



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF MILITARY AFFAIRS

State Compliance Examination
 For the Two Years Ended June 30, 2022

Release Date: September 14, 2023

FINDINGS THIS AUDIT: 18				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	2	6	8	2020	22-4, 22-8	22-10, 22-17, 22-18	
Category 2:	5	5	10	2018	22-5		
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2016		22-9	
TOTAL	7	11	18	2014		22-12	
				2012	22-2, 22-3		
FINDINGS LAST AUDIT: 18				2004	22-1		

SYNOPSIS

- **(22-1)** The Department did not maintain sufficient controls over its property and related fiscal records.
- **(22-2)** The Department failed to fully comply with the Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing.
- **(22-6)** The Department did not provide adequate documentation or support for testing compliance with multiple statutory mandates.

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**

PROPERTY CONTROL WEAKNESSES

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

Lack of detailed supporting documentation

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

Property listing could not be reconciled

- The State property listing provided by the Department in response to audit requests could not be reconciled with the ending balances reported in the Form C-15 Reports for the fourth quarters ended June 30, 2021, and June 30, 2022, and to the balances reported in the annual inventory certifications submitted to the Department of Central Management Services (CMS).

Unable to reconcile the Department's records

- Annual additions, deletions and net transfers report provided by the Department could not be agreed to activity reports in the quarterly Form C-15 Reports submitted to the Comptroller.
- Property additions per the Form C-15 Reports could not be reconciled to the Comptroller's records reflected on the Object Expense/Expenditures by Quarter Report (SA02).

Unable to test if purchases were appropriately recorded

- During testing, the Department failed to provide documentation of supporting calculations for the SCO-537/538 forms, and therefore, we were unable to test if the Department appropriately recorded the purchase as a building improvement, land improvement, or site improvement.

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

Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole, we performed testing using the records available.

Some of the more significant issues noted included the following:

Equipment items were not found on the Department's property listing

- Thirteen of 60 (22%) equipment items were not found in the Department's property listing.

Equipment items were added to property records 42 to 1,408 days late

- Thirty-eight of 60 (63%) equipment items, totaling \$689,471, were recorded in the Department's property records more than 90 days after acquisition, ranging from 42 to 1,408 days late.

Equipment items were recorded twice in the property listing

- Four of 60 (7%) equipment items, totaling \$172,020, were recorded twice in the Department's records.

Permanent improvements totaling \$7,381,530 were not added to the property records

- Twenty-seven of 29 (93%) permanent improvement vouchers tested, totaling \$7,381,530, were remodeling, renovation, and site improvement expenditures, but were not added to the Department's property records.

CDB transfers-in were not recorded

- For nine of nine (100%) Capital Development Board (CDB) projects tested, totaling \$12,816,993 as of June 30, 2022, the Department failed to record transfers-in from CDB to the Department's property records. (Finding 1, pages 10-14)

This finding has been reported since 2004.

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

Department officials agreed

Department officials agreed with the finding.

NONCOMPLIANCE WITH FISCAL CONTROL AND INTERNAL AUDITING ACT AND INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

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

A few of the issues we noted during our review of the Department's internal audit activities for Fiscal Years 2021 and 2022 follow:

No two-year audit plan for Fiscal Year 2021

- The Department did not have a two-year audit plan for the Fiscal Year ended June 30, 2021.

No internal audit reports completed during Fiscal Years 2021 and 2022

- Audits of the Department's major systems of internal accounting and administrative controls were not completed during Fiscal Years 2021 and 2022, thus there were no internal audit reports completed and issued during the examination period.

No written report of audit plan

- The Chief Internal Auditor did not submit a written report to the Adjutant General detailing how the audit plan was carried out, the significant findings, and the extent to which recommended changes were implemented for Fiscal Years 2021 and 2022. (Finding 2, pages 15-17)

This finding has been reported since 2012.

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

Department officials agreed

Department officials agreed with the finding.

FAILURE TO PROVIDE RECORDS OF COMPLIANCE WITH STATUTORY MANDATES

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

No supporting documentation provided to verify termination of officers' commissions

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

We also requested a response and information on the Department's compliance with other sections of the Military Code of Illinois. However, the Department did not provide responses to our requests. Therefore, we were unable to determine if the Department was in compliance with several other sections of the Military Code of Illinois. (Finding 6, pages 27-28)

We recommended the Department comply with the Illinois State Auditing Act and provide the Auditor General with requested documentation without delay.

Department officials agreed

Department officials agreed with the finding.

OTHER FINDINGS

The remaining findings are reportedly being given attention by Department personnel. We will review the Department’s progress towards the implementation of our recommendations in our next State compliance examination.

ACCOUNTANT’S OPINION

The accountants conducted a State compliance examination of the Department of Military Affairs (Department) for the two years ended June 30, 2022, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2022-001 through 2022-008. Except for the noncompliance described in these findings, the accountants stated the Department complied, in all material respects, with the requirements described in the report.

This State compliance examination was conducted by Roth & Company, LLP.

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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