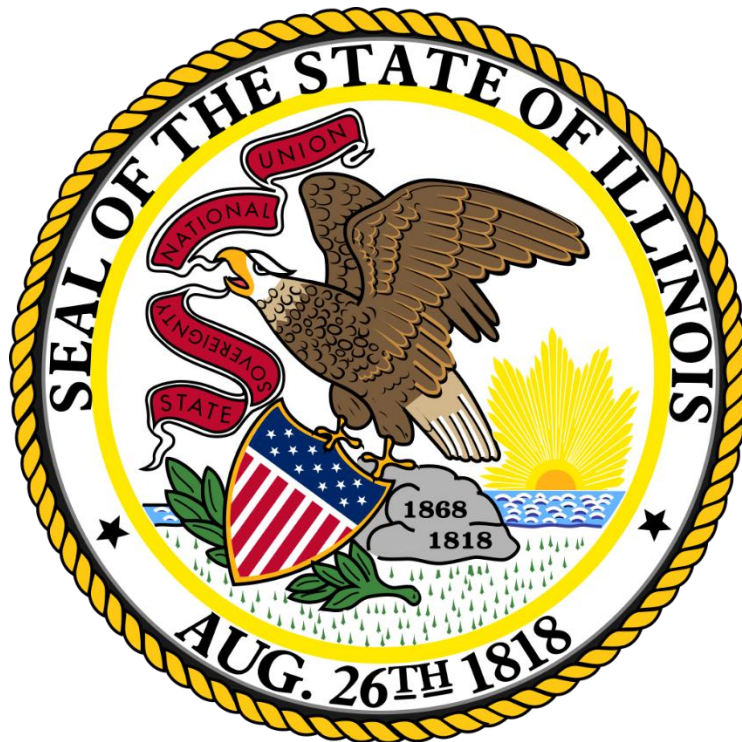


LEGISLATIVE AUDIT COMMISSION



Review of
Department of Veterans Affairs
Two Years Ended June 30, 2024

620 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW: #4608 DEPARTMENT OF VETERANS AFFAIRS' COMPLIANCE FY23-24

**REVIEW: #4608
DEPARTMENT OF VETERANS AFFAIRS
TWO YEARS ENDED
JUNE 30, 2024**

RECOMMENDATIONS – 27

**IMPLEMENTED/PARTIALLY IMPLEMENTED – 16
ACCEPTED – 11**

REPEATED RECOMMENDATIONS – 23

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 32

This review summarizes the auditors' report of the Illinois Department of Veterans Affairs for the two years ended June 30, 2024, filed with the Legislative Audit Commission on April 29, 2025. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

Agency Narrative

The mission of IDVA (Illinois Department of Veterans Affairs) is to empower Illinois' veterans and their families to thrive in Illinois. IDVA connects veterans and their families with all the benefits and privileges they earned to empower them to thrive.

The IDVA team consists of more than 1,300 staff – many of whom are veterans – who are committed to serving the Illinois veteran community in these areas:

- Veteran Service Officers
- Veterans' Home Staff
- Central Office
- State-Approving Agency (SAA)
- Grants/Records

Director Terry Prince has been the IDVA Director since April 1, 2021.

Appropriations and Expenditures

Appropriations (\$ thousands)	FY23		FY24	
	Approp	Expend	Approp	Expend
GENERAL FUNDS				
Personal Services & Fringe Benefits	102,668.4	79,041.1	100,588.6	87,491.4
Contractual Services	19,358.8	15,750.6	0.0	0.0
Other Operations & Refunds	17,322.3	11,539.8	0.0	0.0

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Designated Purposes				
Diversity, Equity, Inclusion & Accessibility Init.	0.0	0.0	500.0	0.0
Expenses Related to Security & Safety Enhancements at IL Veterans' Homes	0.0	0.0	1,250.0	0.0
Homeless Veterans' Program	759.3	630.7	759.3	652.2
IL Warrior Assistance Program	250.0	0.0	250.0	0.0
Operational Exp. - Anna Veterans' Home	0.0	0.0	1,979.6	1,857.7
Operational Exp. - Central Office	0.0	0.0	8,282.4	6,048.1
Operational Exp. - Chicago Veterans' Home	13,450.0	8,970.3	27,030.9	11,673.7
Operational Exp. - LaSalle Veterans' Home	0.0	0.0	4,464.0	3,723.1
Operational Exp. - Manteno Veterans' Home	0.0	0.0	11,337.6	9,263.0
Operational Exp. - Quincy Veterans' Home	0.0	0.0	11,963.2	9,860.6
Operational Exp. - Veterans' Field Services	0.0	0.0	2,201.9	1,285.1
Veterans' Accountability Unit	750.0	119.1	1,000.0	152.7
Total Designated Purposes	15,209.3	9,720.1	71,018.9	44,516.2
Grants				
Bonus Payments to War Veterans & Peacetime Crisis Survivors	198.0	138.1	198.0	146.2
Cartage & Erection of Headstones	425.0	227.6	425.0	197.6
Dental Grants for Veterans	1,000.0	0.0	1,000.0	0.0
Educational Opportunities for Children of Certain Veterans	100.0	99.1	100.0	99.5
Scholarships to Students Who are Dependents of IL Resident Military Personnel Declared to be POW, MIA, Killed, or Permanently Disabled	3,500.0	3,500.0	3,500.0	3,500.0
Total Grants	5,223.0	3,964.8	5,223.0	3,943.3
TOTAL GENERAL FUNDS	159,781.8	120,016.4	176,830.5	135,950.9
OTHER STATE FUNDS				
Personal Services & Fringe Benefits	6,046.4	3,839.5	12,741.9	4,822.5
Contractual Services	2,077.0	1,970.8	0.0	0.0
Other Operations & Refunds	5,784.1	5,236.8	250.0	151.1
Designated Purposes				
Homeless Veterans' Program	49.2	14.4	59.8	36.5
IL Affordable Housing Trust Fund	240.0	15.0	240.0	100.0
Operational Exp. - Anna Veterans' Home	300.0	146.5	1,800.0	515.6
Operational Exp. - Chicago Veterans' Home	1,000.0	0.0	1,500.0	530.6
Operational Exp. - LaSalle Veterans' Home	1,030.0	1,028.5	2,000.0	0.3
Operational Exp. - Manteno Veterans' Home	433.0	0.0	3,000.0	0.1
Operational Exp. - Quincy Veterans' Home	1,000.0	1,000.0	10,111.1	8,841.8
Total Designated Purposes	4,052.2	2,204.4	18,710.9	10,024.9

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Grants				
Fold of Honor Special License Plate Decals	100.0	0.0	100.0	0.0
Survivors' Compensation for the Global War on Terrorism	250.0	0.0	250.0	0.0
Veterans' Care & Grants to Nonprofit Agencies for Veterans' Services	2,000.0	1,090.2	2,000.0	711.2
Total Grants	2,350.0	1,090.2	2,350.0	711.2
Capital Improvements				
Permanent Improvements	1,050.0	47.4	1,050.0	351.9
TOTAL OTHER STATE FUNDS	21,359.7	14,389.1	35,102.8	16,061.6
FEDERAL FUNDS				
Personal Services & Fringe Benefits	1,396.2	1,325.2	0.0	0.0
Contractual Services	637.9	57.9	0.0	0.0
Other Operations & Refunds	239.0	35.2	0.0	0.0
Operational Exp. - State Approving Agency	0.0	0.0	2,395.4	2,036.3
TOTAL FEDERAL FUNDS	2,273.1	1,418.3	2,395.4	2,036.3
TOTAL	183,414.6	135,823.8	214,328.7	154,048.8

Accountants' Findings and Recommendations

Condensed below are the 27 findings and recommendations included in the audit report. Of these, 23 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by IDVA, via electronic mail received August 8, 2025.

- Auditors recommend the Department implement controls related to the segregation of duties surrounding change management practices to ensure the same individual who programmed the change cannot also move it to production. Additionally, they recommend the Department ensure users' access to its applications is appropriate based on job responsibilities, timely remove access for users who are no longer with the Department, maintain proper documentation for new hires' user access approvals, and ensure users with administrative access rights are required to have the rights based on their job responsibilities. Lastly, auditors recommend the Department perform annual user access reviews of its major applications and annual reviews of security software IDs and dormant Account Directory accounts.**

FINDING: *(Inadequate Controls over Information Technology General Controls) - New*

The Illinois Department of Veterans Affairs (Department) failed to maintain adequate general information technology internal controls over its applications.

Auditors tested information technology general controls (ITGCs) for eight Department applications assessed to have a material impact on the Department's financial information and/or operations. ITGCs help prevent unauthorized access, data breaches, and

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operational disruptions and include software implementation, user account creation, and data management. Strong ITGCs increase the integrity and reliability of information. Access provisioning steps were performed for each application, while change management was performed for applications maintained by the Department. They were provided with a listing of all applications utilized by the Department to perform an analysis of significance and material impact. They were unable to determine the completeness and accuracy of the population. Even given the population limitations, auditors still performed ITGC testing over the eight applications selected.

Change Management

Change control is the systematic approach to managing changes to an IT environment, applications, or data. The purpose is to prevent unnecessary and/or unauthorized changes, ensure all changes are documented, and minimize any disruptions due to system changes. The Department is responsible for change control for applications managed in-house. Auditors tested a sample of four changes across three of the eight total applications selected. For one of four (25%) changes, the same individual who programmed the change also moved it into production. For this same change, the Department also did not follow its internal procedures for change management.

