

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

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2008

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008

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AGENCY OFFICIALS

Executive Director (2/9/09 to current)	Mr. Dan Grant
Executive Director (12/15/06 to 2/6/09)	Ms. Tammy Duckworth
Executive Director (7/1/06 to 12/14/06)	Mr. Roy Dolgos
Assistant Director (8/23/2007 to current)	Mr. Sergio Estrada
Assistant Director (6/30/2006 to 5/31/2007)	Ms. Rochelle Crump
Chief Legal Counsel (9/22/2008 to current)	Mr. Jack Price
Chief Legal Counsel (12/17/2007 to 9/29/2008)	Mr. Jim Robideau
Chief Legal Counsel (6/30/2006 to 5/17/2007)	Mr. Joe McMinnamin
Fiscal Officer	Ms. Deborah Miller

Department offices are located at:

833 S. Spring Street
P.O. Box 19432
Springfield, Illinois 62794-9432

James R. Thompson Center
100 West Randolph
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Chicago, Illinois 60601-3219



STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS

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PAT QUINN
GOVERNOR

DAN GRANT
DIRECTOR

MANAGEMENT ASSERTION LETTER

March 17, 2009

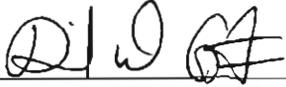
Honorable William G. Holland
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash
Springfield, IL 62703-3154

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. 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, 2008. Based on this evaluation, we assert that during the years ended June 30, 2008 and June 30, 2007, the Department has materially complied with the assertions below.

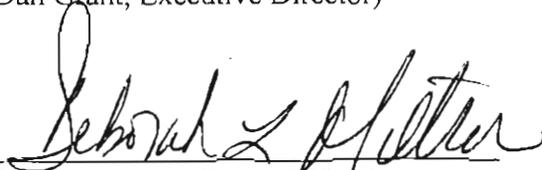
- A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received and used public funds of the State in accordance with 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. State revenues and receipts collected by the Department 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 Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

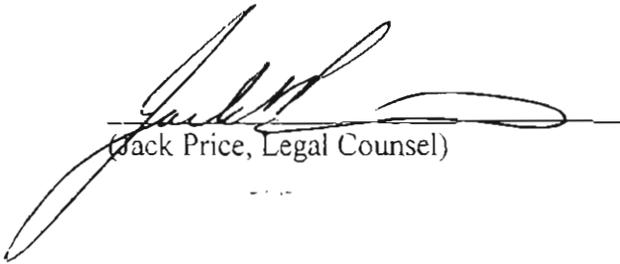
Illinois Department of Veterans' Affairs



(Dan Grant, Executive Director)



(Deborah Miller, Fiscal Officer)



(Jack Price, Legal Counsel)

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' 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 Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
Repeated findings	16	8
Prior recommendations implemented or not repeated	5	0
	3	3

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>	<u>Finding Type</u>
08-1	11	Inadequate internal controls over travel	Significant Deficiency and Noncompliance
08-2	13	Inadequate controls over employee attendance records	Significant Deficiency and Noncompliance
08-3	16	Annual report not timely completed	Significant Deficiency and Noncompliance
08-4	17	Failure to conduct annual review of benefits received by Illinois veterans	Material Weakness and Material Noncompliance
08-5	19	Failure to establish the Veterans' Conservation Corps	Significant Deficiency and Noncompliance

08-6	21	Failure to fully establish the Veterans' Memorial Commission	Significant Deficiency and Noncompliance
08-7	23	Noncompliance with the National Guard Veterans Exposure to Hazardous Materials Act	Significant Deficiency and Noncompliance
08-8	26	Department inaccurately compiled and reported the activities of it Veterans' Service Officers	Material Weakness and Material Noncompliance
08-9	29	Performance evaluations not timely completed	Significant Deficiency and Noncompliance
08-10	30	Inadequate controls over employee overtime	Significant Deficiency and Noncompliance
08-11	31	Inadequate controls over State vehicles	Significant Deficiency and Noncompliance
08-12	33	Lack of current Disaster Contingency Planning or Testing to Ensure Recovery of Computer Systems	Significant Deficiency and Noncompliance
08-13	35	Inadequate controls over grant agreements	Material Weakness and Material Noncompliance
08-14	37	Inadequate controls over voucher processing	Significant Deficiency and Noncompliance
08-15	40	Inadequate controls over equipment	Significant Deficiency and Noncompliance
08-16	42	GAAP reporting	Material Weakness and Material Noncompliance

