

**STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE**

**COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2006



STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2006

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STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
COMPLIANCE EXAMINATION  
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**AGENCY OFFICIALS**

Executive Director (12/15/2006 to current)	Ms. Tammy Duckworth
Executive Director (7/1/2004 to 12/14/2006)	Mr. Roy Dolgos
Assistant Director	Ms. Rochelle Crump
Chief Legal Counsel (8/16/2006 to current)	Mr. Joe McMenamin
Chief Legal Counsel (7/1/2004 to 8/15/2006)	Vacant
Fiscal Officer (11/16/2005 to current)	Ms. Deborah Miller
Fiscal Officer (07/01/2004 to 08/09/2005)	Mr. Curt Stephens

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P.O. Box 19432  
Springfield, Illinois 62794-9432

James R. Thompson Center  
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STATE OF ILLINOIS  
**DEPARTMENT OF VETERANS' AFFAIRS**

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ROD R. BLAGOJEVICH  
GOVERNOR

L. TAMMY DUCKWORTH  
DIRECTOR

MANAGEMENT ASSERTION LETTER

October 31, 2006

Honorable William G. Holland  
Auditor General  
Hes Park Plaza  
740 East Ash Street  
Springfield, Illinois 62703-3154

Dear Mr. Holland:

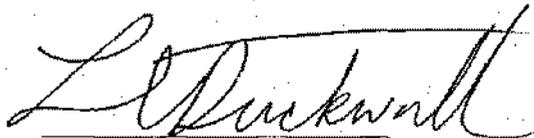
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Department of Veterans' Affairs (Department). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the two-year period ended June 30, 2006. Based on this evaluation, we assert, to the best of our knowledge and belief, that during the two years ended June 30, 2006, the Department has materially complied with the assertions below.

- A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

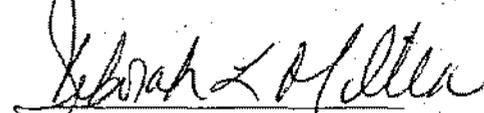
- D. The State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and record keeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and record keeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

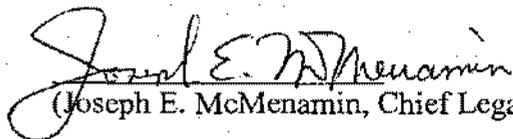
Department of Veterans' Affairs



(L. Tammy Duckworth, Director)



(Deborah L. Miller, Fiscal Officer)



(Joseph E. McMenamin, Chief Legal Counsel)

## COMPLIANCE REPORT

### SUMMARY

The compliance testing performed in this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

### AUDITORS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

### SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	8	3
Repeated findings	0	0
Prior recommendations implemented or not repeated	3	2

Details of findings are presented in a separately tabbed report section.

### SCHEDULE OF FINDINGS

#### FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
06-1	9	Inadequate internal controls over travel
06-2	13	Non-compliance with the State Officials and Employees Ethics Act
06-3	14	Inadequate controls over employee attendance
06-4	16	Ethics officer did not review statements of economic interests
06-5	18	Untimely and incomplete staffing standards reports
06-6	19	Failure to establish a Veterans' Memorial Commission
06-7	20	Department inaccurately compiled and reported the activities of its Veterans' Service Officers

06-8            23            Lack of Disaster Recovery Plan

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

06-9            25            Efficiency initiative payments

06-10          25            Inadequate monitoring procedures

06-11          25            Inadequate controls over telecommunications

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on January 24, 2007. Attending were:

Department of Veterans' Affairs  
Mike Gough, Chief of Staff  
Deborah Miller, Fiscal Officer

Office of the Auditor General  
Gayla Rudd, Manager  
Courtney Dzierwa, Supervisor  
Christina Jankousky, Staff Auditor

Responses to the recommendations were provided by Deborah Miller, Fiscal Officer in correspondence dated February 1, 2007.

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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have examined the State of Illinois, Department of Veterans' Affairs – Central Office's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2006. The management of the State of Illinois, Department of Veterans' Affairs – Central Office is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Veterans' Affairs – Central Office's compliance based on our examination.

- A. The State of Illinois, Department of Veterans' Affairs – Central Office has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Department of Veterans' Affairs – Central Office has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Department of Veterans' Affairs – Central Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the State of Illinois, Department of Veterans' Affairs – Central Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Department of Veterans' Affairs – Central Office on behalf of the State or held in trust by the State of Illinois, Department of Veterans' Affairs – Central Office have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Department of Veterans' Affairs – Central Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Department of Veterans' Affairs – Central Office's compliance with specified requirements.

In our opinion, the State of Illinois, Department of Veterans' Affairs – Central Office complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2006. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 06-1, 06-2, 06-3, 06-4, 06-5, 06-6, 06-7, and 06-8.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter.

### **Internal Control**

The management of the State of Illinois, Department of Veterans' Affairs – Central Office is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois, Department of Veterans' Affairs – Central Office's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 06-1, 06-3, 06-7, and 06-8.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter.

**Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2005 and 2006 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments and Katrina Relief Efforts on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2004 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

  
BRUCE L. BULLARD, CPA  
Director of Financial and Compliance Audits

October 31, 2006

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2006

06-1. **FINDING** (Inadequate internal controls over travel)

The Department of Veterans' Affairs (Department) did not maintain adequate internal controls over travel.

We noted the following weaknesses:

- Employees who were personally assigned State vehicles did not provide certifications of liability insurance coverage extending to the employee when the assigned vehicle is used for other purposes than official State business. The Illinois Vehicle Code (625 ILCS 5/7-601(c)) states State employees that are assigned vehicles shall provide certification of liability insurance coverage extending to the employee when the assigned vehicle is used for other than official State business. Department personnel assumed the auto liability affidavit all employees complete annually was sufficient to cover this requirement. Failure for State employees that are assigned vehicles to provide certification of liability insurance coverage extending to the employee when the assigned vehicle is used for other than official State business is noncompliance with State statute.
- Reimbursements were made for expenses between the employees' residence and headquarters. We noted 2 of 25 (8%) employees were reimbursed a total of \$48 for commuting expenses incurred between the employees' residences and headquarters. The Travel Regulation Council Rules (Title 80, Section 3000.220) state expenses incurred between an employee's residence and headquarters are not reimbursable. Department personnel stated the reimbursements made for expenses between the employees' residence and headquarters were due to agency oversight. Failure to follow the Governors Travel Control Board regulations increases the risk that non-reimbursable expenditures will occur and not be detected.
- Employee controlled housing reimbursements exceeded the monthly limits. We noted 3 of 3 (100%) months where one employee's reimbursements for employee controlled housing exceeded the monthly limit by a total of \$83. According to the approval letter from the Governor's Travel Control Board, the employee controlled housing reimbursement for this employee for each month may not exceed \$550. Department personnel stated the employee controlled housing reimbursements exceeded the cap for the month due to agency oversight. Failure to follow the Governors Travel Control Board regulations increases the risk that non-reimbursable expenditures will occur

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and not be detected.

- The report for vehicle personal use for income reporting was inaccurate. We noted 1 of 10 (10%) employee's report for vehicle personal use for income reporting was understated by \$190. The Internal Revenue Regulation 1.61-21 "Taxation of Fringe Benefits" specifies that gross income includes fringe benefits (e.g., an employer-provided automobile). The Department stated the inaccurate report for vehicle personal use for income reporting was due to agency oversight and employee error in completing the form. Failure to ensure employees report accurate information regarding fringe benefits received reduces the accuracy of income information provided by the Department to the Office of the Comptroller.
- Travel vouchers did not agree to supporting documentation. We noted the activities reported on one employee's itinerary and travel destinations reported on the same employee's travel vouchers did not agree to the employee's gas receipts and the mileage accumulated on his State vehicle. In many instances, the itinerary would not include information regarding a trip, yet gas was purchased at various locations for the employee's State vehicle. In addition, the mileage accumulated on the employee's State vehicle exceeded standard miles for the destinations as noted on the corresponding travel vouchers and itineraries. Good business practices require a thorough review of supporting documentation to ensure agreement with travel vouchers submitted. The Department stated the employee travels according to need and travel not requiring overnight stay is not included on travel vouchers. Failure to reconcile travel vouchers to supporting documentation increases the risk improper expenses will be reimbursed and reduces the employee's accountability for State time.
- An employee was reimbursed twice for the same expense incurred. We noted the employee was reimbursed \$15 twice for the same car wash. Good business practices require a thorough review of all travel vouchers submitted to ensure employees are not reimbursed twice for the same expenses incurred. The Department stated the reimbursed expenditure that was double billed was due to agency oversight. Failure to properly review supporting documentation increases the risk that errors, double billing, and irregularities will occur and not be detected. (Finding Code No. 06-1)

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**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2006

**RECOMMENDATION**

We recommend the Department:

- Require State employees who are assigned vehicles provide certification of liability insurance coverage extending to the employee when the assigned vehicle is used for other than official State business;
- Follow the Governors Travel Control Board and Travel Regulation Council regulations and Internal Revenue Service regulations;
- Enhance internal controls for reviewing and reporting use of state vehicle for personal use to ensure accurate income and tax reporting;
- Implement adequate internal controls over payments of travel;
- Compare reimbursement requests received with previous reimbursement requests to ensure duplicate payments are not issued; and
- Obtain reimbursements from employees where overpayments were made.