Access Provisioning

Auditors tested the Department's access provisioning procedures for a sample of 402 users across eight applications. Their sample of 402 users was comprised of 173 existing users, 79 new-hired users, 134 terminated users, and 16 users with administrative rights. As part of their testing, they were required to obtain a listing of new-hires and terminated employees to compare against application user populations. They were unable to determine the completeness and accuracy of the terminated employee population. Even given the population limitations, which hindered their ability to determine whether the selected samples were representative of the population, they still performed testing over it. Auditors noted the following exceptions:

- Access was not properly revoked upon employee separation for 116 of 134 (87%) terminated employees tested.
- Two of 16 (13%) users tested, with administrative level access, did not require access to perform their job responsibilities.
- Two of 173 (1%) existing users tested with access to the application did not require access to perform their job responsibilities.
- The Department was unable to provide supporting documentation for proper approval for 28 of 79 (35%) new-hired users tested.
- The Department was unable to provide supporting documentation for reasonableness of access for 4 of 173 (2%) existing users tested.

Additionally, the Department did not perform an annual review of user access for all eight applications selected for testing.

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Lastly, auditors noted through testing of the Department of Innovation and Technology (DoIT) Complimentary User Entity Controls (CUECs) that the security software IDs and dormant Account Directory accounts were also not reviewed annually by the Department.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data, including regular reviews of user access rights.

The Department's Access Control Policy requires an "IDVA User Request Form" to be completed by an employee's supervisor prior to the hire date. The form must indicate which folders and applications are needed for the new employee and approval by the supervisor. Additionally, all users that have separated from the Department must be offboarded. The employee's supervisor must complete the offboarding form managed by the Human Resource (HR) Hiring Unit, who will notify the appropriate Agency Tech Service Requestor (ATSR), who will submit an offboarding ticket to remove all access as of the end of the business day of the separated employee's last day.

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), Configuration Management section, requires entities to ensure applications are modified in a manner that promotes consistency, integrity, and security and to ensure access is appropriate and timely terminated, and access reviews are conducted periodically.

The Statement on Standards for Attestation Engagements (AT-C § 205.36) promulgated by the American Institute of Certified Public Accountants states that when using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner's purposes, including obtaining evidence about the accuracy and completeness of the information, and evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes.

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

Department management stated the exceptions were due to employee oversight and lack of sufficient resources in various divisions.

An increased risk of unauthorized access and changes could occur without the implementation of adequate controls and procedures. These deficiencies increase the risk that confidentiality, integrity, and availability of data could be compromised.

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DEPARTMENT RESPONSE:

The Department agrees with the finding and has added additional checks and balances to the change management system. These will ensure all changes are thoroughly tested and approved for migration by an individual other than the programmer who made the application changes. Additionally, the Department is in the process of auditing all user and access rights to supplemental applications and reviewing those findings with the responsible business owner unit to ensure only appropriate access is authorized for users. This review will be conducted semi-annually in the future.

UPDATED RESPONSE:

Status: **Underway** Responsible Party: Steph Heckenkamp/Carla Rapps

The Department agrees with the finding and has added additional checks and balances to the change management system. These will ensure all changes are thoroughly tested and approved for migration by an individual other than the programmer who made the application changes. Additionally, the Department is in the process of auditing all user and access rights to supplemental applications and reviewing those findings with the responsible business owner unit to ensure only appropriate access is authorized for users. This review will be conducted semi-annually in the future.

- 2. Auditors recommend the Department obtain SOC reports for its service providers and perform documented reviews to determine how the opinions of the reports impact the Department's use of the service providers and formally evaluate the CUECs. They further recommend the Department obtain assurance of the service providers' control environments when a SOC report is not available. Lastly, auditors recommend the Department maintain contracts or agreements with all service providers.**

FINDING: *(Lack of Adequate Controls over the Review of Internal Controls over Service Providers) – This finding has been repeated since 2018.*

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

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

During testing, auditors noted the following:

- The Department did not obtain a System and Organization Control (SOC) report for two of four (50%) service providers.
- The Department did not complete a review of the SOC reports for one of four (25%) service providers.

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- The Department documented an internal review of the related SOC reports for one provider; however, the review was not complete. Auditors noted the following:
 - The SOC reports identified Complementary User Entity Controls (CUEC) necessary for the Service Organization's system which relies on the Department to implement the CUECs in order to achieve the Service Organization's control objectives. The Department did not perform an assessment to determine whether it had implemented the CUECs for each report.
 - The SOC external service provider reports identified additional subservice organizations used by the Service Organization that were carved out of the SOC report. These subservice organizations required additional CUECs and the service provider relied on the subservice organizations to implement the CUECs in order to achieve the Service Organization's control objectives. The Department did not perform additional assessments on the subservice organizations to determine whether the CUECs had been implemented.
 - The SOC reports had qualified or adverse opinions due to deficiencies noted by the SOC auditors. The Department did not perform an analysis on whether it could rely on the external service provider's controls due to the deficiencies noted in the SOC reports with qualified opinions. Through their assessment of the types of deficiencies noted by the SOC auditors, and the substantive testing they performed in other areas of their audit, they were able to rely on the testing and assurance provided by the SOC reports.
- The Department was unable to provide a contract or agreement with one of four (25%) service providers.

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

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

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

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

Department management indicated insufficient service provider management was due to a lack of resources to devote to the required tasks.

Without having obtained and adequately reviewed and analyzed SOC reports or conducted another form of independent internal control review, the Department does not have assurance that the service providers' internal controls are adequate. Additionally, failure to maintain contracts and agreements with service providers hinders governmental oversight.

DEPARTMENT RESPONSE:

The Department agrees with the finding and is investigating the availability of outside assistance in reviewing SOC reports and developing and implementing complementary user entity controls (CUECs). The Department is also working to improve its tracking of contracts requiring SOC reports.

UPDATED RESPONSE:

Status: **N/A** Responsible Party: Steph Heckenkamp/Matt Eddington

The Department agrees with the finding and is investigating the availability of outside assistance in reviewing SOC reports and developing and implementing complementary user entity controls (CUECs). The Department is also working to improve its tracking of contracts requiring SOC reports.

- 3. Auditors recommend the Department develop a Department-wide recovery plan and incorporate the results of its BIA to ensure recovery plans reflect the needs of the Department. In addition, they recommend disaster recovery testing of critical systems and components be conducted and documented at least annually.**

FINDING: *(Lack of Department-Wide Disaster Recovery Plan or Testing to Ensure Recovery of Applications and Data) – This finding has been repeated since 2018.*

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

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

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

The Department provided a Business Impact Analysis (BIA) that was dated August 30, 2021. No updates were performed on the BIA during the examination period. The BIA documented seven business areas and 40 business functions and applications that support them. However, the Department had not fully incorporated the results of its BIA into its contingency plans.

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

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

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department 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.

The Department indicated a continued lack of resources hindered the development of the Department-wide recovery plan as well as recovery testing exercises.

Without an adequately documented and tested recovery plan, the Department cannot ensure its critical systems could be recovered within an acceptable period, therefore minimizing the impact associated with a disaster.

DEPARTMENT RESPONSE:

The Department agrees with the finding. Disaster recovery has been added to all applications and systems within Service Now – Application Process Management (APM). All applications, including Power BI reports have been added to the APM and now include disaster recovery steps for all applications. Once approved by the DoIT Cyber Resiliency team, they will be put into APM production. The data classification and the disaster recovery will be automated and scheduled for annual testing.

UPDATED RESPONSE:

Status: **Underway** Responsible Party: Carla Rapps/Steph Heckenkamp

The Department agrees with the finding. Disaster recovery has been added to all applications and systems within Service Now – Application Process Management (APM). All applications, including Power BI reports have been added to the APM and now include disaster recovery steps for all applications. Once approved by the DoIT Cyber Resiliency

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team, they will be put into APM production. The data classification and the disaster recovery will be automated and scheduled for annual testing.

- 4. Auditors recommend the Department strengthen internal controls over its reconciliation of obligations, appropriations, transfers, revenues, and cash expenditures to ensure they are performed timely and accurately. Furthermore, they recommend the Department document the dates all monthly report reconciliations are completed and timely notify the Comptroller of any differences noted. Lastly, auditors recommend the Department retain adequate supporting documentation for reconciling items.**

FINDING: (*Weaknesses in Performing Reconciliations*) – *This finding has been repeated since 2016.*

The Illinois Department of Veterans Affairs (Department) demonstrated weaknesses in performing reconciliations during the engagement period.

During their testing of various reconciliations of Department and Office of Comptroller (Comptroller) records, auditors noted the following:

- During their testing of the Department's reconciliation of its monthly transfer records to the *Appropriation Transfer Report* (SB03), auditors noted:
 - For one of four (25%) months tested, the reconciliation was not performed within 60 days of the month end. It was performed 19 days late.
 - For two of four (50%) months tested, the incorrect amounts were used as the agency transfer limit within the reconciliation. This caused the available appropriations balance to not agree between the SB03 and Department records.
 - For one of four (25%) months tested, the incorrect prior month balance was carried forward, resulting in an incorrect amount being reflected as the total transfer amount per the Department's records.
- The reconciliation of the *Monthly Obligation Activity Report* (SC15 Report) for one off their (25%) months selected was not performed within 60 days of the month end. It was performed 168 days late.
- During their testing of the Department's reconciliation of its monthly cash records to the *Cash Report* (SB05), auditors noted:
 - The reconciliation was not performed within 60 days of the month end for one of four (25%) funds tested. It was performed 189 days late.
 - The reconciliations were not performed accurately for two of four (50%) funds tested, and the Department was unable to explain the variances through supporting documentation.

