



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS JOINING FORCES FOUNDATION

**Financial Audit
 For the Year Ended June 30, 2021**

Release Date: August 17, 2023

FINDINGS THIS AUDIT: 4				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	3	3	2019	21-3		
Category 2:	0	1	1	2018	21-1		
Category 3:	0	0	0	2016	21-2	21-4	
TOTAL	0	4	4				
FINDINGS LAST AUDIT: 4							

INTRODUCTION

The auditors expressed an **adverse opinion** on the Illinois Joining Forces Foundation’s (Foundation) basic financial statements. The Codification of Statements on Auditing Standards (AU-C § 705.09) states auditors “should express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.”

This digest covers the Foundation’s financial audit for the year ended June 30, 2021. The Foundation’s compliance examination for the year ended June 30, 2021, will be released under a separate cover.

SYNOPSIS

- **(21-1)** The Foundation did not present adequate financial statements and related note disclosures for Fiscal Year 2021.
- **(21-2)** The Foundation did not adhere to the Foundation’s bylaws and/or internal policies, which constituted the Foundation’s internal control structure. In addition, discrepancies existed between the Foundation’s bylaws and internal policies.

Category 1:	Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).
Category 2:	Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.
Category 3:	Findings that have no internal control issues but are in noncompliance with State laws and regulations.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

FAILURE TO PRESENT ADEQUATE FINANCIAL STATEMENTS AND NOTES

The Illinois Joining Forces Foundation (Foundation) did not present adequate financial statements and related note disclosures for Fiscal Year 2021.

During testing, some of the more significant issues we noted included the following instances where the Foundation did not present the financial statements and related note disclosures in accordance with the *Financial Accounting Standards Board (FASB) Accounting Standards Classification (ASC)*:

Related-party transactions not properly disclosed

- The Foundation did not disclose all of its material related-party transactions for Fiscal Year 2021.

Subsequent events not disclosed

- The Foundation did not disclose whether it had any subsequent events.

During testing, some of the more significant issues we noted included the following instances where the Foundation did not present the financial statements and related note disclosures in accordance with sources such as practices that are widely recognized and prevalent, either generally or in the industry, including good business practices:

Amounts in note disclosures do not agree to underlying information in general ledger

- The Foundation disclosed in Note 3 (Liquidity and Availability of Resources) and in Note 6 (Net Assets With Donor Restrictions) an amount of \$250,000 as time restricted net assets. This does not agree to underlying information in the general ledger, which indicates an amount of \$258,583 in net assets with time restrictions.

Line of credit documentation not provided

- The Foundation disclosed in Note 7 (Line of Credit) a line of credit of \$60,000. However, the Foundation did not provide documentation supporting the amount of the line of credit. As such, we were unable to determine whether the disclosure was accurate.

Inaccurate note disclosure

- The Foundation disclosed in Note 9 (Note Payable) that its monthly payments for its Small Business Administration loan are due beginning 2.5 years from the date of the note, June 16, 2020. This does not agree with information presented in the loan agreement, which indicates that monthly payments are due beginning 12 months from the date of the note. Additionally, the Foundation disclosed in Note 9 a schedule of future loan payments which was

inaccurate and did not agree to information presented in the loan agreement. (Finding 1, pages 23-28)

This finding has been reported since 2018.

We recommended the Foundation utilize professional tools, such as checklists, to improve the completeness and quality of its financial statements and related note disclosures. Additionally, we recommended the Foundation develop and consistently apply a method for classifying and allocating expenses on its statement of functional expenses.

Foundation partially accepted recommendations

The Foundation stated it follows GAAP accounting. Additionally, the Foundation stated the items noted in the finding highlight classification findings, which the Foundation did not believe were material to the bottom line of the organization. The Foundation indicated it would correct these classification findings in future financial statements beginning with Fiscal Year 2023, and the Foundation stated it will utilize tools such as checklists to improve the completeness and quality of the financial statements as recommended.

Auditor's comment on Foundation's response

In an auditor's comment, we maintained the Foundation did not present adequate financial statements and related note disclosures for Fiscal Year 2021, as enumerated within the finding.