**DEPARTMENT RESPONSE**

The Department agrees with the travel weaknesses noted in the audit report. Agency travel vouchers are reviewed for compliance with the Governor's Travel Control Board and Travel Regulation Council regulations by the Fiscal Department. Every effort is made to identify travel voucher inconsistencies with the regulations. However, manual review processes are subject to human error. The Department will review the travel regulations and make every effort to accurately review travel vouchers.

The need for complete and accurate travel records for supporting documentation for travel vouchers has been communicated to senior staff members. The Department will closely review travel vouchers to ensure that proper supporting documentation is provided and applies to the travel voucher report period with further review as necessary to avoid duplicate reimbursement payments.

The Department was unaware of the requirement for employees who were personally assigned State vehicles to provide certification of liability insurance

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coverage extending to the employee when the assigned vehicle is used for other purposes than official State business. The Department implemented a new form in FY07 for employees to certify they have liability insurance for coverage when the assigned vehicle is used for other purposes than official State business.

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**SCHEDULE OF FINDINGS**  
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06-2. **FINDING** (Non-compliance with the State Officials and Employees Ethics Act)

The Department of Veterans' Affairs (Department) did not maintain time sheets in compliance with the State Officials and Employee Ethics Act (Act).

We noted employees were required to complete a Daily Attendance sheet that stated the time arriving and leaving the office. However, the time sheets did not document the time spent each day on official State business to the nearest quarter hour.

The Act requires the Department to adopt personnel policies consistent with the Act. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour."

Department personnel stated that they were unaware of the requirement.

Failure to periodically submit time sheets documenting the time spent each day on official State business is noncompliance with State statute. (Finding Code No. 06-2)

**RECOMMENDATION**

We recommend the Department comply with the State Officials and Employees Ethics Act by requiring employees to periodically submit time sheets recording time spent each day on official State business to the nearest quarter hour.

**DEPARTMENT RESPONSE**

The Department of Veterans' Affairs agrees with the finding that the Department did not maintain time sheets in compliance with the State Officials and Employees Ethics Act. Agency staff was unaware of the State Officials and Employees Ethics Act requirement to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour. IDVA's standard time sheet will be reviewed and revised to include the appropriate language in order to comply with the required statute.

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06-3. **FINDING** (Inadequate controls over employee attendance)

The Department of Veterans' Affairs (Department) did not exercise adequate controls over employee attendance. We tested 35 employees and noted the following:

- For the four months tested, 12 (34%) employees' Monthly Attendance Reports did not correctly reflect their Daily Attendance Reports. We noted 34 instances where adjustments to the employee's accrued leave time records for absences from work were made between 2 and 87 days after the 30-day period following the absence. Auditors deemed 30 days as a reasonable period in which to make adjustments. In addition, the Illinois Administrative Code (80 Ill. Adm. Code 303.340) states each operating agency shall maintain accurate, daily attendance records. Department personnel stated the adjustments were made untimely due to the large number of absences and leave requests received.
- In addition, the Department did not enforce its policy which requires employees to submit hand-written Employee Daily Attendance Reports. We noted 28 instances where the Department accepted semi-monthly computer-generated reports from employees, which is inconsistent with the Department's policy as stated in the Department's Employee Handbook. Department personnel stated the Employee Handbook has not been updated to reflect current practices.

Inadequate controls over timekeeping procedures could result in late and inefficient operations. Failure to maintain accurate attendance records increases the risk of the Department paying for services not rendered by employees. (Finding Code No. 06-3)

**RECOMMENDATION**

We recommend the Department implement the necessary controls in order to maintain accurate daily attendance records in compliance with the Illinois Administrative Code. Further, the Department should maintain adequate controls over personnel working in this area to ensure that proper care is taken to record the time correctly and to help reduce the number of adjustments needed. In addition, the Department should update their employee handbook to reflect current timekeeping procedures.

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DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**SCHEDULE OF FINDINGS**  
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**DEPARTMENT RESPONSE**

The Department agrees with the finding that the Department did not exercise adequate controls over employee attendance. Current timekeeping procedures were reviewed with responsible staff to determine that a monthly designated date to review time sheets and corresponding leave requests would assist in identifying timekeeping discrepancies, and would allow discrepancies to be investigated and corrected with an appropriate time frame of 30 days as recommended. All responsible supervisors will be formally notified of the discrepancy and given a response due date. Due dates will be monitored closely. Delinquent responses will be reported to the Deputy Director of Human Resources for additional follow-up.

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06-4. **FINDING** (Ethics officer did not review statements of economic interests)

The Department of Veterans' Affairs (Department) did not review statements of economic interests in compliance with the State Officials and Employees Ethics Act (5 ILCS 430/20-23). In addition, the Department did not notify the Secretary of State of all employees whose position subjected them to the requirements to file economic interest statements in compliance with the Illinois Governmental Ethics Act (5 ILCS 420/4A-101(f)(1) and (7)).

We noted the Department's Ethics Officer did not review the 2005 and 2006 Statements of Economic Interests for employees in all divisions of the Department, including the Manteno Veterans' Home, Quincy Veterans' Home, LaSalle Veterans' Home, Anna Veterans' Home, Central Office, State Approving Authority, and the Field Services before they were filed with the Secretary of State. We also noted two employees at the Quincy Veterans' Home and five employees from the Manteno Veterans' Home were omitted from the list of employees required to file statements of economic interests.

The State Officials and Employees Ethics Act requires the ethics officer to review statements of economic interests and disclosure forms of officers, senior employees, and contract monitors before they are filed with the Secretary of State. The Illinois Governmental Ethics Act requires a head of a department and also persons who have supervisory responsibility for 20 or more State employees to file an economic interest statement with the Secretary of State by May 1<sup>st</sup> of each year.

Department personnel stated the ethics officer was unaware of the requirement to review the economic interest statements. Department personnel also stated the failure to include the omitted employees from the lists of those required to file were caused by hirings and changes in job duties during the affected years.

Failure to file and review economic interest statements could lead to employees making decisions in which they should have been disqualified due to a conflict of interest and is noncompliance with State statute. (Finding Code No. 06-4)

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**RECOMMENDATION**

We recommend the Department comply with the State Officials and Employees Ethics Act by requiring the ethics officer to review the statements of economic interests before they are filed with the Secretary of State. Further, the Department should periodically review job duties and personnel transactions to ensure all required employees file economic interest statements with the Secretary of State.

**DEPARTMENT RESPONSE**

The Department of Veterans' Affairs agrees with the finding that the Department did not review statements of economic interest in compliance with the State Officials and Employees Ethics Act and did not notify the Secretary of State of all employees whose position subjected them to the requirements to file economic interest statements in compliance with the Illinois Governmental Ethics Act. The Department has a new Ethics Officer who was not aware of the requirement to review statements of economic interest or to notify the Secretary of State of changes in employees whose position subjected them to the requirement to file economic interest statements in compliance with the State Officials and Employees Ethics Act.

For FY2007 the Ethics Officer has sent out an instructional memo to employees to return the statement of economic interest directly to the Ethics Officer for review. In addition, the Ethics Officer is receiving monthly updates on changes in employees whose position subjects them to the requirement to file economic interest statements. The Ethics Officer is notifying the Secretary of State of those changes as required.

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06-5. **FINDING** (Untimely and incomplete staffing standards reports)

The Department of Veterans' Affairs (Department) did not submit required reports on direct patient care at State Veterans' Homes timely. Further, the reports did not contain all required information.

The Department submitted all four reports on direct patient care at State Veterans' Homes to the General Assembly between 25 to 29 days late. In addition, the reports did not contain the required information regarding the number of additional direct care staff that would be necessary to be in compliance with the standards.

The Department of Veterans Affairs Act (Act) (20 ILCS 2805/2.07) requires the Department to submit the reports on direct patient care at State Veterans' Homes by January 1 and July 1 of each year. The Act also states if the staff employed is insufficient in providing the required hours of direct patient care at their veterans' homes as established by the United States Department of Veterans' Affairs, the report must specify the number of staff necessary to achieve compliance.

Department officials stated the reports were not submitted timely and did not contain all required information due to an oversight and a misunderstanding of the statutory requirements.

Failure to submit the reports timely and include all required information is noncompliance with State statute. (Finding Code No. 06-5)

**RECOMMENDATION**

The Department of Veterans' Affairs should submit required reports timely and include all required information.

**DEPARTMENT RESPONSE**

The Department of Veterans' Affairs agrees with the finding that the Department did not submit required reports on direct patient care at State Veterans' Homes timely and did not contain all the required information. The report to the legislative leaders of the Illinois General Assembly will be submitted no later than July 1 and January 1 of each year and will include the number of direct care staff required to meet 2.5 – minimum standard for the hours of care in any instance where the standard is not met.

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06-6. **FINDING** (Failure to establish a Veterans' Memorial Commission)

The Department of Veterans' Affairs (Department) did not establish the Veterans' Memorial Commission.

An amendment to the Department of Veterans Affairs Act (Act) (20 ILCS 2805/7), effective August 4, 2005, requires the Department to establish the Veterans' Memorial Commission to perform the following duties:

- Gather information on memorial preservation and management;
- Advise State and local governments and other entities in the creation, custody, care, and upkeep of veterans' memorials;
- Conduct studies and make reports regarding the various laws and rules affecting veterans' memorials to determine whether consolidation or other changes in the laws or rules are needed to facilitate memorial preservation; and
- Raise awareness of issues affecting veterans' memorials.