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- The Office of the Auditor General (OAG) generated and provided auditors Data Analytics performed over the SB05. Auditors were provided with reports for ten non-shared funds administered by the Department. During their testing over the Data Analytics, auditors noted the following:
 - There were differences between the Enterprise Resource Planning (ERP) system and the Department records regarding the ending cash balance totaling \$5,084,090 for Fiscal Year 2023, and \$5,803,283 for Fiscal Year 2024.
 - There were differences between the Statewide Accounting Management System (SAMS) and the Department records in Fiscal Year 2024 regarding the Comptroller ending cash balance totaling \$916,110.
 - The Department did not conduct year-end reconciliations for 1 of 10 (10%) funds in Fiscal Year 2023, and 2 of 10 (20%) funds in Fiscal Year 2024. Therefore, variances noted within these funds were unexplained.
- During their testing of the Department's reconciliation of its monthly expenditure records to the *Monthly Appropriation Status Report* (SB01), auditors noted:
 - The unexpended budget authority amount did not agree to the underlying SB01 for 3 of 21 (14%) reconciliations.
 - The unexpended budget authority amount did not agree to the underlying Department records for 1 of 21 (5%) reconciliations.
 - The Department was unable to provide supporting documentation for the reconciling items for 2 of 21 (10%) reconciliations.
 - The Department was unable to provide 2 of 21 (10%) reconciliations.
 - They were unable to tie vouchers in-transit to the subsequent month's SB01 to verify it had cleared for 1 of 21 (5%) reconciliations.
- The OAG generated and provided auditors Data Analytics performed over the SB01. The Department was unable to provide supporting documentation for reconciling items totaling \$56,040 for Fiscal Year 2023, and \$12,932 for Fiscal Year 2024.
- During their testing of the Department's reconciliation of its monthly receipt records to the *Revenue Status Report* (SB04), they selected a total of four months to test for timeliness, and two months to test for accuracy across nine funds. Auditors noted the following:
 - The reconciliations were not performed within 60 days of the month end for 5 of 36 (14%) reconciliations. These were performed between 20 and 100 days late.
 - The reconciliations were not dated for 2 of 36 (6%) reconciliations, therefore auditors were unable to determine if they were performed timely.
 - They were unable to trace amounts reported within the reconciliation to Department records for 4 of 18 (22%) reconciliations.
- The OAG generated and provided auditors Data Analytics performed over the SB04. During their testing, auditors noted reconciling items in the amount of \$39,013 were

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outstanding at the end of the Fiscal Year 2023. The Department was unable to provide supporting documentation that these reconciling items had subsequently cleared.

During the prior examination, auditors noted the Department did not prepare reconciliations of the *Object Expense/Expenditures by Quarter Report (SA02)*. During the current examination, this was no longer a requirement and therefore was not considered an exception.

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

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

- Monthly Appropriation Transfer Report – Report SB03 (Procedure 07.30.24)
- Monthly Cash Report – Report SB05 (Procedure 09.40.30)
- Monthly Appropriation Status – Report SB01 (Procedure 11.40.20)
- Monthly Agency Contract Report – Report SC14 (Procedure 15.30.10)
- Monthly Obligation Activity Report – Report SC15 (Procedure 15.30.20)
- Monthly Revenue Status – Report SB04 (Procedure 25.40.20)

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

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

Department management indicated these exceptions were due to various reasons, such as lack of experience in staff performing reconciliations, lack of communication between Central Office and the Homes, and lack of adequate control mechanisms to ensure documentation retention.

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Failure to document when reconciliations were performed prevents the Department from adequately monitoring its internal controls over timely completion of reconciliations as well as ensuring compliance with SAMS. Failure to perform accurate and timely reconciliations is noncompliance with SAMS and increases the risk differences will go undetected and uncorrected.

DEPARTMENT RESPONSE:

The Department agrees with the finding and is currently working on its reconciliation procedures to improve internal controls and provide consistency in reconciling all funds. New procedures will provide for timely and accurate reconciliations with all supporting documentation and with timely correction of any errors.

UPDATED RESPONSE:

Status: **N/A** Responsible Party: Laura Cadigan

The Department agrees with the finding and is currently working on its reconciliation procedures to improve internal controls and provide consistency in reconciling all funds. New procedures will provide for timely and accurate reconciliations with all supporting documentation and with timely correction of any errors.

- 5. Auditors 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. Further, they recommend the Department approve proper bills within 30 days of receipt and approve vouchers for payment of interest due to vendors.**

FINDING: *(Voucher Processing Internal Controls Not Operating Effectively) - First reported 2022, Last reported 2024*

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

Due to their ability to rely upon the processing integrity of the Enterprise Resource Planning (ERP) System operated by the Department of Innovation and Technology (DoIT), auditors were able to limit their 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, they selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the 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.

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Auditor's testing noted 4 of 140 (3%) 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 (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 to 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 (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures 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.

Department management stated these exceptions were due to staff not understanding or following voucher processing procedures.

Due to this condition, auditors qualified their opinion because they 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.

Even given the limitations noted above, they conducted an analysis of the Department's expenditures data for Fiscal Years 2023 and 2024 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Code (74 Ill. Admin. Code 900.70). The auditors noted the following noncompliance:

- The Department owed 27 vendors interest totaling \$5,944 in Fiscal Years 2023 and 2024; however, the Department had not approved these vouchers for payment to the vendors.

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

Department management stated these exceptions were due to various business areas not running reports of prompt payment interest due, resulting in a lack of reviewing and paying invoices.

- The Department did not timely approve 3,110 of 33,172 (9%) vouchers processed during the examination period, totaling \$14,765,270. They noted these vouchers were approved between 1 and 446 days late.

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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.

Department management stated these exceptions were due to staff shortages and turnover within various business areas.

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. Further, failure to timely process proper bills and approve vouchers for payment of interest due represents noncompliance with the Code and the Act, contributes to inefficiencies with the State's timely payment of bills, and may subject the State to unnecessary interest charges.

DEPARTMENT RESPONSE:

The Department agrees with the finding and has developed and implemented procedures that will reduce invoice processing time. Management will also review current policies and procedures for any changes that may need to be updated and provide additional staff training.

UPDATED RESPONSE:

Status: **Implemented** Responsible Party: Jackie Hughes

The Department agrees with the finding and has developed and implemented procedures that will reduce invoice processing time. Management will also review current policies and procedures for any changes that may need to be updated and provide additional staff training.

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

FINDING: *(Inadequate Controls over the Purchase, Recording, and Reporting of State Property) This finding has been repeated since 2008.*

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

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

- During their examination of the Department's equipment records:

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No. of Items Tested	Exceptions		Description of Exceptions
	No.	%	
LaSalle Veterans Home			
20	1	5%	A wheelchair was on the agency asset listing but had been deactivated and could not be physically examined. This item is valued at \$2,795.
Manteno Veterans Home			
20	3	15%	A grill, thermometer/data logger, and a monitor could not be traced to the agency inventory records. These items are valued at \$2,494.
20	1	5%	A wheelchair was not able to be physically located and could not be physically examined. This item is valued at \$2,654.
Anna Veterans Home			
20	5	25%	Four 32-inch smart TVs and a 43-inch television with a USB port were not found on the annual inventory report to the Department of Central Management Services (CMS). These items are valued at \$1,064.
20	3	15%	Two 32-inch TVs and a printer could be traced to the asset listing provided by the Anna Home, but were not found on the agency-wide asset listing for the Department. These items are valued at \$893.
20	2	10%	A dresser and refrigerator could not be located on either the asset listing provided by the Anna Home or the agency-wide asset listing for the Department. No value could be determined for these items.
20	3	15%	Two 32-inch TVs and a refrigerator exceeded \$2,500 in value or were high-theft but could not be located on the annual inventory report to CMS. The TVs are valued at \$348. No value could be determined for the refrigerator.

No. of Items Tested	Exceptions		Description of Exceptions
	No.	%	
Quincy Veterans Home			
20	2	10%	A 2007 shuttle bus and a PBX telephone system were assigned a tag number and included on CMS reports but had previously been sold or replaced. These items are valued at \$222,053.
Chicago Veterans Home			
20	11	55%	Ten of the 20 items tested were tagged as active assets but could not be found on inventory records. These items were deactivated in May 2023 when CMS provided guidance on the threshold changing from \$1,000 to \$2,500. The tags were to have been

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			<p>removed, or the barcodes scratched off; however, this did not occur.</p> <p>One of the 20 items was tagged but not on inventory records because records had not been updated in the Enterprise Resource Planning (ERP) System. This item was received in May 2024.</p> <p>The total value of these items was \$15,099.</p>
Central Office			
40	3	8%	One scanner, a shredder, and a phone could not be traced back to the Department-wide asset listing or the annual inventory report to CMS.

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

- During their testing over additions, auditors noted 2 of 40 (5%) assets tested totaling \$8,350, were not added timely to the Department’s property records. These items were added 63 and 3,890 days late.
- During their testing of the Agency Reports of State Property (Form C-15) auditors noted the following exceptions:
 - Fiscal Year 2024 deletions on the Department’s C-15’s was entered as a negative amount. The SAMS Manual (Procedure 29.20.10) states that only deductions that result in a positive amount should be shown in brackets. The Department entered the deletion as (\$75,929); however, it should have been entered as \$75,929.
 - Additions and deletions per the Department’s property records did not agree with the additions and deletions per the Department’s C-15 reports. See differences noted for Fiscal Year 2024 in the table below:

Transaction	Deletions	Additions
<i>Fiscal Year 2024 Q4</i>		
Per Property Records	\$203,552	\$447,411
Per C-15	\$75,929	\$486,132
Understatement/Overstatement	\$127,623	\$38,721

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The SAMS Manual (Procedure 29.20.10) provides instructions for preparing Form C-15. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal and fiscal administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

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

Department management indicated that human errors occurred from staff not properly following the proper controls and procedures in place related to State property.