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

A	44	Noncompliance with the State Officials and Employees Ethics Act
B	44	Ethics officer did not review statements of economic interests

C 44 Untimely and incomplete staffing standards reports

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on January 22, 2009. Attending were:

Department of Veterans' Affairs

Jack Price, Chief Legal Counsel
Stewart Reeve, Chief of Staff
Deborah Miller, Fiscal Officer

Office of the Auditor General

Gayla Rudd, Manager
Christina Baker, Supervisor
Matthew Pfeiffer, Staff Auditor
Meredith Phillips, Staff Auditor

Responses to the recommendations were provided by Deborah Miller, Fiscal Officer in correspondence dated January 27, 2009 and March 11, 2009.

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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, 2008. The management of State of Illinois, Department of Veterans' Affairs – Central Office is responsible for compliance with these requirements. Our responsibility is to express an opinion on 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. 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.

We conducted our examination 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 State of Illinois, Department of Veterans' Affairs – Central Office's compliance with those requirements listed in the first paragraph of this report 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 State of Illinois, Department of Veterans' Affairs – Central Office's compliance with specified requirements.

As described in findings 08-4, 08-8, 08-13 and 08-16 in the accompanying schedule of findings, State of Illinois, Department of Veterans' Affairs – Central Office did not comply with applicable laws and regulations, including the Department of Veterans Affairs Act. Compliance with such requirements is necessary, in our opinion, for State of Illinois, Department of Veterans' Affairs – Central Office to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, State of Illinois, Department of Veterans' Affairs – Central Office complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2008. However, the results of our procedures disclosed other instances of noncompliance, 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 findings as findings 08-1, 08-2, 08-3, 08-5, 08-6, 08-7, 08-9, 08-10, 08-11, 08-12, 08-14 and 08-15.

Internal Control

The management of State of Illinois, Department of Veterans' Affairs – Central Office is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. 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 requirements listed in the first paragraph of this report 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, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Veterans' Affairs – Central Office's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Veterans' Affairs – Central Office's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we

consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as findings 08-1, 08-2, 08-3, 08-5, 08-6, 08-7, 08-9, 08-10, 08-11, 08-12, 08-14 and 08-15 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider items 08-4, 08-8, 08-13 and 08-16 to be material weaknesses.

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

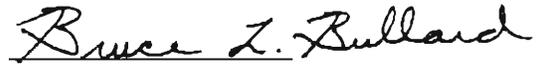
State of Illinois, Department of Veterans' Affairs – Central Office's response to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine State of Illinois, Department of Veterans' Affairs – Central Office's response and, accordingly, we express no opinion on it.

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 2007 and 2008 Supplementary Information for State Compliance Purposes, except for the Service Efforts and Accomplishment 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 2006 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

March 17, 2009

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

CURRENT FINDINGS – State Compliance

08-1. **FINDING** (Inadequate internal controls over travel)

The Department of Veterans' Affairs (Department) did not exercise adequate control over its travel expenditures.

During our testing we noted the following:

- One of 25 (4%) travel vouchers tested, totaling \$976, was paid to a vendor at rates in excess of State travel allowances. We noted 4 instances of reimbursement for lodging rates claimed in excess of rates set forth by the Governor's Travel Control Board. Excess rates claimed for lodging totaled \$616. The Governor's Travel Control Board (GTCB) rules (80 Ill. Adm. Code 2800.Appendix A) specifies the maximum travel reimbursement rates allowed. In addition, the Travel Regulation Council (Council) rules (80 Ill. Adm. Code 3000.410) state that it is the responsibility of each employee to request the lowest available lodging rate at the time of making reservations.
- Three of 25 (12%) travel vouchers tested, totaling \$2,216 did not state in specific terms the purpose of travel and the auditors could not determine if travel was required by the official State duties of the employee. The GTCB rules (80 Ill. Adm. Code 2800.240) state that the purpose of travel shall be indicated on the travel vouchers. In addition, good business practices would require the purpose of travel to be stated in specific terms so that a business purpose could be determined.
- One of 25 (4%) travel vouchers tested claimed mileage in amounts greater than the usual route. The traveler did not explain or separately detail the reasons for the excess mileage. Mileage claimed was greater than mileage for the usual route by 17 to 44 miles, resulting in payments of \$196. The GTCB (80 Ill. Adm. Code 2800.240) requires, when a privately owned vehicle is used, a travel voucher to show commuting mileage, the dates, points of travel and mileage. If the distance traveled between any given points is greater than the usual route between these points shown on a road map, the reason for the greater distance shall be explained and detailed separately. In addition, GTCB rules (80 Ill. Adm. Code 3000.310) states that all travel must be by the most direct route.
- One of 25 (4%) travel vouchers tested was not supported by proper documentation. Plane tickets in the amount of \$956 were reimbursed without proper documentation to support the expense. The GTCB (80 Ill. Adm. Code

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2800.240) requires all travel vouchers to be supported by receipts in all instances for railroad and airplane transportation, lodging, taxis, and all other items in excess, individually, of \$10.00 except for meals.