Department personnel stated they were unaware of the statutory requirement to establish the Veterans' Memorial Commission.

Failure to establish the Veterans' Memorial Commission is noncompliance with State statute. (Finding Code No. 06-6)

**RECOMMENDATION**

The Department should establish the Veterans' Memorial Commission and ensure all duties of the Commission are carried out in accordance with the Act.

**DEPARTMENT RESPONSE**

The Department of Veterans' Affairs agrees with the finding that the Department did not establish the Veterans' Memorial Commission. A DVA staff member was appointed as Commission Chair on 1/18/07. The Chairperson sent letters to four veterans organizations requesting a nomination of a representative from each organization to be a member of the Veterans' Memorial Commission. The first Commission meeting is tentatively scheduled for the first week of March 2007.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**SCHEDULE OF FINDINGS**

For the Two Years Ended June 30, 2006

- 06-7. **FINDING** (Department inaccurately compiled and reported the activities of its Veterans' Service Officers)

The Department of Veterans' Affairs (Department) inaccurately compiled and reported the activities of its Veterans' Service Officers.

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. Veterans' Service Officers are employed in these locations to answer questions, provide assistance with filing paperwork, and address telephone calls. The Veterans' Service Officers prepare daily, weekly, and monthly records of their numbers 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.

We tested 10 of 49 (20%) full-time field offices operated by the Department. At each of the 10 field offices, we tested 6 months' worth of monthly statistical reports for a total of 60 monthly statistical reports tested. In addition, we judgmentally selected 1 week from each of the monthly statistical reports for detail testing and comparison to its corresponding daily interview records for a total of 60 weeks tested. We noted the following:

- Thirty seven of 60 (62%) monthly statistical reports did not accurately trace to the underlying weekly statistical reports.
- Four of 60 (7%) weekly statistical reports did not accurately foot or cross-foot.
- Thirty one of 60 (52%) weekly statistical reports did not accurately trace to the underlying daily interview records.
- Nine of 60 (15%) weekly statistical reports included days where the sign-in records did not correspond to the daily interview records.

In addition, we reviewed the monthly statistical reports prepared for the North, Central, and South divisions of the Veterans' Service Offices. We noted computation errors in 6 of 9 (67%) months tested.

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Furthermore, we selected 25 veterans to examine their files for documentation of disability in cases where the veteran was issued a hunting, fishing, and/or camping license on the basis of disability. One of 25 (4%) veteran files could not be located by the Veterans' Service Officer.

Good business practices require sufficient documentation and maintenance of records in order to report accurate information to division supervisors. According to the Department of Veterans Affairs Act (Act) (20 ILCS 2805/3), the Department shall cause to be maintained, at its various offices, case files containing records of services rendered to each applicant, progress cards, and a follow-up system to facilitate the completion of each request.

Department personnel stated antiquated field office reporting procedures caused inaccurate reporting.

Failure to accurately compile data regarding services provided by Veterans' Service Officers result in inaccurate data in the Department's Service Efforts and Accomplishments report submitted to the Office of the Comptroller. Furthermore, these inaccuracies provide management with inaccurate information upon which to base decisions. (Finding Code No. 06-7)

**RECOMMENDATION**

We recommend the Department establish appropriate internal controls and enforce procedures to ensure employees maintain accurate and complete records.

**DEPARTMENT RESPONSE**

The IL Department of Veterans' Affairs Field Services has taken the following actions as a result of the audit finding,

Effective March 1, 2007

- The Veteran Service Officers will begin using a revised reporting form to ensure daily, weekly and monthly entries are accurate and reflects benefit assistance provided to veterans and their dependents.
- Field boundaries will be changed and a new division will be established to increase supervisory visits and monitoring of recorded data and day to day office operations.

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- Established policy requiring Veteran Service Officers to return all files to the file drawers, no later than 2 days after service has been provided.
- Supervisors held training with all Veteran Service Officers January 16-18, 2007 and provided instructions on how to accurately record all daily, weekly and monthly data.

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06-8. **FINDING** (Lack of Disaster Recovery Plan)

The Department of Veterans' Affairs (Department) had not updated its Disaster Recovery Plan or performed recovery testing of the Central Office computing environment within the examination period.

The Department relies on its computer systems to meet its mission and mandate.

The Department maintains a Disaster Recovery Plan (Plan), dated 1999; however, the 1999 version of the Plan was re-approved on April 9, 2004. The Plan contains outdated information and does not address the Central Office's role in recovery of the Department's Homes and Field Offices.

Additionally, testing of the Department's Disaster Recovery Plan had not been conducted in the examination period.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorse the formal development and testing of disaster recovery plans. Tests of disaster recovery plans (and the associated documentation of the test results) verify that the plan, procedures, resources provide the capability to recover critical systems within the required timeframe.

Department officials stated due to limited manpower, resources and funding, the disaster recovery efforts have been limited over the past years.

Failure to adequately update and test the disaster recovery plans leaves the Department exposed to the possibility of major disruptions of services. A comprehensive test of the plan across all platforms utilized will assist management in identifying weaknesses to ensure recovery procedures are adequate in the event of a disaster. Continuous reviews and tests of plans would help management ensure the plans are adequately modified, as the Department's computing environment and disaster recovery needs change. (Finding Code No. 06-8)

**RECOMMENDATION**

The Department should review and update its Disaster Recovery Plan. Once updated the Department should ensure the Plan is approved by management and adequately tested to ensure it meets the Department's needs. Also, the Department should

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perform and document tests of its Plan at least once a year. Further, the Plan should be continuously updated to reflect environmental changes and improvements identified from tests.

**DEPARTMENT RESPONSE**

The IT Division has reviewed audit finding code no. 06-8 (Lack of Disaster Recovery Plan) and agrees with the finding and the auditor's recommendation. Action will be taken to correct the audit finding after IDVA has reconfigured to a single domain, the new FY07 computers are installed, the W2003 and XP operating systems are upgrades, and new software is installed. Because we are in the middle of this transition, efforts to rewrite the Disaster Recovery plan prior to the completion of these initiatives would be a waste of time. This strategy was discussed with the auditors as an acceptable approach. Offsite testing will take place directly thereafter.

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**PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)**

For the Two Years Ended June 30, 2006

06-9      **FINDING**      (Efficiency initiative payments)

In the prior examination period, the Department of Veterans' Affairs (Department) made payments for efficiency initiative billings from improper line item appropriations. During testing we found that the Department made payments for these billings not from line item appropriations where the cost savings were anticipated to have occurred but from line items that simply had available monies to make payments.

During the current examination period, the Department's Central Office received and paid for one efficiency initiative billing from its appropriation in FY05. The Department appears to have paid for this billing from the correct appropriation, based on our review of supporting documentation. (Finding Code No. 04-1)

06-10      **FINDING**      (Inadequate monitoring procedures)

In the prior examination period, the Department of Veterans' Affairs (Department) did not have adequate monitoring procedures in place over all its contracts. During testing, we noted that the Department paid but did not adequately monitor an FY04 contract. The Department could not provide sufficient evidence that the vendor produced the various manuals, provided all services to Department clients, or provided the quarterly reports.

During the current examination period, the Department did not renew its contract with the vendor. During our testing, we found no instances during the current examination period where contracts were inadequately monitored. (Finding Code No. 04-2)

06-11      **FINDING**      (Inadequate controls over telecommunications)

In the prior examination period, the Department of Veterans' Affairs (Department) did not maintain adequate internal controls over telecommunications. More specifically, the Department did not have a telecommunications device for the deaf installed and operational, did not have adequate procedures in place to monitor the use of State phones, and did not have adequate controls over the revocation of telephone credit cards.

During the current examination period, the Department installed a telecommunications device for the deaf, developed adequate procedures to monitor the use of State phones, and exercised adequate controls over the revocation of telephone credit cards. (Finding Code No. 04-3)

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**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
  - Schedule of Expenditures of Federal Awards
  - Notes to the Schedule of Expenditures of Federal Awards
  - Schedule of Appropriations, Expenditures and Lapsed Balances
  - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  - Schedule of Efficiency Initiative Payments
  - Schedule of Changes in State Property
  - Comparative Schedule of Cash Receipts
  - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
  - Analysis of Significant Variations in Expenditures
  - Analysis of Significant Variations in Receipts
  - Analysis of Significant Lapse Period Spending
  - Analysis of Accounts Receivable
  
- Analysis of Operations:
  - Agency Functions and Planning Program
  - Katrina Relief Efforts (Not Examined)
  - Average Number of Employees
  - Service Efforts and Accomplishments (Not Examined)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2005 and 2006 Supplementary Information for State Compliance purposes, except for information on Service Efforts and Accomplishments and Katrina Relief Efforts on which they did not perform any procedures. However, the auditors do not express an opinion on the supplementary information.