Failure to exercise adequate control over property and maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. Inaccurate property reporting reduces the reliability of Statewide property information and represents noncompliance with the requirements of State laws, rules, and regulations.

DEPARTMENT RESPONSE:

The Department agrees with the finding and is actively engaged in strengthening internal controls and correcting past reporting errors.

UPDATED RESPONSE:

Status: **Underway** Responsible Party: Justin Bachanan

The Department agrees with the finding and is actively engaged in strengthening internal controls and correcting past reporting errors.

- 7. Auditors 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. Further, they recommend the Department timely deposit receipts into the State's treasury.**

FINDING: *(Receipt Processing Internal Controls Not Operating Effectively) – This finding has been repeated since 2020.*

The Illinois Department of Veterans Affairs' (Department) internal controls over its receipt processing function were not operating effectively during the engagement period.

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

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ERP System. In order to determine the operating effectiveness of the Department's internal controls related to receipt and refund receipt processing, they selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the ERP System based on supporting documentation. The attributes tested for receipts were (1) amount, (2) fund being deposited into, (3) date of receipt, (4) date deposited, and (5) Statewide Accounting Management System (SAMS) Source Code. The attributes tested for refund receipts were (1) amount, (2) date of receipt, (3) date deposited, and (4) offset against the correct appropriation code.

Auditor's testing noted 2 of 140 (1%) receipt attributes and 24 of 140 (17%) refund receipts attributes were not properly entered into the ERP System. Additionally, they noted 7 of 140 (5%) refund receipt attributes did not have corresponding supporting documentation, therefore they were unable to determine if they were properly entered into the ERP System. Therefore, the Department's internal controls over receipt processing **were not operating effectively**.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Department to maintain a detailed record of all moneys received, which should include the date of receipt, the payor, purpose and amount, and the date and manner of disbursement. Additionally, the SAMS Manual (Procedure 25.10.10) requires the Department to segregate the moneys into funds and document the source of the moneys. 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 revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Due to this condition, auditors qualified their opinion because they 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.

Even given the limitations noted above, they conducted an analysis of the Department's receipts data for Fiscal Years 2023 and 2024 to determine compliance with the Act. The auditors noted:

- The Department did not deposit 31 receipt items, \$10,000 or more, on the day received.
- The Department did not deposit 47 receipt items, exceeding \$500 but less than \$10,000, within 48 hours.
- The Department did not deposit 55 receipt items, less than \$500 on the 1st or 15th of the month, whichever was earlier.

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The Act (30 ILCS 230/2(a)) requires the Department to pay into the State treasury any single item of receipt exceeding \$10,000 on the day received. Additionally, receipt items totaling \$10,000 or more are to be deposited within 24 hours. Further, receipt items, in total exceeding \$500 but less than \$10,000, are to be deposited within 48 hours. Lastly, receipt items totaling less than \$500 are to be deposited once the total exceeds \$500 or on the 1st or 15th of the month, whichever is earlier.

Department management indicated these exceptions were caused by inconsistencies with processing and procedures, as well as staff turnover resulting in less familiarity with the ERP System and with Veterans Homes' refund receipts.

Failure to properly enter the key attributes into the State's ERP System when processing a receipt or refund receipt hinders the reliability and usefulness of data extracted from the ERP System, which can result in improper recording of revenues and accounts receivable. Additionally, failure to deposit receipts in a timely manner result in funds not being available for State use and may result in loss of receipt funds.

DEPARTMENT RESPONSE:

The Department agrees with the finding and is incorporating the use of check scanners at Homes and Central Office for refund checks. These will allow for the timely deposit to the appropriate clearing account.

UPDATED RESPONSE:

Status: **Underway** Responsible Party: Jackie Hughes

The Department agrees with the finding and is reviewing existing policies and practices to ensure the recommendations are implemented.

8. Auditors recommend the Department:

- **Develop policies or procedures documenting controls related to:**
 - **Configuration Management.**
 - **On-boarding policies for staff and contractors.**
 - **Backup verification and off-site storage.**
 - **Reporting security violations and suspected violations.**
 - **Data maintenance and destruction procedures.**
- **Upon development, require employees and contractors to formally acknowledge their understanding of policies and procedures.**
- **Develop a risk management methodology.**
- **Develop a formal data classification methodology and include information related to storage media, access permissions, data retention, and data destruction within the data classification.**
- **Develop a formal project management framework.**

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- **Ensure vulnerability scanning tools monitor the Department's environment and applications to identify security vulnerabilities.**
- **Ensure documentation related to IT equipment sent for data wiping is adequately maintained.**

FINDING: *(Failure to Implement Controls Related to Cybersecurity Programs) – First reported 2022, Last reported 2024*

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

During their examination, auditors requested the Department's documentation demonstrating its cybersecurity programs, practices, and control of confidential information. However, the Department had not developed the following:

- Policies or procedures documenting controls related to:
 - Configuration Management.
 - On-boarding policies for staff and contractors.
 - Backup verification and off-site storage.
 - Reporting security violations and suspected violations.
 - Data maintenance and destruction procedures.

In addition, the Department had not:

- Required employees and contractors to formally acknowledge their understanding of policies and procedures.
- Developed a risk management methodology.
- Developed a formal data classification methodology, or included information related to storage media, access permissions, data retention or data destruction in its data classification.
- Developed a formal project management framework.
- Ensured vulnerability scanning tools monitored the Department's environment and applications to identify security vulnerabilities.

Lastly, auditors requested the Department provide a population of information technology (IT) equipment sent to the Department of Innovation and Technology (DoIT) for data wiping. They noted 9 of 40 (23%) equipment items selected did not have an associated wipe certificate maintained to support that a wipe occurred.

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In the previous examination, they noted the Department had not developed policies related to disposal of hardcopy documents containing confidential information, reviewed policies and procedures at least annually, complied with the requirements in the "Information Security Guidelines for Agency Roles and Responsibilities and Delegating Authority" and identified, documented, and maintained a list of Department information security roles and the individual employees assigned to those roles, developed a cybersecurity plan, developed policies and procedures to support compliance with HIPAA Privacy and Security Rule requirements, or ensured security events were monitored and timely detected. These weaknesses were not noted during the current examination period.

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

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

The Department indicated it continues to experience resource shortages which prevent them from thoroughly addressing these requirements.

Failure to implement internal controls related to cybersecurity programs, practices and control of confidential information could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure.

DEPARTMENT RESPONSE:

The Department agrees with the finding and is reviewing existing policies and practices to ensure the recommendations are implemented.

UPDATED RESPONSE:

Status: **N/A** Responsible Party: Carla Rapps

The Department agrees with the finding and is reviewing existing policies and practices to ensure the recommendations are implemented.

- 9. Auditors recommend the Department implement procedures to ensure a formal monthly report of all donations received for each Home's benefit fund is prepared and submitted to the Department as required by the Act.**

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FINDING: *(Noncompliance with the Department of Veterans Affairs Act) – This has been repeated since 2020.*

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

The Act (20 ILCS 2805/2.04) requires each administrator of an Illinois Veterans Home (Home) who has an established locally held member's benefits fund to prepare and submit to the Department a monthly report of all donations received, including donations of a non-monetary nature. The report shall include the end-of-month balance of the locally held members' benefits fund.

During their testing, auditors noted the Homes failed to prepare and submit to the Department a monthly report of all donations received for each Home's benefit fund. Five benefits trust funds were in place during the examination period. This exception was noted across all five funds.

In the prior year examination, they noted the Department failed to properly appoint all required members to the Illinois Joining Forces Executive Committee required within the Act (20 ILCS 2805/37(d) through 37(g)). In the current examination, they noted the statute was changed and the Department is no longer responsible for appointing members to the executive committee. Also, the Department is not responsible for ensuring required reports are filed.

Department management stated the noncompliance was due to misunderstanding the requirements of the Act.

Failure to submit monthly reports of all monetary and non-monetary donations received to the Department represents noncompliance with the Act and can hinder Department-wide transparency related to member's benefits funds.

DEPARTMENT RESPONSE:

The Department agrees with the finding and has updated its procedures for the reporting to include monthly reports. The Department began preparing the reports monthly effective January 2025.

UPDATED RESPONSE:

Status: **Implemented** Responsible Party: Laura Cadigan

The Department agrees with the finding and has updated its procedures for the reporting to include monthly reports. The Department began preparing the reports monthly effective January 2025.

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

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FINDING: *(Noncompliance with the State Services Assurance Act) – This has been repeated since 2020.*

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

The Department did not increase the number of bilingual on-board frontline staff by five as required by the Act. The Department had no bilingual staff as of June 30, 2007. The Department only had two bilingual staff members as of June 30, 2023, and June 30, 2024. As a result, the requirements of the Act were not met during the examination period.

This finding was first noted in the Department's Fiscal Year 2019 – Fiscal Year 2020 State compliance examination, four years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Act (5 ILCS 382/3-15) requires that on or before July 1, 2008, the Department shall increase and maintain the number of bilingual on-board frontline staff over the levels that it maintained on June 30, 2007. The Act states that the Department shall have at least five additional bilingual on-board frontline staff.

Department management indicated the positions had not been filled because applicants who applied for the positions indicated they were either not bilingual, did not take the bilingual assessment, or failed the bilingual assessment.

Failure to have at least five additional on-board frontline staff prevents fulfillment of the purpose of the Act, limiting the Department's ability to assist potential residents and their families in the best way possible.

DEPARTMENT RESPONSE:

The Department agrees with the finding. The Department has established the front-line Spanish Speaking positions and has hired personnel to fill the vacancies. The Department will continue to recruit to increase the number of bilingual staff and will initiate focused efforts to on-board frontline bilingual staff, ensuring that at least five bilingual staff are employed.