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

Inadequate control over travel expenditures could result in overpayment to travelers or vendors and is an inefficient use of State resources. (Finding Code No. 08-1, 06-1)

RECOMMENDATION

We recommend the Department strengthen its internal controls over travel to ensure reimbursements are in accordance with the Governors Travel Control Board and Travel Regulation Council rules and travel vouchers are properly supported. Further, the Department should obtain reimbursements for overpayments.

DEPARTMENT RESPONSE

The Department agrees with this finding. The Department will provide refresher training on travel processes and Governor's Travel Control Board rules. The Department will provide a copy of the Governor's Travel Control Board and Department travel policies to staff.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

CURRENT FINDINGS – State Compliance (Continued)

08-2. **FINDING** (Inadequate controls over employee attendance records)

The Illinois Department of Veterans' Affairs (Department) did not exercise adequate controls over employee attendance records.

During our testing of 41 employees' attendance records for four months during the period, we noted the following:

- Twenty-one (51%) employees' time sheets did not agree to Central Time and Attendance System (CTAS) reports. We noted 41 discrepancies between time sheets and CTAS reports. Five instances were noted where the type of time taken on CTAS, totaling approximately 38 hours, did not agree to the type of time taken on the employees' time sheets. Twelve instances totaling approximately 106.5 hours were noted where employees' time sheets reflected time taken and CTAS did not reflect that or vice versa. Four instances totaling approximately 30 hours were noted where CTAS employees' time sheets reflected an administrative leave and the employees' time sheet showed the employee working all day. Fourteen instances were noted totaling approximately 16 hours where the amount of overtime worked on CTAS did not agree to the amount of overtime worked on the employees' time sheet or vice versa. Two instances were noted totaling approximately 15 hours where the number of hours worked in a day (7.5) on CTAS did not agree to the employees' time sheet. Two instances were noted totaling 15 hours where employees' time sheets stated they worked on a holiday and CTAS did not reflect that. Two instances were noted totaling 10.5 hours where the number of hours taken on the employees' time sheet did not agree to those of the CTAS.
- Three (7%) employees' EET/overtime worked on their time sheet did not agree to the EET/overtime request totaling approximately 10 hours.
- Nine (22%) employees' time sheets did not agree to the leave requests. We noted ten discrepancies between time sheets and leave request forms. Five instances were noted where the type of time taken on the employees' time sheet did not agree to the type of time taken on the leave request totaling approximately 21 hours. Seven instances were noted where the number of hours taken for leave on the leave request did not agree to the number of hours taken on the employees' time sheet or vice versa.

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DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
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For the Two Years Ended June 30, 2008

- One (2%) employees' time sheet could not be located for the month of June 2007 and therefore, could not be tested.
- Fifteen (37%) employees' leave requests were not submitted and/or approved timely. Thirty-three instances were noted where the date approved was from 3 to 215 days after the date the leave occurred. Seventeen instances were noted where the date the request was signed by the employee was from 3 to 195 days after the time off occurred.
- Two (5%) employees did not work the scheduled 7.5 hour days as required. We noted 23 instances where the number of hours worked on the two employees' time sheets were less than the required 7.5 hours. The number of hours worked ranged from six to seven hours with no leave time taken and one hour each day for lunch.
- Two (5%) employees did not enter in the time worked on their daily attendance records for two calendar days. One employee did not note any leave time taken and the other had 5.5 hours of personal time taken, but did not account for the rest of the day.
- One (2%) employee did not record the correct number of hours taken on the leave request. The employee took a 3.5 hour leave and recorded 4.5 hours on the leave request. There was a one hour difference.

The Illinois Administrative Code (80 Ill. Adm. Code 303.340) implemented and authorized by the Personnel Code (20 ILCS 415/1 et seq.) states each operating agency shall maintain accurate, daily attendance records.