INADEQUATE INTERNAL CONTROL STRUCTURE

The Foundation did not adhere to the Foundation's bylaws and/or internal policies, which constituted the Foundation's internal control structure. In addition, discrepancies existed between the Foundation's bylaws and internal policies.

During testing, some of the more significant deficiencies we noted included the following:

No formal policies and procedures over personnel records

- The Foundation did not maintain adequate control or have formal policies in place over personnel records. Specifically, we noted the Foundation did not have a system or process in place to track employee attendance, and employee requests for time off were not formally documented.

Receipt documentation not provided

- For 11 of 17 (65%) receipts tested, totaling \$391,675, the Foundation was unable to provide supporting documentation sufficient to enable us to determine whether the receipts were complete, mathematically accurate, and properly approved. As such, we were unable to determine whether the receipts met those requirements.

Disbursement approval documentation not provided

- For 36 of 36 (100%) disbursements tested, totaling \$275,993, the Foundation was unable to provide supporting documentation showing approval of the disbursements. As such, we were unable to determine whether the disbursements were properly approved in accordance with applicable policies.

Inconsistencies between bylaws and internal policies

- The Foundation had inconsistencies between its bylaws and its internal Financial Controls Policy. The bylaws require dual approval from both the Board's treasurer and another Board member for expenses over \$5,000. However, the Financial Controls Policy limits the Executive Director's expenditure authority to disbursements of up to \$1,000 and requires dual approval for all expenses exceeding \$1,000. (Finding 2, pages 29-32)

This finding has been reported since 2016.

We recommended the Foundation's management and Board meet and agree on specific internal control objectives, policies, and practices. Additionally, we recommended Board members and management formally develop and update written policies and procedures to facilitate the Foundation's operations. Finally, we recommended the Foundation strengthen its controls over retention and maintenance of supporting documentation related to the Foundation's fiscal and financial operations.

Foundation partially accepted recommendations

The Foundation stated that it believed some parts of the finding were not accurately stated. The Foundation stated that its Executive Director has the authority to approve expenditures of up to \$5,000 not \$1,000 as stated in this section. The Foundation stated that it has documentation of approval for expenditures over \$5,000. The Foundation stated that it has documentation of disbursements. The Foundation stated that it believed the audit team removed access to specific requests for Fiscal Year 2021 which rendered the Foundation incapable of providing the information to support the Foundation's compliance with these findings. The Foundation stated it has established internal controls and continues to review these. The Foundation stated that its management will document the internal control policies and practices and present them for review annually to the Board of Directors. The Foundation stated that due to the timing of these audit findings, modifications made will not be evidenced until the Foundation's Fiscal Year 2024. The Foundation stated that it developed and implemented an employee handbook in January of 2021, this handbook covers some policies. The Foundation stated that it is continuing to develop policies and procedures that support its operations. The Foundation stated that it appreciated the recommendations

from the audit team and will work to incorporate those recommendations as appropriate.

Auditor's comment on Foundation's response

In an auditor's comment, we maintained the Foundation did not adhere to the Foundation's bylaws and/or internal policies, which constituted the Foundation's internal control structure, and we maintain the conclusion discrepancies existed between the Foundation's bylaws and internal policies, as enumerated within the finding. The Foundation did not provide documentation to address the parts of the finding it took issue with in its above response, neither earlier during the engagement when these matters were first brought to its attention nor in the formal finding stage of the engagement. In addition, the Foundation's claim the audit team removed access to specific requests for Fiscal Year 2021 is inaccurate. The audit team made repeated efforts to communicate its requests to the Foundation throughout the engagement and adopted the use of a secure request sharing software system which was available to both the audit team and the Foundation.

OTHER FINDINGS

The remaining findings pertain to inadequate controls over board membership and a lack of documentation to substantiate compliance with grant agreements. We will review the Foundation's progress towards the implementation of our recommendation in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the Foundation as of and for the year ended June 30, 2021, are not fairly stated in all material respects.

This financial audit was conducted by the Office of the Auditor General's staff.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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