UPDATED RESPONSE:

Status: **Underway** Responsible Party: Anthony Vaughn

The Department agrees with the finding. The Department has established the front-line Spanish Speaking positions and has hired personnel to fill the vacancies. The Department will continue to recruit to increase the number of bilingual staff and will initiate focused efforts to on-board frontline bilingual staff, ensuring that at least five bilingual staff are employed.

- 11. Auditors recommend the Department adopt a workplace violence prevention program that meets the requirements of the OSHA guidelines.**

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FINDING: *(Noncompliance with the Health Care Violence Prevention Act) – This finding has been repeated since 2022.*

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

The Department did not have a workplace violence prevention program that meets Occupational Safety and Health Administration (OSHA) guidelines for a workplace violence prevention program.

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

Department management indicated a misunderstanding occurred among Department staff on what was needed to create a policy that would meet the requirements.

Failure to have a proper workplace violence prevention program is noncompliance with the Act, and potentially endangers those who visit, work, or live in a Veterans Home.

DEPARTMENT RESPONSE:

The Department agrees with the finding. The Department has corrected this finding and developed the Health Care Violence Prevention Act policy and posted it under policies on the Department's intranet.

UPDATED RESPONSE:

Status: **Implemented** Responsible Party: Laura Cadigan

The Department agrees with the finding. The Department has corrected this finding and developed the Health Care Violence Prevention Act policy, and posted it under policies on the Department's intranet.

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

FINDING: *(Incorrect Calculation of Resident Maintenance Fees) – This has been repeated since 2016.*

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

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

This finding was first noted during the Department's Fiscal Year 2015 – Fiscal Year 2016 State compliance examination, eight years ago. The Department provided documentation of meetings held to work towards the best possible solution. However, as of June 30, 2024, Department management was unsuccessful in implementing a corrective action plan to remedy this deficiency.

Department management indicated that while there have been discussions on a resolution, they have not yet successfully implemented a change because the rule was written with a specific dollar amount that is no longer practical.

Failure to follow the Code's calculation for maintenance fees may result in a loss of revenue to the State or overcharging residents at the Veterans Homes.

DEPARTMENT RESPONSE:

The Department agrees with the finding. The Department's legal division and legislative liaison will work with the Senior Homes Administrator to update the Administrative Code.

UPDATED RESPONSE:

Status: **Underway** Responsible Party: Hannah Bonecutter/Asia Gentry

The Department agrees with the finding. The Department's legal division and legislative liaison will work with the Senior Homes Administrator to update the Administrative Code.

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

FINDING: *(Inadequate Controls over Personal Services) – This has been repeated since 2020.*

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

During their testing of personal services, auditors noted the following:

- The employment application was not provided for 7 of 40 (18%) employees tested.

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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 help ensure the safeguarding of assets, prevent improper expenditures, and ensure the accuracy and reliability of accounting data.

- The Department did not ensure the I-9 forms for its employees were properly completed and maintained.
 - The I-9 form was not signed on the first day of employment for 1 of 40 (3%) employees tested.
 - The Department could not provide 3 of 40 (8%) employees' I-9 forms.

The instructions for Form I-9 published by the Department of Homeland Security (OMB No. 1615-0047) state that employees must complete and sign Section 1 of Form I-9 no later than the first day of employment. Additionally, the Form I-9 instructions state that 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.

- Two of 40 (5%) employees' gross pay for the period could not be tied to the applicable Personnel/Position Action forms (CMS-2).
- Six of 40 (15%) employees' absence records and accruals, leave balance and accrual records were not provided.

The State Records Act (5 ILCS 160/8-9) requires the Department to maintain records containing adequate and proper documentation of the functions, procedures, and essential transactions of the Department to protect the legal and financial rights of the State.

- Ten of 13 (77%) new hires tested never received the report to enroll in the deferred compensation plan.

The Illinois Pension Code (40 ILCS 5/24-105.2) (Code) states that an employee hired on or after July 1, 2020, and before January 1, 2024, should have 30 days from the start date of employment to elect to not participate in the deferred compensation plan or to elect to increase or reduce the amount of pre-tax gross compensation deferred. Additionally, the Code (40 ILCS 5/24-105.2) states that an employee hired on or after January 1, 2024, shall be automatically enrolled in the deferred compensation plan beginning the first day of the pay period following the close of the notice period, unless the employee elects otherwise within the notice period.

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In the prior examination, auditors noted the Department failed to notify the Department of Central Management Services of leaves of absence, did not approve Overtime Authorization Forms, could not provide payroll vouchers, and had payroll vouchers that did not match the Overtime Authorization Form or Monthly Attendance Record. In the current examination, none of these instances were noted.

This finding was first noted during the Department's Fiscal Year 2019 – Fiscal Year 2020 State compliance examination, four years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy these deficiencies.

The Department stated exceptions were due to employees' lack of understanding and not following through on required procedures.

Failure to ensure personnel applications were signed for employees represents noncompliance with the Fiscal Control and Internal Auditing Act. Failure to ensure I-9 forms for employees are properly completed and maintained represents noncompliance with federal regulations and could result in unauthorized individuals being employed by the Department. Failure to provide and maintain supporting documentation results in noncompliance with the State Records Act. Failure to follow the Illinois Pension Code and enroll new hires in the State's deferred compensation plan prevents employees from maximizing their investment opportunities.

DEPARTMENT RESPONSE:

The Department agrees with the finding. Measures are being developed to strengthen controls and tracking related to the completion and maintenance of personnel documents to ensure compliance. The strengthening of internal measures includes implementing Department-wide changes in onboarding/offboarding procedures to improve employee communication related to timely completion of Form I-9 during the first day of employment. New processes are in place that automatically enroll new hires in the State's Deferred Compensation Plan and require the new employees to actively decline enrollment during their benefit selection process.

UPDATED RESPONSE:

Status: **N/A** Responsible Party: Anthony Vaughn

The Department agrees with the finding. Measures are being developed to strengthen controls and tracking related to the completion and maintenance of personnel documents to ensure compliance. The strengthening of internal measures includes implementing Department-wide changes in onboarding/offboarding procedures to improve employee communication related to timely completion of Form I-9 during the first day of employment. New processes are in place that automatically enroll new hires in the State's Deferred Compensation Plan and require the new employees to actively decline enrollment during their benefit selection process.

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14. Auditors recommend the Department take appropriate measures to ensure performance evaluations are conducted timely and related documentation is maintained.

FINDING: *(Employee Performance Evaluations Not Performed Timely) – This finding has been repeated since 2008.*

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

During their testing of 40 employee personnel files containing 66 evaluations, auditors noted the following exceptions:

- Evaluations were not performed on a timely basis for 19 of 66 (29%) evaluations tested. The evaluations were performed from 2 to 496 days late.
- The Department could not provide evaluations for 12 of 66 (18%) evaluations tested.

During the prior year examination, auditors noted various exceptions related to evaluations not being signed by the employee, and evaluations being improperly dated. During the current examination, these exceptions were not noted.

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

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

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

Department management stated the issues noted were due to lack of adequate mechanisms in place to remind supervisors of impending reviews, as well as staff turnover for not maintaining adequate documentation of reviews.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions.

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DEPARTMENT RESPONSE:

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

UPDATED RESPONSE:

Status: **N/A** Responsible Party: Anthony Vaughn

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

- 15. Auditors recommend the Department strengthen controls surrounding employee training requirements and maintain proper documentation that such training occurred.**

FINDING: *(Failure to Ensure Employees Completed Mandatory Training) – This finding has been repeated since 2020.*

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

During their testing of the Department's special training, auditors noted the following exceptions:

- Five of 12 (42%) new hires tested, included in their sample of 40 employees, did not complete new hire ethics training.
- Two of 40 (5%) employees tested did not complete the 2022 annual ethics training.
- Four of 40 (10%) employees tested did not complete the 2023 annual ethics training.
- Six of 12 (50%) new hires tested, included in their sample of 40 employees, did not complete new hire sexual harassment training.
- Two of 40 (5%) employees tested did not complete the 2022 annual sexual harassment training.
- Five of 40 (13%) employees tested did not complete the 2023 annual sexual harassment training.
- Four of 40 (10%) employees tested did not complete the 2022 annual cybersecurity training.

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- Twelve of 40 (30%) employees tested did not complete the 2023 annual cybersecurity training.
- Eleven of 40 (28%) employees tested did not complete the 2022 annual confidentiality training.
- Eight of 40 (20%) employees tested did not complete the 2023 annual confidentiality training.

This finding was first noted during the Department's Fiscal Year 2019 – Fiscal Year 2020 State compliance examination, four years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

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

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

The Data Security on State Computers Act (20 ILCS 450/25(b)) requires every employee to undergo training concerning cybersecurity annually. The training shall include but need not be limited to detecting phishing scams, preventing spyware infections and identity theft, and preventing and responding to data breaches.

Department management indicated the noncompliance occurred due to many Veterans Home staff not regularly logging in to the computer when performing their duties and therefore not having current login credentials or receiving regular email reminders. Regarding Central Office staff, Department management indicated these exceptions were due to competing priorities and turnover.

Failure to monitor and determine required training has been completed results in noncompliance with laws, rules, and internal policies and could also result in a workforce that is not adequately trained to fulfill required duties and may expose the State to potential liability.

DEPARTMENT RESPONSE:

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

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UPDATED RESPONSE:

Status: **N/A** Responsible Party: Anthony Vaughn

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

16. Auditors recommend the Department maintain proper documentation to support fringe benefit calculations, including maintaining mileage logs and insurance certification documentation.