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30,  
(amounts expressed in thousands)

<b>Federal Grantor/Division/Program Title</b>	<b>Federal CFDA Number</b>	<b>2005</b>	<b>2006</b>
<b>U.S. Department of Veterans' Affairs</b>			
Anna Veterans' Home -			
Veterans State Domiciliary Care	64.014	\$ 83	\$ 101
Manteno Veterans' Home -			
Veterans State Domiciliary Care	64.014	-	-
Quincy Veterans' Home -			
Veterans State Domiciliary Care	64.014	331	309
Total State Domiciliary Care		<u>\$ 414</u>	<u>\$ 410</u>
Anna Veterans' Home -			
Veterans State Nursing Home Care	64.015	\$ 1,044	\$ 1,110
LaSalle Veterans' Home -			
Veterans State Nursing Home Care	64.015	2,380	2,309
Manteno Veterans' Home -			
Veterans State Nursing Home Care	64.015	6,201	6,287
Quincy Veterans' Home -			
Veterans State Nursing Home Care	64.015	9,228	9,443
Total State Nursing Home Care		<u>\$ 18,853</u>	<u>\$ 19,149</u>
All-Volunteer Force Educational Assistance	64.124	<u>\$ 764</u>	<u>\$ 884</u>
Total All-Volunteer Force Educational Assistance		<u>\$ 764</u>	<u>\$ 884</u>
U.S. Department of Veterans' Affairs Total		<u><u>\$ 20,031</u></u>	<u><u>\$ 20,443</u></u>
 <b>U.S. Department of Education</b>			
Troops to Teachers	84.815	<u>\$ -</u>	<u>\$ 133</u>
Total Troops to Teachers		<u>\$ -</u>	<u>\$ 133</u>
U.S. Department of Education Total		<u><u>\$ -</u></u>	<u><u>\$ 133</u></u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 20,031</u></u>	<u><u>\$ 20,576</u></u>

Note: The accompanying notes to the Schedule of Expenditures of Federal Awards are

an integral part of this schedule.

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**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Two Years Ended June 30, 2006

**NOTE 1 - Significant Accounting Policies**

**A. Basis of Presentation**

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the State of Illinois, Department of Veterans' Affairs – Central Office (Department), for the years ended June 30, 2006 and June 30, 2005.

**B. Basis of Accounting**

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

**NOTE 2 - Description of Grant Programs**

The following is a brief description of the grant programs included in the Schedule of Expenditures of Federal Awards:

*Veterans State Domiciliary Care – CFDA # 64.014*

Objective is to provide financial assistance to States furnishing domiciliary care to eligible veterans in State Veterans' Homes, which meet the standards prescribed by the Secretary of Veterans Affairs.

*Veterans State Nursing Home Care – CFDA # 64.015*

Objective is to provide financial assistance to States furnishing nursing home care to eligible veterans in State Veterans' Homes, which meet the standards prescribed by the Secretary of Veterans Affairs.

*All-Volunteer Force Educational Assistance – CFDA # 64.124*

Objectives are to help servicepersons readjust to civilian life after their separation from military service and to assist in the recruitment and retention of highly qualified personnel in the active and reserve components in the Armed Forces by providing education benefits.

*Troops-to-Teachers – CFDA # 84.815*

Objectives are to assist eligible members of the armed forces to obtain certification or licensing as elementary school teachers, secondary school teachers, or vocational or technical teachers and to become highly qualified teachers. The program also helps these individuals find employment in high-need local education agencies or chartered schools.

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**NOTE 3 - Pass-Through and Subrecipient Awards**

The Department received all of its Federal assistance directly from the U.S. Department of Veterans' Affairs, and did not provide any awards to subrecipients.

**NOTE 4 - Noncash Awards**

The Department did not receive any noncash awards.

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**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30, 2006

P.A. 94-0015 FISCAL YEAR 2006	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31		
<b>General Revenue Fund (001) - Central Office (49701)</b>					
Personal Services	\$ 1,738,800	\$ 1,641,947	\$ 53,814	\$ 1,695,761	\$ 43,039
Employee Retirement					
Contributions Paid by Employer	5,500	5,431	0	5,431	69
State Contribution to State					
Employees' Retirement System	135,500	125,903	6,303	132,206	3,294
State Contributions to Social Security	138,700	120,111	6,014	126,125	12,575
Contractual Services	427,500	388,153	30,682	418,835	8,665
Travel	31,500	28,625	2,851	31,476	24
Commodities	17,800	14,936	928	15,864	1,936
Printing	5,900	5,849	0	5,849	51
Equipment	4,500	4,110	246	4,356	144
Electronic Data Processing	652,300	439,318	138,186	577,504	74,796
Telecommunications	47,700	36,305	11,016	47,321	379
Operation of Automotive Equipment	15,100	12,408	2,041	14,449	651
Bonus Payments to War Veterans'	97,800	27,596	900	28,496	69,304
Educational Opportunities	163,700	136,500	5,000	141,500	22,200
Specially Adapted Housing	223,000	212,500	0	212,500	10,500
Cottage & Erection of Veterans' Headstones	615,800	397,300	70,600	467,900	147,900
Cottage & Erection of Veterans' Headstones - PY	34,200	27,900	1,100	29,000	5,200
MIA/POW Scholarship	1,713,500	644,487	1,065,636	1,710,123	3,377
Total Fiscal Year 2006	\$ 6,068,800	\$ 4,269,379	\$ 1,395,317	\$ 5,664,696	\$ 404,104

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**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30, 2006

P.A. 94-0015  FISCAL YEAR 2006 <b>Fund (725)- Central Office (49701)</b>	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period		Balances Lapsed August 31
			Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	
Illinois Military Family Relief Fund	\$ 250,000	\$ 39,000	\$ 6,000	\$ 45,000	\$ 205,000
Total Fiscal Year 2006	\$ 250,000	\$ 39,000	\$ 6,000	\$ 45,000	\$ 205,000
<b>GRAND TOTAL ALL FUNDS- Central Office</b>	<b>\$ 4,308,379</b>	<b>\$ 1,401,317</b>	<b>\$ 5,709,696</b>		
<b>General Revenue Fund (001) - Field Services (49715)</b>					
Personal Services	\$ 3,467,200	\$ 2,615,163	\$ 131,223	\$ 2,746,386	\$ 720,814
Employee Retirement					
Contributions Paid by Employer	31,800	20,188	0	20,188	11,612
State Contribution to State					
Employees' Retirement System	270,100	203,889	10,258	214,147	55,953
State Contributions to Social Security	262,800	192,901	9,733	202,634	60,166
Contractual Services	464,400	240,151	15,161	255,312	209,088
Travel	110,100	73,103	6,527	79,630	30,470
Commodities	15,300	11,860	457	12,317	2,983
Printing	8,900	5,478	2,236	7,714	1,186
Equipment	51,100	48,998	0	48,998	2,102
Electronic Data Processing	48,600	38,798	2,014	40,812	7,788
Telecommunications	108,200	77,275	16,328	93,603	14,597
Operation of Automotive Equipment	21,900	12,637	1,539	14,176	7,724
Total Fiscal Year 2006	\$ 4,860,400	\$ 3,540,441	\$ 195,476	\$ 3,735,917	\$ 1,124,483
<b>GRAND TOTAL ALL FUNDS- Field Services</b>	<b>\$ 3,540,441</b>	<b>\$ 195,476</b>	<b>\$ 3,735,917</b>		

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P.A. 94-0015 FISCAL YEAR 2006	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period		Balances Lapsed August 31
			Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	
	\$ 493,300	\$ 459,669	\$ 25,732	\$ 485,401	\$ 7,899
Employee Retirement					
Contributions Paid by Employer	3,900	3,654	0	3,654	246
State Contribution to State					
Employees' Retirement System	38,400	35,971	1,876	37,847	553
State Contributions to Social Security	37,800	35,240	1,841	37,081	719
Group Insurance	117,300	83,989	3,532	87,521	29,779
Contractual Services	112,300	65,413	5,409	70,822	41,478
Travel	101,200	36,768	198	36,966	64,234
Commodities	57,800	4,838	156	4,994	52,806
Printing	27,600	15,997	5,439	21,436	6,164
Equipment	93,900	19,898	0	19,898	74,002
Electronic Data Processing	59,200	8,627	64	8,691	50,509
Telecommunications	31,600	13,535	1,316	14,851	16,749
Operation of Automotive Equipment	34,000	11,218	1,958	13,176	20,824
Total Fiscal Year 2006	\$ 1,208,300	\$ 794,817	\$ 47,521	\$ 842,338	\$ 365,962

**GI Education Fund (447) -State Approving Agency (49730)**

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P.A. 94-0015  FISCAL YEAR 2006	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period		Balances Lapsed August 31
			Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	
<b>Veteran's Affairs Federal Projects (897) -State Approving Agency (49730)</b>					
Troops to Teachers Grants		\$ 3,426	\$ 1,337	\$	4,763
Total Fiscal Year 2006		<u>\$ 3,426</u>	<u>\$ 1,337</u>	<u>\$</u>	<u>4,763</u>
GRAND TOTAL ALL FUNDS- State Approving Agency		<u>\$ 798,243</u>	<u>\$ 48,858</u>	<u>\$</u>	<u>847,101</u>
GRAND TOTAL ALL FUNDS		<u>\$ 8,647,063</u>	<u>\$ 1,645,651</u>	<u>\$</u>	<u>10,292,714</u>