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

Failure to maintain adequate controls over employee attendance and attendance records increases the risk of the Department paying for services not rendered by employees. (Finding Code No. 08-2, 06-3)

RECOMMENDATION

We recommend the Department implement controls to ensure employees complete leave requests for time off, accurately complete the time sheets and agree those records to CTAS to ensure accrued absence balances are accurate.

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DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
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For the Two Years Ended June 30, 2008

DEPARTMENT RESPONSE

The Department agrees with this finding. The Department will provide training on attendance records as well as ensure attendance records are reconciled to CTAS.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

CURRENT FINDINGS – State Compliance (Continued)

08-3. **FINDING** (Annual report not timely completed)

The Department of Veterans' Affairs (Department) did not comply with the Department of Veterans Affairs Act regarding the completion and submission of its annual report.

The Department did not complete its Fiscal Year 2007 annual report to the Governor regarding the administration and general operation of the Department within a reasonable timeframe after the end of the fiscal year. As of December 16, 2008, the Department had not completed this report.

The Department of Veterans Affairs Act (20 ILCS 2805/2(10)) requires the Department to make and publish annual reports to the Governor regarding the administration and general operation of the Department.

Department personnel stated they are currently in the process of compiling the report and expect it to be completed by September 2008.

Failure to make and publish annual reports to the Governor regarding the administration and general operation of the Department is noncompliance with the Department of Veterans Affairs Act. (Finding Code No. 08-3)

RECOMMENDATION

We recommend the Department of Veterans' Affairs make and publish annual reports to the Governor regarding the administration and general operation of the Department within a reasonable timeframe after the end of each fiscal year.

DEPARTMENT RESPONSE

The Department agrees with this finding. The Department will implement a plan to complete the annual reports within a reasonable timeframe after the end of each fiscal year.

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DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
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For the Two Years Ended June 30, 2008

CURRENT FINDINGS – State Compliance (Continued)

- 08-4. **FINDING** (Failure to conduct annual review of benefits received by Illinois veterans)

The Department of Veterans' Affairs (Department) did not comply with the Department of Veterans Affairs Act regarding an annual review of the benefits received by Illinois veterans.

The Department was unable to provide documentation that they conducted annual reviews of benefits received by Illinois veterans that compared benefits received by Illinois veterans with the benefits received by veterans in all other states and U.S. territories.

The Department of Veterans Affairs Act (20 ILCS 2805/2(12)) requires the Department conduct an annual review of the benefits received by Illinois veterans that compares benefits received by Illinois veterans with the benefits received by veterans in all other states and U.S. territories.

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

Failure to conduct an annual review of the benefits received by Illinois veterans that compares benefits received by Illinois veterans with the benefits received by veterans in all other states and U.S. territories is noncompliance with the Department of Veterans Affairs Act. (Finding Code No. 08-4)

RECOMMENDATION

We recommend the Department of Veterans' Affairs conduct an annual review of the benefits received by Illinois veterans that compares benefits received by Illinois veterans with the benefits received by veterans in all other states and U.S. territories or seek legislative remedy.

DEPARTMENT RESPONSE

The Department agrees with this finding. The Department is reviewing the legislation to determine what type of report will provide value and address the legislative intent of this requirement. The Department Director and Assistant Director attend the State Directors of Department of Veterans' Affairs conferences to network with other State DVA Directors and compare benefits of

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other states as well as share the Veteran benefits provided by Illinois. Through this network, the Director and Assistant Director have found solutions and ideas for Illinois Veterans Programs as well as assisted other states that provide Veteran benefits similar to Illinois.

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DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

CURRENT FINDINGS – State Compliance (Continued)

08-5. **FINDING** (Failure to establish the Veterans' Conservation Corps)

The Department of Veterans' Affairs (Department) did not establish the Veterans' Conservation Corps as required by the Department of Veterans' Affairs Act (Act). In FY08, the Department received an appropriation in the amount of \$50,000 for costs associated with Veterans' Conservation Corp.

We noted the following deficiencies:

- The Department did not create a list of honorably discharged veterans who are interested in working on a volunteer basis on projects that restore Illinois' natural habitat. The Department is required by the Act (20 ILCS 2805/9) that became effective August 31, 2007, to compile a listing of honorably discharged veterans, particularly those with post-traumatic stress disorder and related conditions, who are interested in working on a volunteer basis on projects that restore Illinois' natural habitat.
- The Department did not promote the opportunity to volunteer for the Veterans Conservation Corps through its field offices and through cooperating veterans' organizations. The Act requires the Department to promote the opportunity to volunteer for the Veterans Conservation Corps through its field offices and through cooperating veterans' organizations.