FINDING: *(Inadequate Controls over Fringe Benefits) – First reported 2022, Last reported 2024*

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

During their testing of the Department's fringe benefit charges, auditors noted the following exceptions:

- Mileage logs were not provided for 9 of 13 (69%) drivers tested for Fiscal Year 2023. No mileage logs were provided for Fiscal Year 2024.
- Insurance certification documentation was not provided for 8 of 13 (62%) drivers tested for Fiscal Year 2023, and 9 of 13 (69%) drivers tested for Fiscal Year 2024.

In the previous examination, auditors noted while the Department tracked employees that were assigned personal vehicles, they were not able to confirm whether an annual report was collected from those employees, and it did not appear that taxable fringe benefits were charged to those employees. In the current examination, this issue was not noted.

The Illinois Vehicle Code (625 ILCS 5/7-601) states that employees must provide the Department's Director or Chief Executive Officer a certification during the period July 1st through July 31st of each calendar year or within 30 days of any new assignment of a vehicle on an ongoing basis. The certification must affirm that the employee is duly licensed to drive the assigned vehicle and that the employee has liability insurance coverage extending to the employee when the assigned vehicle is used for other than official State business, or the employee has filed a bond with the Secretary of State as proof of financial responsibility, in an amount equal to, or in excess of the requirements.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the Department designed to

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furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

Department officials indicated these exceptions were caused by lack of proper record-keeping and internal controls to ensure that mileage was reported accurately and forms were filed timely.

DEPARTMENT RESPONSE:

The Department agrees with the finding and has implemented procedures for monthly submission of mileage logs for individually assigned vehicles, which will allow for the accurate calculation of related fringe benefits. The Department will also ensure that insurance certificates are provided.

UPDATED RESPONSE:

Status: **Underway** Responsible Party: Jackie Hughes

The Department agrees with the finding and has implemented procedures for monthly submission of mileage logs for individually assigned vehicles, which will allow for the accurate calculation of related fringe benefits. The Department will also ensure that insurance certificates are provided.

- 17. Auditors recommend the Department ensure survey data for the four required State Employment Plans is accurately completed and submitted to CMS on an annual basis. Additionally, they recommend the Department maintain documentation supporting the submission of this data to CMS.**

FINDING: *(Failure to Submit Employment Plan Data) - New*

The Illinois Department of Veterans Affairs (Department) did not submit the required survey information for State Employment Plans to the Department of Central Management Services (CMS) during the examination period.

During their testing of the State Employment Plans, auditors noted the following:

- The Department did not submit the required survey information to CMS for the Fiscal Year 2022 State Hispanic Employment Plan, State Asian American Employment Plan, African American Employment Plan, or the Native American Employment Plan.
- The Department did not accurately complete the required survey information for Fiscal Year 2023 State Employment Plans information, filed during Fiscal Year 2024, which is required to be submitted to CMS. This demonstrated the Department did not implement strategies and programs in accordance with the State Employment Plan prepared by CMS to increase the number of bilingual, African American, Hispanic, Asian-American, and Native American persons employed by the State.

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- The Department was unable to provide support for timely submission of the Fiscal Year 2023 required survey information to CMS.

The Civil Administrative Code of Illinois (20 ILCS 405/405-125) requires the Department to report annually to CMS and the Department of Human Rights, 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, and the Native American Employment Plan.

The African American Employment Plan Act (20 ILCS 30/20) requires the Department to report annually to CMS and the Department of Human Rights, in a format prescribed by CMS, all of the Department's activities in implementing the African American Employment Plan.

The Civil Administrative Code of Illinois (20 ILCS 405/405-123) requires the Department to submit an annual report to CMS concerning its actions under the State Employment Plans.

Department management indicated the noncompliance occurred due to employee turnover.

Without this required information, CMS will not be able to properly monitor and administer the Diversity Enrichment Program (DEP) that is designed to assist State agencies in developing and modifying programs to enable them to meet their affirmative action and equal employment opportunity goals.

DEPARTMENT RESPONSE:

The Department agrees with the finding. Moving forward, the Department will improve its internal controls to ensure Employment Plan Data reports are submitted in compliance with the Civil Administrative Code of Illinois (20 ILCS 405/405-125) and the African American Employment Plan Act (20 ILCS 30/20).

UPDATED RESPONSE:

Status: **Implemented** Responsible Party: Anthony Vaughn/Jay Johnson

The Department agrees with the finding. Moving forward, the Department will improve its internal controls to ensure Employment Plan Data reports are submitted in compliance with the Civil Administrative Code of Illinois (20 ILCS 405/405-125) and the African American Employment Plan Act (20 ILCS 30/20).

- 18. Auditors recommend the Department strengthen internal controls to ensure accurate and timely census data is provided to the System for use in the annual actuarial valuation process.**

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FINDING: *(Inadequate Internal Controls over Census Data) – First reported 2022, Last reported 2024*

The Illinois Department of Veterans Affairs (Department) had certain deficiencies in its internal controls to ensure accurate census data was provided to the State Employees' Retirement System of Illinois (System) for use in the applicable annual actuarial valuations.

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

The auditors noted the Department's employees are members of both the System and the State Employees Group Insurance Program (SEGIP) sponsored by the State of Illinois which includes OPEB. In addition, they noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During their census reconciliation reperformance, auditors noted 2 of 40 (5%) individuals had a salary that differed from what was reflected in the System. These differences ranged from \$86 to \$599.

Additionally, the Department did not timely submit its census reconciliations during the examination period. The reconciliation for the Fiscal Year ended June 30, 2022, was due by November 1, 2022, and was subsequently submitted on August 11, 2023, 283 days late. The reconciliation for the Fiscal Year ended June 30, 2023, was due November 13, 2023, and was subsequently submitted January 3, 2024, 51 days late.

During the prior examination, auditors noted the Department did not have a reconciliation process established to provide assurance census data submitted to its pension and OPEB plans was complete and accurate, and had not performed an initial, complete reconciliation. In the current examination, they noted the Department had a process in place and had performed the required reconciliations during the engagement period.

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

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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 control to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Department management indicated the noted deviations were due to employee error and staff turnover.

Failure to ensure census data reported to the System was complete and accurate may result in significant misstatements of the Department's financial data and reduce the overall accuracy of System-related pension liabilities, deferred inflows and outflows of resources, and expense recorded by the State and its agencies.

DEPARTMENT RESPONSE:

The Department agrees with the finding and will take the necessary steps to ensure accurate and timely census data is provided to the System for use in the annual actuarial valuation process. The Department has implemented a process to ensure that reports are filed timely and will ensure that personnel information is complete to support the information provided to the system.

UPDATED RESPONSE:

Status: **N/A** Responsible Party: Anthony Vaughn/Nakesha Rice

The Department agrees with the finding and will take the necessary steps to ensure accurate and timely census data is provided to the System for use in the annual actuarial valuation process. The Department has implemented a process to ensure that reports are filed timely and will ensure that personnel information is complete to support the information provided to the system.

- 19. Auditors recommend the Department ensure contracts that are entered into include all applicable disclosures. Additionally, they recommend the Department strengthen controls to ensure contracts are signed prior to the beginning term of the contract. Lastly, auditors recommend the Department implement controls to ensure contracts are filed with the Comptroller in a timely manner.**

FINDING: *(Inadequate Controls over Contractual Agreements) - New*

The Illinois Department of Veterans Affairs (Department) did not have adequate controls over its contracting process in regard to contractual agreements.

During their testing of the Department's contractual agreements, auditors noted the following:

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- Eighteen of 25 (72%) contracts tested were missing disclosures required by laws and regulations.
- One of 25 (4%) contracts tested was signed five days after the contract term began.
- Seventeen of 25 (68%) contracts tested were not filed with the Office of Comptroller (Comptroller) within 30 days of their effective dates. The contracts were filed 1 to 185 days late.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) (Act) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative control, which shall provide assurance that obligations and costs are in compliance with applicable law.

The Statewide Accounting Management System (SAMS) Manual (Procedure 02.10.20) requires the Department's annual internal control evaluations to be designed to ensure that the Department's internal control systems meet the internal control objectives identified in the Act. In addition, the SAMS Manual (Procedure 02.10.20) requires the Department to develop internal control evaluations to determine if sufficient controls are in place to ensure the Department accomplishes its mission and objectives as well as ensures compliance with grant agreements, inter-governmental agreements and other key elements of Department operations. In addition, the SAMS Manual (Procedure 15.10.20) requires contracts to contain certain signatures, clauses, and certifications.

The Illinois Procurement Code (30 ILCS 500/20-80(b)) (Code) states when a grant or contract liability (except contracts paid from personal services, contracts between the State and its employees to defer compensation, and contracts that do not obligate funds held within the State treasury for Fiscal Year 2022 and after) exceeding \$20,000 is incurred by any State agency, a copy of the contract liability must be filed with the Comptroller within 30 days of its execution.

The Code (30 ILCS 500/20-80(d)) requires all contracts subject to the Code to be reduced to writing and signed by all necessary parties before services are rendered or goods are received.

Department management indicated the exceptions occurred due to staff turnover and a lack of understanding of the contracting processes.

Failure to have adequate controls over the contracting process can result in legal compliance issues, inefficiencies, and reduced effectiveness of governmental oversight.

DEPARTMENT RESPONSE:

The Department agrees with the finding and will update its contract templates to include all applicable disclosures. The Department will also strengthen controls to monitor contract templates for updates, ensure contracts are signed prior to the beginning term, and to ensure contracts are filed with the Comptroller in a timely manner.