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

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P.A. 93-0842 FISCAL YEAR 2005	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31		
<b>General Revenue Fund (001) - Central Office (49701)</b>					
Personal Services	\$ 1,387,854	\$ 1,328,898	\$ 56,064	\$ 1,384,962	\$ 2,892
Employee Retirement					
Contributions Paid by Employer	566	566	0	566	0
State Contribution to State					
Employees' Retirement System	223,536	205,067	9,000	214,067	9,469
State Contributions to Social Security	106,100	99,246	4,208	103,454	2,646
Contractual Services	373,600	364,249	7,480	371,729	1,871
Travel	19,900	15,999	2,843	18,842	1,058
Commodities	9,900	8,053	711	8,764	1,136
Printing	5,900	4,086	906	4,992	908
Equipment	2,000	1,220	0	1,220	780
Electronic Data Processing	929,630	632,572	233,950	866,522	63,108
Telecommunications	35,400	29,182	5,116	34,298	1,102
Operation of Automotive Equipment	10,200	8,593	1,293	9,886	314
Veterans' Assistance Commission of DuPage Count	50,000	50,000	0	50,000	0
Bonus Payments to War Veterans'	97,800	30,395	100	30,495	67,305
Educational Opportunities	163,700	105,750	4,250	110,000	53,700
Specially Adapted Housing	120,200	108,494	0	108,494	11,706
Cartage & Erection of Veterans' Headstones	615,800	386,800	85,795	472,595	143,205
Cartage & Erection of Veterans' Headstones - PY	34,200	28,825	1,100	29,925	4,275
MIA/POW Scholarship	825,900	811,623	14,277	825,900	0
Total Fiscal Year 2005	\$ 5,012,186	\$ 4,219,618	\$ 427,093	\$ 4,646,711	\$ 365,475
<b>Fund (725)- Central Office (49701)</b>					
Illinois Military Family Relief Fund	250,000	149,000	0	149,000	101,000
Total Fiscal Year 2005	\$ 250,000	\$ 149,000	\$ 0	\$ 149,000	\$ 101,000

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DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30, 2005

P.A. 93-0842	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31		
FISCAL YEAR 2005					
<b>Fund (734)- Central Office (49701)</b>					
National WWII Memorial	350,000	63,050	0	63,050	286,950
Total Fiscal Year 2005	\$ 350,000	\$ 63,050	\$ -	\$ 63,050	\$ 286,950
<b>GRAND TOTAL ALL FUNDS- Central Office</b>	<b>\$ 4,431,667</b>	<b>\$ 427,093</b>	<b>\$ 4,858,761</b>		
<b>General Revenue Fund (001) - Field Services (49715)</b>					
Personal Services	\$ 2,218,600	\$ 2,009,420	\$ 92,839	\$ 2,102,259	\$ 116,341
Employee Retirement					
Contributions Paid by Employer	3,004	2,944	0	2,944	60
State Contribution to State					
Employees' Retirement System	357,300	315,715	14,686	330,401	26,899
State Contributions to Social Security	169,700	143,134	6,715	149,849	19,851
Contractual Services	271,600	215,911	2,210	218,121	53,479
Travel	57,000	47,480	5,017	52,497	4,503
Commodities	11,100	6,694	1,630	8,324	2,776
Printing	5,900	5,307	86	5,393	507
Equipment	40,600	408	35,511	35,919	4,681
Electronic Data Processing	27,600	27,143	401	27,544	56
Telecommunications	75,500	67,262	7,890	75,152	348
Operation of Automotive Equipment	14,600	7,529	659	8,188	6,412
Total Fiscal Year 2005	\$ 3,252,504	\$ 2,848,947	\$ 167,644	\$ 3,016,591	\$ 235,913
<b>GRAND TOTAL ALL FUNDS- Field Services</b>	<b>\$ 2,848,947</b>	<b>\$ 167,644</b>	<b>\$ 3,016,591</b>		

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**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30, 2005

P.A. 93-0842 FISCAL YEAR 2005	Appropriations (Net of Transfers)	Lapse Period		Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31	
		Expenditures 14 Months Ended August 31	Total Expenditures	
<b>General Revenue Fund (447) -State Approving Agency (49730)</b>				
Personal Services	\$ 422,300	\$ 390,094	\$ 17,536	\$ 14,670
Employee Retirement				
Contributions Paid by Employer	12,700	10,268	267	2,165
State Contribution to State				
Employees' Retirement System	68,000	63,720	2,826	1,454
State Contributions to Social Security	32,300	29,717	1,357	1,226
Group Insurance	96,000	65,965	1,889	28,146
Contractual Services	112,300	40,519	3,209	68,572
Travel	93,700	40,899	1,187	51,614
Commodities	57,800	6,881	3,330	47,589
Printing	27,600	10,829	4,868	11,903
Equipment	93,900	43,536	20,408	29,956
Electronic Data Processing	59,200	19,913	9,967	29,320
Telecommunications	31,600	12,286	2,227	17,087
Operation of Automotive Equipment	34,000	5,891	3,119	24,990
Total Fiscal Year 2005	\$ 1,141,400	\$ 740,518	\$ 72,190	\$ 328,692
GRAND TOTAL ALL FUNDS- State Approving Agency		\$ 740,518	\$ 72,190	\$ 812,708
GRAND TOTAL ALL FUNDS-		\$ 8,021,132	\$ 666,927	\$ 8,688,060

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2006	2005	2004
	P.A. 94-0015	P.A. 93-0842	P.A. 93-0092
<b>Central Office</b>			
General Revenue Fund- 001			
Appropriations (Net of Transfers)	\$ 6,068,800	\$ 5,012,186	\$ 4,886,211
<b>Expenditures</b>			
Personal Services	\$ 1,695,761	\$ 1,384,962	\$ 1,421,007
Employee Retirement			
Contributions Paid by Employer	5,431	566	7,031
State Contribution to State			
Employees' Retirement System	132,206	214,067	109,885
State Contributions to Social Security	126,125	103,454	93,845
Contractual Services	418,835	371,729	386,769
Travel	31,476	18,842	23,224
Commodities	15,864	8,764	9,055
Printing	5,849	4,992	4,356
Equipment	4,356	1,220	24,343
Electronic Data Processing	577,504	866,522	668,287
Telecommunications	47,321	34,298	32,460
Operation of Automotive Equipment	14,449	9,886	10,542
Veterans' Assistance Commission of DuPage County	0	50,000	0
MIA/POW Scholarship	1,710,123	825,900	844,900
Bonus Payments to War Veterans'	28,496	30,495	35,844
Educational Opportunities	141,500	110,000	132,750
Specially Adapted Housing	212,500	108,494	109,638
Cartage & Erection of Veterans' Headstones	467,900	472,595	487,795
Cartage & Erection of Veterans' Headstones - PY	29,000	29,925	26,500
Total Expenditures	\$ 5,664,696	\$ 4,646,711	\$ 4,428,231
Lapsed Balances	\$ 404,104	\$ 365,475	\$ 457,980
<b>Central Office</b>			
National Museum Library Fund - 0165			
Appropriations (Net of Transfers)	\$ 0	\$ 0	\$ 100,000
<b>Expenditures</b>			
Museum & Library	0	0	40,934
Total Expenditures	\$ 0	\$ 0	\$ 40,934
Lapsed Balances	\$ 0	\$ 0	\$ 59,066

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2006	2005	2004
	P.A. 94-0015	P.A. 93-0842	P.A. 93-0092
<b>Central Office</b>			
Illinois Military Family Relief Fund - 0725			
Appropriations (Net of Transfers)	\$ 250,000	\$ 250,000	\$ 0
Expenditures			
Payment of Benefits	45,000	149,000	0
Total Expenditures	\$ 45,000	\$ 149,000	\$ 0
Lapsed Balances	<u>\$ 205,000</u>	<u>\$ 101,000</u>	<u>\$ 0</u>
<b>Central Office</b>			
World War II Illinois Veterans Memorial Fund- 734			
Appropriations (Net of Transfers)	\$ 0	\$ 350,000	\$ 0
Expenditures			
Payment of Benefits	0	63,050	0
Total Expenditures	\$ 0	\$ 63,050	\$ 0
Lapsed Balances	<u>\$ 0</u>	<u>\$ 286,950</u>	<u>\$ 0</u>
<b>Veterans' Field Services</b>			
General Revenue Fund - 0001			
Appropriations (Net of Transfers)	\$ 4,860,400	\$ 3,252,504	\$ 3,420,400
Expenditures			
Personal Services	\$ 2,746,386	\$ 2,102,259	\$ 2,238,404
Employee Retirement			
Contributions Paid by Employer	20,188	2,944	77,251
State Contribution to State			
Employees' Retirement System	214,147	330,401	190,366
State Contributions to Social Security	202,634	149,849	153,133
Contractual Services	255,312	218,121	298,638
Travel	79,630	52,497	55,320
Commodities	12,317	8,324	9,040
Printing	7,714	5,393	3,156
Equipment	48,998	35,919	17,194
Electronic Data Processing	40,812	27,544	43,624
Telecommunications	93,603	75,152	60,283
Operation of Automotive Equipment	14,176	8,188	6,614
Total Expenditures	<u>\$ 3,735,917</u>	<u>\$ 3,016,591</u>	<u>\$ 3,153,023</u>
Lapsed Balances	<u>\$ 1,124,483</u>	<u>\$ 235,913</u>	<u>\$ 267,377</u>

