT equipment is within the central office location code regardless of where it is physically located at within the central office. One item is believed to have been requested to be deleted from inventory and the other item was transferred to a field office and is awaiting paperwork so it can be added to the system.

Updated Response: Accepted. State property rules were reviewed during a management meeting.

16. Report all financial information to the Office of the Comptroller through the GAAP reporting process.

Findings: The Department did not report certain financial information to the Office of the Comptroller through the financial reporting process.

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During FY08 the Department received a pass-through grant from the Capital Development Board of \$4,383,464 for expenditures incurred for the construction improvements to the Department's LaSalle Veterans' Home. However, the Department failed to report this amount from the federal government in its FY08 Generally Accepted Accounting Principles (GAAP) package.

Department personnel stated the Department's GAAP coordinator retired in May 2008. The FY08 GAAP forms were completed by Department personnel who had not completed the GAAP package before with the assistance of an independent accounting firm.

Response: Accepted. The Department did report the pass-through State Homes Construction grant on the SCO-568 form. Completion of the SCO-563 was inadvertently omitted in the FY08 GAAP package as this was a late addition to the GAAP package. This omission also was not found in the Comptroller's review of the Department GAAP package. The Department will complete the SCO-563 form in future GAAP packages for State Homes Construction pass-through grants.

Auditors' Comment: The Department did not inform the auditors of the State Homes Construction grant. The grant was identified through the Statewide Single Audit. When the Department was questioned about the grant, the auditors were told the grant was the responsibility of the Capital Development Board. The auditors were later provided a copy of the SCO-568 GAAP form that was generated by the Comptroller's Office.

Updated Response: Implemented. A new spreadsheet was created to track State Homes Construction Grant draws for GAAP reporting.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records, or to avoid lapsing or loss of federal or donated funds. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the

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Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY07 the Department filed one affidavit for an emergency purchase totaling \$74,000.00 to eradicate, decontaminate and close-off three buildings at the Quincy Veterans' Home infested with bats and pigeons.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Department of Veterans' Affairs indicated as of July 2008 the Department had no employees assigned to locations other than official headquarters.