UPDATED RESPONSE:

Status: **Underway** Responsible Party: Steph Heckenkamp

The Department agrees with the finding and will update its contract templates to include all applicable disclosures. The Department will also strengthen controls to monitor contract templates for updates, ensure contracts are signed prior to the beginning term, and to ensure contracts are filed with the Comptroller in a timely manner.

20. Auditors recommend the Department:

- **Strengthen controls over the review of contracts for possible inclusion under GASB 87.**
- **Ensure all leases recognized under GASB 87 have an SCO-560 form and lease contract timely filed with the Comptroller.**
- **Maintain proper documentation related to GASB 87 leases.**
- **Implement controls to monitor compliance with SAMS.**
- **Ensure only authorized signors are executing lease contracts.**

FINDING: *(Inadequate Controls over the Identification of Leases under Statement No. 87 of the Governmental Accounting Standards Board) – First reported 2022, Last reported 2024*

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

The Department did not take adequate measures to ensure all leases and contracts were included under Governmental Accounting Standards Board Statement No. 87 (GASB 87) recognition. In addition, the Department did not ensure lease agreements were created and processed in accordance with the Statewide Accounting Management System (SAMS). During their lessee lease testing, auditors noted the following:

- One lease was improperly excluded from the recognition under GASB 87.
- One of three (33%) leases tested did not have an *Accounting for Leases-Lessee Form* (SCO-560) filed with the Office of Comptroller (Comptroller) at the time of their testing. Using their professional judgement, they calculated the impact of this as \$14,741 in unrecognized lease liability, \$15,040 in unrecognized lease amortization expense, and \$2,303 in unrecognized interest expense.

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- For three of three (100%) lease contract agreements tested, no Contract Obligation Documents could be provided.
- Three of three (100%) lease contract agreements tested were not in compliance with the SAMS Manual Chapter 15 requirements.
- Two of three (67%) lease contract agreements tested were not signed by an individual authorized to sign on the Department Director's behalf.
- Two of the three (67%) lease contract agreements tested were not filed with the Comptroller within 30 days of the effective date.

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

The SAMS Manual (Procedure 03.50.60) states lease transactions are processed by the Comptroller using a form SCO-560, which is completed by agencies. Additionally, the SAMS Manual (Procedure 15.20.20) outlines the procurement requirements for purchase orders, which include the availability of appropriation clause and the prohibited bidders and contractor’s certification as well as signatures of authorized representatives, execution dates, financial disclosures for contracts that exceed \$50,000, availability of appropriation clause, right to audit, subcontractor utilization statement, and subcontractors disclosed.

Department management indicated the exceptions were due to employee error and lack of resources devoted to ensuring these requirements were met.

Failure to report all applicable leases under GASB 87 can lead to misstated financial information and potential misappropriation of State assets. Also, failure to submit SCO-560 forms and contract agreements to the Comptroller and ensure that all requirements are included in the contract agreements can lead to noncompliance with SAMS guidance.

DEPARTMENT RESPONSE:

The Department agrees with the finding and will work to strengthen controls over leases.

UPDATED RESPONSE:

Status: **Implemented** Responsible Party: Laura Cadigan

The Department agrees with the finding and will work to strengthen controls over leases.

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21. **Auditors recommend the Department strengthen controls over postage and document and retain usage information about the beginning and ending postage meter balances. Additionally, they recommend the Department ensure it is not stockpiling postage balances.**

FINDING: *(Inadequate Controls over Maintenance of Postage Meters) – First reported 2022, Last reported 2024*

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

During their testing of postage meter balances at six locations, auditors noted the following:

- They were unable to determine the amount of postage purchased for the Chicago Veterans Home due to the Department utilizing the General Revenue Fund (0001) for such purchases in Fiscal Year 2023.
- Postage balances and usage were not maintained for Fiscal Year 2023 for the Chicago Veterans Home. Postage beginning balances and purchases were not maintained for Fiscal Year 2024 for the Chicago Veterans Home. As such, auditors were unable to calculate the turnover ratio for either year in order to determine whether the Home's on-hand postage inventory levels were reasonable.
- Postage purchases according to the Department's records compared to the Office of Comptroller's records differed from six of six (100%) locations, ranging from (\$9,000) to \$1,500. The Department could not provide explanations for the differences.
- They noted differences in the recalculation of ending postage balance to Department records for four of six (67%) locations. These differences ranged from \$16 to \$2,147.

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

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal, fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to

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permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Department management indicated these exceptions were caused by insufficient internal supervision and inconsistent documentation practices.

Failure to exercise proper controls over the maintenance of postage meters increases the risk the Department could stockpile postage and not match current year appropriations with current year postage usage.

DEPARTMENT RESPONSE:

The Department agrees with the finding and will strengthen controls over postage that will include documentation of postage purchases, usage, and balances. These will allow the Department to ensure it is not stockpiling postage balances.

UPDATED RESPONSE:

Status: **Underway** Responsible Party: Jackie Hughes

The Department agrees with the finding and will strengthen controls over postage that will include documentation of postage purchases, usage, and balances. These will allow the Department to ensure it is not stockpiling postage balances.

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

FINDING: *(Failure to Ensure Telecommunication Devices were Timely Returned) – First reported 2022, Last reported 2024*

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

The Department could not provide support of return dates for eight of 12 (67%) telecommunication cancellations tested. As a result, the auditors could not determine if the telecommunication devices were returned timely.

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

Department officials stated these exceptions were caused by lack of regular cleanup, poor record-keeping, and human error.

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Failure to ensure return dates of telecommunication devices are recorded properly could lead to misuse of these items, as well as statutory noncompliance.

DEPARTMENT RESPONSE:

The Department agrees with the finding and will implement controls to ensure documentation is retained for the return of cancelled telecommunication devices.

UPDATED RESPONSE:

Status: **Implemented** Responsible Party: Jackie Hughes

The Department agrees with the finding and will implement controls to ensure documentation is retained for the return of cancelled telecommunication devices.

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

FINDING: *(Weakness in Administration of State Vehicles) – This finding has been repeated since 2020.*

The Illinois Department of Veterans Affairs (Department) did not have adequate controls over the reporting and certification of employees concerning personally assigned vehicles and vehicle maintenance.

- During their testing of automotive accident reporting, auditors noted one of seven (14%) accidents were not reported within seven calendar days to the Department of Central Management Services (CMS) Risk Management Division. The automotive accident was reported 13 days late.
- During their testing of personally assigned vehicles, auditors noted:
 - The Fiscal Year 2023 Individually Assigned Vehicle (IAV) Report was not completed and submitted to CMS.
 - Employee certifications were not completed in three of five (60%) instances for Fiscal Year 2023.
- During their testing of automotive maintenance on nine vehicles maintained by the Department, auditors noted the following exceptions:
 - Three (33%) vehicles did not have an oil change performed during the engagement period.
 - One (11%) vehicle did not have an oil change performed timely. The oil change was performed 1,971 miles over the limit.
 - Five (56%) vehicles did not have a tire rotation performed during the engagement period.
 - Two (22%) vehicles did not have an annual inspection completed during the engagement period.

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- Three (33%) vehicles did not have an annual inspection performed timely. The annual inspection was performed between 10 and 95 days over the limit.

The Illinois Administrative Code (44 Ill. Adm. Code 5040.520) requires the CMS Claim Intake Form to be completed as soon as possible and submitted to the driver's vehicle coordinator within three days following the accident. In all cases, the agency's vehicle coordinator must submit the completed CMS Claim Intake Form to the CMS Risk Management Division no later than seven calendar days following the accident or the driver and State agency risk forfeiture of coverage under the State's auto liability plan.

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

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

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

The Illinois Administrative Code (44 Ill. Admin. Code 5040.410) states that agencies shall have vehicles inspected by CMS or an authorized vendor at least once per year or as required by law and shall maintain vehicles in accordance with the schedules provided by CMS or with other schedules acceptable to CMS that provide proper care and maintenance of special use vehicles.

This finding was first noted during the Department's Fiscal Year 2019 – Fiscal Year 2020 State compliance examination, four years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy these deficiencies.

Department officials indicated the exceptions noted were due to a breakdown in communication between security and the Manteno Veterans Home business office, a continued lack of understanding of the rules surrounding the administration of State vehicles, and insufficient record-keeping of vehicle service.

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Failure to adequately maintain controls over the administration of State vehicles represents noncompliance with State vehicle requirements and could increase the State's potential liability and risk of loss.

DEPARTMENT RESPONSE:

The Department agrees with the finding and has updated the policy and is waiting for the new Fleet Management System (FMS) fleet system to be up and running before implementing the new policy. Procedures are also being updated, and additional training will be provided to the vehicle coordinators as well as all IAV drivers and any staff that use fleet vehicles to assure proper use, maintenance, and reporting requirements are met.

UPDATED RESPONSE:

Status: **N/A** Responsible Party: Jackie Hughes

The Department agrees with the finding and has updated the policy and is waiting for the new Fleet Management System (FMS) fleet system to be up and running before implementing the new policy. Procedures are also being updated, and additional training will be provided to the vehicle coordinators as well as all IAV drivers and any staff that use fleet vehicles to assure proper use, maintenance, and reporting requirements are met.

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

FINDING: *(Noncompliance with the Accountability for the Investment of Public Funds Act) – First reported 2022, Last reported 2024*

The Illinois Department of Veterans Affairs (Department) failed to comply with the Accountability for the Investment of Public Funds Act (30 ILCS 237/10) (Act).

During their testing of the Department's investment of public funds, auditors noted the following exceptions:

- The information presented for the LaSalle Veterans Home (Home) for December 2022 was inaccurate and included November 2022 information. Management indicated the Home prepared a December 2022 schedule with the correct information; however, it was not entered into the December 2022 Investment report posted to the Department's website.
- Information was omitted for the LaSalle Veterans Home for April 2024. Management indicated the Home prepared an April 2024 schedule with the correct information; however, it was not entered into the April 2024 Investment report posted to the Department's website.