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2006	2005	2004
	P.A. 94-0015	P.A. 93-0842	P.A. 93-0092
<b>State Approving Agency</b>			
GI Education Fund - 0447			
Appropriations (Net of Transfers)	<u>\$ 1,208,300</u>	<u>\$ 1,141,400</u>	<u>\$ 791,000</u>
Expenditures			
Personal Services	\$ 485,401	\$ 407,630	\$ 355,729
Employee Retirement			
Contributions Paid by Employer	3,654	10,535	9,582
State Contribution to State			
Employees' Retirement System	37,847	66,546	48,171
State Contributions to Social Security	37,081	31,074	27,214
Group Insurance	87,521	67,854	54,160
Contractual Services	70,822	43,728	36,904
Travel	36,966	42,086	30,372
Commodities	4,994	10,211	5,457
Printing	21,436	15,697	2,648
Equipment	19,898	63,944	18,761
Electronic Data Processing	8,691	29,880	3,264
Telecommunications	14,851	14,513	11,123
Operation of Automotive Equipment	<u>13,176</u>	<u>9,010</u>	<u>5,514</u>
Total Expenditures	<u>\$ 842,338</u>	<u>\$ 812,708</u>	<u>\$ 608,899</u>
Lapsed Balances	<u>\$ 365,962</u>	<u>\$ 328,692</u>	<u>\$ 182,101</u>
<b>State Approving Agency</b>			
Veterans Affairs Federal Projects Fund - 0897			
Appropriations (Net of Transfers)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures			
Troops to Teachers Grants	\$ 4,763	\$ 0	\$ 0
Total Expenditures	<u>\$ 4,763</u>	<u>\$ 0</u>	<u>\$ 0</u>
Lapsed Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Grand Total - All Funds</b>			
Appropriations (Net of Transfers)	<u>\$ 12,387,500</u>	<u>\$ 10,006,090</u>	<u>\$ 9,197,611</u>
Total Expenditures	<u>\$ 10,292,714</u>	<u>\$ 8,688,060</u>	<u>\$ 8,231,087</u>
Lapsed Balances	<u>\$ 2,094,786</u>	<u>\$ 1,318,030</u>	<u>\$ 966,524</u>

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2006	2005	2004
	P.A. 94-0015	P.A. 93-0842	P.A. 93-0092
<b>Salaries from the Comptroller's</b>			
<b>Executive Salary Appropriation</b>			
Director	\$ 99,595	\$ 98,200	\$ 98,200
Assistant Director	<u>84,889</u>	<u>83,700</u>	<u>83,698</u>
Total Expenditures from the Comptroller's Executive Salaries Appropriation	<u>\$ 184,484</u>	<u>\$ 181,900</u>	<u>\$ 181,898</u>

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**SCHEDULE OF EFFICIENCY INITIATIVE PAYMENTS**  
For the Two Years Ended June 30, 2006

<u>Information Technology Initiatives</u>	<u>FY05</u>
General Revenue Fund - 001	
Electronic Data Processing	\$ 32,730
Grand Total	<u>\$ 32,730</u>

Note: This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Department of Veterans' Affairs – Central Office and reconciled to data obtained from the Office of the Comptroller. The Department did not make any efficiency initiative payments in FY06.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
For the Two Years Ended June 30, 2006

	<u>Total</u>	<u>Equipment</u>
Balance at July 1, 2004	\$ 1,315,035	\$ 1,315,035
Additions	187,112	187,112
Deletions	(22,678)	(22,678)
Net Transfers	<u>(163,535)</u>	<u>(163,535)</u>
Balance at June 30, 2005	<u>\$ 1,315,934</u>	<u>\$ 1,315,934</u>
Balance at July 1, 2005	\$ 1,315,934	\$ 1,315,934
Additions	459,246	459,246
Deletions	(6,930)	(6,930)
Net Transfers	<u>(172,513)</u>	<u>(172,513)</u>
Balance at June 30, 2006	<u>\$ 1,595,737</u>	<u>\$ 1,595,737</u>

Note: The above schedule has been derived from Agency records which have been reconciled to property reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS**  
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2006	2005	2004
<b><u>General Revenue Fund - 001</u></b>			
Miscellaneous Receipts	\$ 211	\$ 37	\$ 600
Prior Year Refunds	1,559	18,898	2,897
<b>TOTAL - GENERAL REVENUE FUND</b>	<b><u>\$ 1,770</u></b>	<b><u>\$ 18,935</u></b>	<b><u>\$ 3,497</u></b>
 <b><u>G.I. Educaion Fund - 447</u></b>			
VA Reimbursements	\$ 1,024,714	\$ 569,085	\$ 590,507
Prior Year Refunds	152	-	42
<b>TOTAL - G.I. EDUCATION FUND</b>	<b><u>\$ 1,024,866</u></b>	<b><u>\$ 569,085</u></b>	<b><u>\$ 590,549</u></b>
 <b><u>Library Grant Fund - 775</u></b>			
Secretary of State Receipts	\$ 50,000	\$ 50,000	\$ -
<b>TOTAL - LIBRARY GRANT FUND</b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ -</u></b>
 <b><u>Federal Projects Fund - 897</u></b>			
Department of Defense Receipts	\$ 133,288	\$ -	\$ -
<b>TOTAL - FEDERAL PROJECTS FUND</b>	<b><u>\$ 133,288</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
 <b>TOTAL RECEIPTS</b>	 <b><u>\$ 1,209,924</u></b>	 <b><u>\$ 638,020</u></b>	 <b><u>\$ 594,046</u></b>

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS  
REMITTED TO THE STATE COMPTROLLER**  
For the Fiscal Year Ended June 30, 2006

<b><u>General Revenue Fund – 001</u></b>	2006
Receipts per Department Records	\$ 211
Non-operating Receipts per Department Records	1,559
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ 1,770

<b><u>G.I. Education Fund – 447</u></b>	
Receipts per Department Records	\$ 1,024,714
Non-operating Receipts per Department Records	152
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ 1,024,866

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS  
REMITTED TO THE STATE COMPTROLLER**  
For the Fiscal Year Ended June 30, 2006

<b><u>Library Grant Fund – 775</u></b>	2006
Receipts per Department Records	\$ 50,000
Non-operating Receipts per Department Records	-
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ 50,000

<b><u>Federal Projects Fund – 897</u></b>	
Receipts per Department Records	\$ 133,288
Non-operating Receipts per Department Records	-
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ 133,288

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS  
REMITTED TO THE STATE COMPTROLLER**  
For the Fiscal Year Ended June 30, 2005

<b><u>General Revenue Fund – 001</u></b>	<u>2005</u>
Receipts per Department Records	\$ 37
Non-operating Receipts per Department Records	18,898
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	<u>(17)</u>
Deposits Recorded by the Comptroller	<u>\$ 18,918</u>

<b><u>G.I. Education Fund – 447</u></b>	
Receipts per Department Records	\$ 569,085
Non-operating Receipts per Department Records	-
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	<u>-</u>
Deposits Recorded by the Comptroller	<u>\$ 569,085</u>

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS**  
**REMITTED TO THE STATE COMPTROLLER**  
For the Fiscal Year Ended June 30, 2005

<b><u>Library Grant Fund – 775</u></b>	2005
Receipts per Department Records	\$ 50,000
Non-operating Receipts per Department Records	-
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ 50,000

<b><u>Federal Projects Fund - 897</u></b>	
Receipts per Department Records	\$ -
Non-operating Receipts per Department Records	-
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ -

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2006

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2004 AND 2005**

**General Revenue Fund (001) – Central Office**

State Contributions to State Employees' Retirement System - Increased due to the State suspending payments into the State Employees' Retirement System in FY04 as a result of Public Act 93-0665, which became effective in March 2004. The Act suspended contribution payments from the effective date of the Act through the payment of the final payroll from FY04 appropriations. Contributions resumed in FY05. In addition the overall State employee retirement rate increased from 13.439% in FY04 to 16.107% in FY05.

Equipment - Decreased due to the purchase of an additional fleet vehicle for Central Office in FY04. This was not repeated in FY05.

Electronic Data Processing - Increased due to purchasing laptops, several copiers and PCs in FY05. No purchases of this magnitude were placed in FY04.

Veterans' Assistance Commission of DuPage County – Increased due to the Veterans' Assistance Commission of DuPage County legislative add-on in the FY05 budget. This was not appropriated to the Department in FY04.

**National Museum Library Fund (165) – Central Office**

Museum and Library - Decreased due to the lack of appropriation for this purpose in FY05.

**Illinois Military Family Relief Fund (725) – Central Office**

Illinois Military Family Relief - This fund was newly appropriated for FY05.

**General Revenue Fund (001) – Field Services**

Employee Retirement Contributions Paid by the Employer - Decreased due to union contract terms which made pension pickup payable only for bargaining unit employees at a reduced rate of 2% for half of the year for an average of 1% payout.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2006

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN  
FISCAL YEARS 2004 AND 2005 Continued.**

**General Revenue Fund (001) – Field Services Continued**

State Contributions to State Employees' Retirement System - Increased due to the State suspending payments into the State Employees' Retirement System in FY04 as a result of Public Act 93-0665, which became effective in March 2004. The Act suspended contribution payments from the effective date of the Act through the payment of the final payroll from FY04 appropriations. Contributions resumed in FY05. In addition the overall State employee retirement rate increased from 13.439% in FY04 to 16.107% in FY05.