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- The Anna Veterans Home Imprest Account balance reported for April 2024 was incorrect. The balance was reported as \$118 when it should have been reported as \$218.

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

The Department indicated the two LaSalle Home exceptions were due to changes made to the reporting at the Home level that the Central Office was not aware of and did not account for when reporting. Department management indicated the Anna Home exception was due to a keying error.

Failure to ensure the amount of funds held by the Department are accurate could result in inaccurate reporting of investment funds held outside of the State Treasury and represents noncompliance with the Act.

DEPARTMENT RESPONSE:

The Department agrees with the finding. The policy for monthly reporting of deposits and investments has been modified so that after the information is provided by the staff responsible for the accounts to the report preparer, the compiled report will be sent back to staff for review prior to being posted on the agency website.

UPDATED RESPONSE:

Status: **N/A** Responsible Party: Laura Cadigan

The Department agrees with the finding. The policy for monthly reporting of deposits and investments has been modified so that after the information is provided by the staff responsible for the accounts to the report preparer, the compiled report will be sent back to staff for review prior to being posted on the agency website.

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

FINDING: *(Inadequate Internal Controls Over Locally Held and Petty Cash Funds) – First reported 2022, Last reported 2024*

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

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

- Weaknesses were noted regarding reconciliations and reporting of locally held funds.
 - Four of 40 (10%) locally held funds bank reconciliations tested at the Chicago Veterans Home were not dated. As such, auditors could not determine whether they were timely completed.
 - Nine of 24 (38%) Reports of Receipts and Disbursements for Locally Held Funds (Form C-17s) for the Chicago Veterans Home did not reconcile to the bank statements.
 - Nine of 24 (38%) Form C-17s for the Chicago Veterans Home were not submitted to the Office of Comptroller (Comptroller) within 30 days of month end.
 - Four of 24 (17%) Form C-17s for the Anna Veterans Home were not submitted to the Comptroller within 30 days of month end.
 - Supporting documentation was not provided for 1 of 60 (2%) disbursements tested at the Chicago Veterans Home.
- Inadequate segregation of duties existed in the accounting for locally held funds.
 - The same individual was responsible for receipt of funds, preparing deposit slips, and depositing funds for the receipt process at all (100%) locally held funds at the Chicago Veterans Home.
 - The same individual was responsible for approving payments and reconciling payments for the disbursement process for all (100%) locally held funds at the Chicago Veterans Home.
- The Annual Petty Cash Fund Usage Report for the Central Office (Calendar Year 2022) and Chicago Veterans Home (Calendar Year 2023) were incorrect.
 - Two of 12 (17%) months reported in the Central Office 2022 Annual Petty Cash Fund Usage Report were incorrect, with a variance of \$106.
 - The 2023 Annual Petty Cash Fund Usage Report for the Chicago Veterans Home was incorrect, with a variance of \$49, and resulted in an inaccurate recalculated turnover rate.
- Four of 24 (17%) monthly reconciliations of the Central Office's petty cash were not reviewed. In addition, all Fiscal Year 2023 monthly petty cash reconciliations for the Chicago Veterans Home were completed between April 13-14, 2023, including the reconciliations for April through June 2023. Furthermore, beginning balances did not agree to the prior month reconciliation for 9 of 24 (38%) months tested.

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

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

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

Department management indicated the exceptions noted were due to a lack of sufficient resources allocated to locally held and petty cash funds, as well as understaffing and staff turnover.

Failure to perform accurate and timely reconciliations, as well as accurately report, represents noncompliance with the SAMS Manual and the Act, and increases the risk differences will go undetected and uncorrected. Failure to maintain adequate segregation of duties over locally held funds and petty cash funds may allow one single individual to control all key aspects of a transaction which creates the opportunity for fraud to be committed or concealed.

DEPARTMENT RESPONSE:

The Department agrees with the finding and is providing additional staff training and additional review of reconciliations and reports.

UPDATED RESPONSE:

Status: **N/A** Responsible Party: Laura Cadigan

The Department agrees with the finding and is providing additional staff training and additional review of reconciliations and reports.

- 26. Auditors recommend the Department retain adequate documentation of submission of reports to the Comptroller and submit reports to the Comptroller in a timely manner. Additionally, they recommend the Department ensure accounts receivable documentation is retained to support the amounts reported. Finally, auditors recommend the Department**

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strengthen communication between the Central Office and the Homes to ensure accurate data is being reported.

FINDING: *(Inadequate Controls over the Reporting of Accounts Receivable) - New*

The Illinois Department of Veterans Affairs (Department) did not have adequate controls over the reporting of accounts receivable.

The Department administered nine funds that maintained accounts receivable balances during the examination period. During auditor testing of quarterly accounts receivable reports (reports), auditors tested submission to the Office of Comptroller (Comptroller) of the quarterly reports for all of the Department's funds totaling 72 reports. They also compared control amounts to detailed receivable records for each of the nine funds' year-end reports. Lastly, they tested the accuracy of year-end reports for a sample of three funds which equated to six reports. The auditors noted the following exceptions:

- The Department was unable to provide submission documentation for 39 of 72 (54%) reports. Therefore, they were unable to determine the timeliness of the submissions to the Comptroller.
- Ten of 72 (14%) reports were not submitted timely to the Comptroller. The days late ranged from 1 to 121 business days.
- One of nine (11%) funds within the Fiscal Year 2024 report had a beginning balance that did not tie to the previous quarter's ending balance. The difference was \$286,000.
- One of nine (11%) funds within the Fiscal Year 2024 report had a collections balance that did not tie to supporting documentation. The difference was \$99,000.
- The recalculated balance for two of six (33%) quarters tested did not agree with what was reported on the Fiscal Year 2023 and Fiscal Year 2024 reports. The Fiscal Year 2023 report was understated by \$268,000, and the Fiscal Year 2024 report was overstated by \$395,000.

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

The Statewide Accounting Management System (SAMS) Manual (Procedure 26.30.10) outlines the due date for submission of reports as follows:

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<u>Quarter Ended</u>	<u>Report Due Date</u>
September 30	October 31
December 31	January 31
March 31	April 30
June 30	July 31

The SAMS Manual (Procedure 26.30.20) indicates the gross receivables balance for each major revenue source for the beginning of the quarter should be the same as the “Gross receivables at end of quarter” from the previous quarter.

Department management indicated the exceptions were due to staff turnover and lack of understanding of reporting requirements along with a lack of communication between the Central Office and the Veterans Homes.

Failure to submit, or timely submit, quarterly accounts receivable reports to the Comptroller leads to a lack of transparency regarding the Department’s financial information. Additionally, failing to accurately enter information within the reports represents noncompliance with the Act.

DEPARTMENT RESPONSE:

The Department agrees with the finding and is providing additional staff training in calculating and reporting receivables. The Department has also begun saving the email with the receivables attachment to support that the entire reports were submitted timely in that email.

UPDATED RESPONSE:

Status: **N/A** Responsible Party: Laura Cadigan

The Department agrees with the finding and is providing additional staff training in calculating and reporting receivables. The Department has also begun saving the email with the receivables attachment to support that the entire reports were submitted timely in that email.

27. Auditors recommend the Department strengthen controls and enforce procedures to ensure VSOs and their supervisors maintain accurate and complete records. Furthermore, they recommend the Department ensure its field offices’ actual hours of operation are consistent with the hours of operation posted on the Department’s website.

FINDING: *(Inadequate Controls over the Reporting of Field Service Office Activities and Information) - This finding has been repeated since 2018.*

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

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

The auditors noted the following during their examination:

- The Department was unable to provide sign-in records, support for the submission of monthly statistical reports to Division supervisors at end of the last workday of the month, or a sample of interview records.
- The hours of operation of one of three (33%) itinerant offices did not match the office's stated hours of operation as posted online.

In the previous examination, auditors noted that a portion of supervisor itineraries and supervisor sign-in sheets could not be provided. In addition, there was an instance of itineraries not matching sign-in sheets. These weaknesses were not noted during the current examination period.

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

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

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

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

Department management indicated these exceptions were due to employee error during the examination period.

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Failure to accurately compile and retain data regarding services provided by VSOs at field offices results in inaccurate data for use by the Department upon which to base decisions. Failure to effectively operate field offices at their stated times creates confusion and may hinder veterans from using the resources of the field offices.

DEPARTMENT RESPONSE:

The Department agrees with the finding and is updating procedures to most efficiently meet Veterans' needs and will ensure that updated policies are implemented.

UPDATED RESPONSE:

Status: **Underway** Responsible Party: Mark Patterson

The Department agrees with the finding and is updating procedures to most efficiently meet Veterans' needs and will ensure that updated policies are implemented.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles 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 when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A Chief Procurement Officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

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In the fourth quarter of FY23, IDVA had one emergency purchase for an actual cost of \$45,430 in state funds for inspection and testing of facilities motorized fire and smoke dampers per a new law that took effect January 1, 2022.

In the third quarter of FY24, there were two emergency purchases.

- Estimated cost - \$40,000 in state funds for labor and materials for repairs to fixable condensing units and replacement of broken condensing units for dietary walk-in coolers/freezers.
- Estimated cost - \$40,000 in state funds for labor and materials to diagnose and repair/replace sewer chewer that provides facility with sewage waste removal.

There was one emergency purchase in the fourth quarter of FY24 for an estimated cost of \$55,834 in state funds for IJF to continue to provide services for the Illinois Warrior Assistance Program, a 24/7 helpline.

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 its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2024, DVA had two employees assigned to locations others than official headquarters.