Contractual Services - Decreased due to movement of field offices from locations requiring rent payments to free space in local armories. Another change was that a contract with a veterans' organization was discontinued in FY05.

Equipment - Increased due to vehicle being purchased in FY05.

Electronic Data Processing - Decreased due to the purchase of several all-in-one printer/fax/copy machines for field offices during FY04. These purchases were not repeated in FY05.

Telecommunications - Increased due to an increase in telephone usage charges and necessary fax machine repairs during FY05.

**G.I. Education Fund (447) – State Approving Agency**

State Contributions to State Employees' Retirement System - Increased due to the State suspending payments into the State Employees' Retirement System in FY04 as a result of Public Act 93-0665, which became effective in March 2004. The Act suspended contribution payments from the effective date of the Act through the payment of the final payroll from FY04 appropriations. Contributions resumed in FY05. In addition the overall State employee retirement rate increased from 13.439% in FY04 to 16.107% in FY05.

Employer Contributed Group Insurance - Increased due to an annualized increase in headcount and rate increase in FY05.

Travel - Increased due to mileage reimbursement increase and SAA began participating in a new outreach program that required extra travel during FY05.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2006

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2004 AND 2005 Continued.**

**G.I. Education Fund (447) – State Approving Agency Continued**

Printing - Increased due to the new outreach program instituted by SAA that required more brochures and paper usage.

Equipment – Increased due to purchase of two vehicles, office equipment to replace outdated items, and furniture to set up a Chicago office conference room.

Electronic Data Processing - Increased due to the replacement of EDP equipment items that had become obsolete including laptops, printers, a projector and scanner during FY05.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2006

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN  
FISCAL YEARS 2005 AND 2006**

**General Revenue Fund (001) – Central Office**

Personal Services – Increased due to a combination of union contract increases and the transfer of agency IT staff to this payroll from the EDP line payroll.

State Contributions to State Employees' Retirement – Decreased due to the retirement rate changing to 7.792% which is a decrease from the FY05 rate of 16.107%.

State Contributions to Social Security – Increased due to social security increases in direct proportion to the personal services line which increased over 20%.

Travel – Increased due to key new staff being hired and their job duties requiring traveling.

Electronic Data Processing – Decreased due to FY06 expenditures decreasing due to the transfer of agency IT staff from this line item for payroll expenditures to the regular personal services line item.

Telecommunications - Increased due to the increase in number of cellular phones required by new key staff.

Veterans' Assistance Commission of DuPage County – Decreased due to no appropriation was received for this one time expenditure in FY06.

Educational Opportunities – Increased due to the number of claims submitted went up by 133 over the FY05 numbers.

Specially Adapted Housing – Increased due to the Department receiving a \$100,000 supplemental appropriation to enable the Department to pay all outstanding claims received during FY06.

MIA/POW Scholarship – Increased due to the Department receiving an \$871,000 supplemental appropriation to enable the Department to pay all outstanding claims. In FY05, the Department's appropriation was not sufficient to cover all requests received; forcing the Department to pro-rate requests and pay lesser amounts than the actual claims.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2006

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2005 AND 2006 Continued**

**Illinois Military Fund (725) – Central Office**

Illinois Military Family Relief – Decreased due to the number of claims that were received. The Department received 39 fewer claims during FY06.

**World War II Illinois Veterans Memorial Fund (734) – Central Office**

National WWII Memorial – Decreased due to no appropriation was received for this line item expenditure in FY06.

**General Revenue Fund (001) – Field Services**

Personal Services – Increased due to the addition of 25 new Veterans Service Officers hired on 12/2/05.

Employee Retirement Contributions Paid by Employer – Increased due to the addition of 25 new Veterans Service Officers on 12/2/05.

State Contributions to State Employees' Retirement System - Decreased due to the retirement rate changing to 7.792% which is a decrease from the FY05 rate of 16.107%.

State Contributions to Social Security - Increased due to the addition of 25 new Veterans Service Officers hired on 12/2/05.

Travel – Increased due to the addition of 25 new VSOs hired on 12/2/05 and the necessity of additional training that required travel for staff.

Equipment – Increased due to the hiring of the 25 new employees and the fact that additional office locations were required to be furnished.

Electronic Data Processing – Increased due to the purchase of additional computer equipment items during FY06 to allow the new staff to perform their job duties.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2006

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2005 AND 2006 Continued**

**General Revenue Fund (001) – Field Services Continued**

Telecommunication – Increased due to the addition of the new staff and several new locations, phones and phone lines were necessary increasing costs accordingly.

**G. I. Education Fund (447) – State Approving Agency**

State Contributions to State Employees' Retirement System - Decreased due to the retirement rate changing to 7.792% which is a decrease from the FY05 rate of 16.107%.

Group Insurance – Increased due to the rate increasing by almost 30%. A small portion of this increase would be due to the employees who were on leave of absence during FY05.

Contractual Services – Increased due to expenditures related to outreach services that the SAA division is implementing this fiscal year. These expenditures included several large postage payments for mailings and items related to the Supermarket of Benefits event.

Equipment – Decreased due to purchase of two vehicles, office equipment to replace outdated items, and furniture to set up a Chicago office conference room in FY05. This was not repeated during FY06.

Electronic Data Processing – Decreased due to laptops, printers, a projector and scanner being purchased in FY05. This was not repeated during FY06.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Two Years Ended June 30, 2006

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN  
FISCAL YEARS 2004 AND 2005**

**General Revenue Fund – 001**

Prior Year Refunds

The increase was due to receiving lump sum payout refunds back from two employees when overpayments due to miscalculations had occurred.

**G.I. Education Fund – 447**

Miscellaneous Receipts

The decrease was due to a refund in FY04 for an overpayment on a gasoline voucher in a previous fiscal year. The refund was not repeated in FY05.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN  
FISCAL YEARS 2005 AND 2006**

**General Revenue Fund – 001**

Miscellaneous Receipts

The increase in FY06 was due to the Department having a larger number than usual of jury duty reimbursements and the fact that there were two freedom of information copy reimbursements that were not collected in the prior year.

Prior Year Refunds

The Department received lump sum payout refunds back from two employees during FY05 when overpayments had occurred. This was not repeated in FY06.

**G.I. Education Fund – 447**

VA Reimbursements

The increase was due to the fact that during FY05, only 3 quarters of reimbursements were received by the Department compared to 5 quarters received during FY06.

STATE OF ILLINOIS  
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Two Years Ended June 30, 2006

**FISCAL YEAR 2005**

**General Revenue Fund (001) – Central Office**

Electronic Data Processing - Lapse period expenditures represented 27% of total spending during FY05 due to several large orders placed late in the fiscal year for EDP equipment. The related vouchers were received during the lapse period.

**General Revenue Fund (001) – Field Services**

Equipment - Lapse period expenditures represented 98.86% of total spending during FY05 due to the payment for two State vehicles that were not received until August 11, 2006. Several items of office furniture were also received and invoiced in the month of July.

**G.I. Education Fund (447) – State Approving Agency**

Equipment - Lapse period expenditures accounted for 31.92% of total FY05 spending due to various equipment items were purchased and paid for during the lapse period.

**FISCAL YEAR 2006**

**General Revenue Fund (001) – Central Office**

Electronic Data Processing – Lapse period expenditures represented 23.93% of total spending during FY06 due to the purchase of 25 printers for the agency late in the fiscal year. The printers and associated invoices were not received until lapse period.

Telecommunications – Lapse period expenditures represented 23.28% of total spending during FY06 due to the large unexpected press release billing received during the lapse period from CMS for Veterans' Outreach programs.

MIA/POW Scholarship – Lapse period expenditures represented 62.31% of total spending during FY06 due to the Department having to pay all outstanding claims for FY06.

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**ANALYSIS OF ACCOUNTS RECEIVABLE**  
For the Two Years Ended June 30, 2006

The Department had \$371,000 and \$231,000 in accounts receivable due from the Federal government at June 30, 2005 and 2006, respectively. The accounts receivable were due from the U.S. Department of Veterans' Affairs and were due to the G.I. Education Fund (Fund 447). These amounts reconcile to the amounts reported by the Department to the Comptroller's Office and are considered current and collectible.

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**ANALYSIS OF OPERATIONS**  
For the Two Years Ended June 30, 2006

**AGENCY FUNCTIONS**

The Department of Veterans' Affairs (Department) was created on January 1, 1976 through the Department of Veterans Affairs Act (20 ILCS 2805/0.01 *et seq.*) and replaced the Illinois Veterans' Commission. The Department was established to aid and assist all veterans, their dependents and survivors in applying for veterans' benefits due by reason of military service, and to provide health care services for certain veterans, their spouses, widows and widowers. The Department provides professional counseling and assistance relative to all veterans programs, both State and federal.

The Department's functions include the operation of the Illinois Veterans' Homes at Quincy, Manteno, LaSalle, and Anna; the operation of Veterans' Service Offices throughout the State; and the maintenance of the Central Office, the State Approving Agency and a Chicago administrative office. The Central Office coordinates the efforts of the Homes and the Service Offices.

Mr. Roy Dolgos served as the Director of the Department from March 3, 2003 until December 14, 2006. On December 15, 2006, Ms. Tammy Duckworth was appointed as the Director of the Department. The Director has eight individuals who report directly to her. These individuals are the Assistant Director, the Director's Assistant, the Deputy Director of Human Resources, the Labor Relations Administrator, the Legislative Liaison, the Chief Legal Counsel, the Chief Fiscal Officer, and the Chief of Staff.

The Department has the following powers and duties, as outlined in the Department of Veterans' Affairs Act (Act) (20 ILCS 2805/2):

To perform such acts at the request of any veteran, or his or her spouse, surviving spouse or dependents as shall be reasonably necessary or reasonably incident to obtaining or endeavoring to obtain for the requester any advantage, benefit or emolument accruing or due to such person under any law of the United States, the State of Illinois or any other State or governmental agency by reason of the service of such veteran, and in pursuance thereof shall:

1. Contact veterans, their survivors and dependents and advise them of the benefits of State and federal laws and assist them in obtaining such benefits;
2. Establish field offices and direct the activities of the personnel assigned to such offices;

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**ANALYSIS OF OPERATIONS**

For the Two Years Ended June 30, 2006

3. Create a volunteer field force of accredited representatives, representing educational institutions, labor organizations, veterans' organizations, employers, churches and farm organizations;
4. Conduct informational and training services;
5. Conduct educational programs through newspapers, periodicals and radio for the specific purpose of disseminating information affecting veterans and their dependents;
6. Coordinate the services and activities of all state departments having services and resources affecting veterans and their dependents;
7. Encourage and assist in the coordination of agencies within counties giving service to veterans and their dependents;
8. Cooperate with veterans' organizations and other governmental agencies;
9. Make, alter, amend and promulgate reasonable rules and procedures for the administration of this Act;
10. Make and publish annual reports to the Governor regarding the administration and general operation of the Department; and
11. Encourage the State to implement more programs to address the wide range of issues faced by Persian Gulf War Veterans.

Also, by executive designation, the Department of Veterans' Affairs is responsible for the approval of education and training programs for the purpose of determining eligibility for payments by the U.S. Department of Veterans' Affairs to eligible veterans. The Department's State Approving Agency carries out these responsibilities.

**AGENCY LOCATION**

The headquarters of the Department of Veterans' Affairs is at 833 South Spring Street, Springfield, Illinois. The Central Office, the State Approving Agency and a Veterans' Service Office are located in the Department headquarters. An administrative office and a Veterans' Service Office are located in the James R. Thompson Center, Suite 5-570, 100 West Randolph, Chicago, Illinois.

The Illinois Veterans' Home at Quincy is located at 1707 N. 12<sup>th</sup> Street, Quincy, Illinois.

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**ANALYSIS OF OPERATIONS**

For the Two Years Ended June 30, 2006

The Illinois Veterans' Home at Manteno is located at 1 Veterans Drive, Manteno, Illinois.

The Illinois Veterans' Home at LaSalle is located at 1015 O'Conor Avenue, LaSalle, Illinois.

The Illinois Veterans' Home at Anna is located at 792 N. Main Street, Anna, Illinois.

The Department currently has a total of 1,205 beds for providing long-term care to veterans; 1,061 nursing care beds and 144 domiciliary care beds. There are currently approximately 700 persons on the waiting list.

The Department operates 49 full-service Veterans' Service Field Offices statewide to provide assistance and informational services to veterans, their dependents and survivors. The Field Offices operate from the following locations:

<u>City</u>	<u>Location</u>
Alton	1623 Washington Ave., 62002
Aurora	460 Garfield Ave., 60506
Belleville	10 S. Jackson St., Suite 102, 62220
Benton	500 W. Main St., 62812
Berwyn	6610 W. Cermak, 60402
Bloomington	1616 S. Main, Room 15 and 16, 61701
Carlinville	110 E. Nicholas, 62626
Chicago	100 W. Randolph, Suite 5-570, 60601
Chicago	1551 N. Kedzie Ave., 60615
Chicago	5200 S. Cottage Grove Ave., Rm 101-103, 60615
Chicago	820 S. Damen, Suite 1484, 60612
Chicago	2122 W. Taylor, Suite 106, 60612
Chicago	1642 W. 59 <sup>th</sup> St., 60636
Chicago Hts.	1010 Dixie Highway, Suite 211, 60411
Danville	212 W. Fairchild, 61832
Decatur	3133 N. Woodford, Suite 2B, 62526
Des Plaines	515 E. Thacker, 60016
E. St. Louis	10 Collinsville Ave., 62201
Effingham	101 N 4 <sup>th</sup> St., Room 203, 62401
Elgin	254 Raymond St., 60120
Freeport	223 W. Stephenson St., Suite 201, 61032
Galesburg	149 North Broad St., 61401
Harrisburg	713A E Church St., 62946
Jacksonville	1521 W. Walnut, 62650
Joliet	2900 W. Jefferson St., 60435
Kewanee	111 N. East St., 61443

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**ANALYSIS OF OPERATIONS**  
For the Two Years Ended June 30, 2006

Lawrenceville	RR #1 Box 418, 62439
Machesney Park	10451 N. 2 <sup>nd</sup> St., Room 158, 61115
Macomb	135 W. Grant St., 61455
Marion	2309 W. Main St., Suite 122, 62959
Mattoon	112 Broadway Ave. East, 61938
Mt. Vernon	#1 Doctors Park, Suite G, 62864
Murphysboro	617 Walnut St., 62966
North Chicago	3001 Green Bay Rd, Building 135, 60064
Orland Park	14700 Ravinia Ave., 60462
Ottawa	424 W. Main, 61350
Palatine	721 S Quenin Rd., 60067
Peoria	323 Fulton St., 61602
Pontiac	825 W. Reynolds, Room 113, 61764
Quincy	1707 N. 12 <sup>th</sup> St., 62301
Robbins	13838 S. Springfield, 60472
Rock Falls	716 6 <sup>th</sup> Ave., 61071
Rock Island	1504 3 <sup>rd</sup> Ave., 61201
Salem	600 E. Main St., Suite 6, 62881
Springfield	833 S. Spring St., 62794
Taylorville	105 E. Main Cross, 62568
Urbana	600 E. University, Room 109, 61802
Wheaton	421 County Farm Rd., Room 1-800, 60187
Woodstock	1301 Sunset Ridge Rd., 60098

In addition to the 49 full-service field offices listed above, the Department also maintained 35 itinerant field offices. An itinerant field office is just office space used to meet with a veteran, closer than a full service office would be. The Department opened five new field service offices and relocated Veteran Service Officers to Armories in accordance with its strategic plan to increase outreach to Illinois veterans.

#### **AGENCY PLANNING**

The Department of Veterans' Affairs has developed a strategic plan covering the period of FY04 through FY07. Items in the strategic plan include a brief statement of scope of responsibilities and an operational plan that sets out goals, objectives, evaluation of goals, and status of activities. The Director and the Fiscal Officer develop the strategic plan, and it provides long-term direction for the Department. The various program managers, as well as the Director, Deputy Directors, and Fiscal Officer all participate in the goal-setting process. The goals established in the plan are consistent with the Department's statutory mandates and authority.

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**ANALYSIS OF OPERATIONS**  
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The Department also has developed a Long-Range Capital Plan, which states the condition of each facility, and states the capital improvements needed at each facility. To further assist in planning, the Department develops a Planning Programming Budget for each State fiscal year, and an Affirmative Action Plan to increase representation of minorities and women in the Department's work force.

**AGENCY MONITORING**

The Department attempts to coordinate its goals, objectives, strategies and activities with other agencies that provide similar services. To aid in achieving its goals, the Department maintains relationships with many State and federal agencies, veterans' organizations, and educational facilities. The Department's goals are monitored by administrative personnel at the Central Office and by the administrators at each of the Veterans' Homes. The goals are translated into each central office administrator's performance objectives, as well as the performance objectives for Home administrators. The annual evaluations reflect the performance of these objectives, as well as other initiatives. The Department's Director holds monthly staff meetings to review current developments or issues relative to the welfare of veterans and to maintain focus on the Department's goals.

**AUDITORS' ASSESSMENT**

The Department of Veterans' Affairs programs of planning and monitoring appear adequate for meeting its statutorily defined functions.

**KATRINA RELIEF EFFORTS (NOT EXAMINED)**

The Department sent one employee to Bogalusa, Louisiana for clerical, data processing and caseworker group support. The employee provided services in Bogalusa, Louisiana for 10 days. The Department has requested reimbursement from the Illinois Emergency Management Agency for the services provided totaling \$1,299.

STATE OF ILLINOIS  
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**AVERAGE NUMBER OF EMPLOYEES**  
For the Years Ended June 30,

**AVERAGE NUMBER OF EMPLOYEES**

The following table, prepared from Department records, presents the average number of employees, by division, for the Fiscal Years ended June 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Central Office	32	30	31
Field Offices	66	48	50
State Approving Agency	8	7	7
Total	<u>106</u>	<u>85</u>	<u>88</u>

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)**  
For the Two Years Ended June 30, 2006

Comparative annual service efforts and accomplishments are shown below:

	FY06	FY05	FY04
<u>Field Services</u>			
Number of permanent full-time offices	49	45	43
Number of part-time itinerant offices	35	38	49
<u>Grants</u>			
Number of claims processed	7,278	7,147	7,065*

\*Amount has been restated by the Department to correct prior reporting errors which understated the amount of claims by 1,548.