Department personnel stated they are still in the planning phase of the implementation of this legislation and are working to identify how to integrate this program with existing Department programs.

Failure to create and promote the Veterans' Conservation Corps is a noncompliance with State statute. (Finding Code No. 08-5)

RECOMMENDATION

We recommend the Department of Veterans' Affairs create a list of honorably discharged veterans who are interested in working on a volunteer basis on projects that restore Illinois' natural habitat and promote the opportunity to volunteer for the Veterans Conservation Corps through its field offices and through cooperating veterans organizations.

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DEPARTMENT RESPONSE

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

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
SCHEDULE OF FINDINGS
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CURRENT FINDINGS – State Compliance (Continued)

08-6. **FINDING** (Failure to fully establish the Veterans' Memorial Commission)

The Department of Veterans' Affairs (Department) did not fully comply with the Department of Veterans Affairs Act (Act) regarding the Veterans' Memorial Commission.

We noted the following deficiencies:

- Three of 12 appointments to the Commission were vacant during the period. The Director of the Department had not appointed three representatives of different veterans' service organizations to the Commission. The Department of Veterans Affairs Act (20 ILCS 2805/7) states the Director of the Department shall appoint three representatives of different veterans service organizations to the Commission.
- The Commission did not conduct studies or make reports regarding laws and rules affecting veterans' memorials in Illinois. The Act states the Commission shall conduct studies and make reports regarding the various laws and rules affecting veterans' memorials to determine whether consolidation or other changes in laws or rules are needed to facilitate memorial preservation and to raise awareness of issues affecting veterans' memorials.

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

Failure to appoint all specified members to the Commission and failure to conduct studies or make reports regarding laws and rules affecting veterans' memorials in Illinois is noncompliance with the statute. (Finding Code No. 08-6, 06-6)

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RECOMMENDATION

We recommend the Department of Veterans' Affairs appoint all specified members to the Commission and conduct studies or make reports regarding laws and rules affecting veterans' memorials in Illinois.

DEPARTMENT RESPONSE

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

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CURRENT FINDINGS – State Compliance (Continued)

08-7. **FINDING** (Noncompliance with the National Guard Veterans Exposure to Hazardous Materials Act)

The Department of Veterans' Affairs (Department) did not comply with the National Guard Veterans Exposure to Hazardous Materials Act (Act).

We noted the following deficiencies:

- A task force was not established within the Department to study the possible health effects of the exposure to hazardous materials or to submit a report to the General Assembly. The National Guard Veterans Exposure to Hazardous Materials Act (330 ILCS 130/20) (Act) states there is established a task force within the Department to study the possible health effects of the exposure to hazardous materials. In addition, the Act required the task force to submit a report on its findings and recommendations to the General Assembly by January 31, 2008. The Act also states that the task force shall terminate on the date that it submits the report or on January 31, 2008, whichever is earlier.
- The Department had not established a method to assist eligible members or veterans in obtaining information on available federal treatment services for exposure to depleted uranium. The Act (330 ILCS 130/10) requires, on and after October 1, 2007, the Department assist any eligible member or veteran who (i) has been assigned a risk level I, II, or III for depleted uranium exposure by his or her branch of service, (ii) is referred by a military physician, or (iii) has reason to believe that he or she was exposed to depleted uranium during such service, in obtaining information on available federal treatment services.

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

Failure to ensure a task force was established within the Department to study the possible health effects of the exposure to hazardous materials and to submit a report to the General Assembly hinders the legislature from making informed decisions regarding this topic. In addition, failure to assist eligible members or veterans in obtaining information on available federal treatment services for exposure to depleted uranium results in veterans not having the proper knowledge and support regarding this subject. (Finding Code No. 08-7)

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RECOMMENDATION

We recommend the Department of Veterans' Affairs implement controls to ensure statutory requirements are complied with in a timely manner. Further, the Department should ensure a task force is established with the Department and ensure all duties of the task force are carried out in accordance with the National Guard Veterans Exposure to Hazardous Materials Act. Lastly, the Department should establish a method to timely assist eligible members or veterans in obtaining information on available federal treatment services for exposure to depleted uranium.

DEPARTMENT RESPONSE

The Department of Veterans' Affairs disagrees with this finding.

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

As to the accusation that the Department had not established a task force, the National Guard Veterans Exposure to Hazardous Materials Act did not authorize the Department of Veterans' Affairs to establish a task force. The language of the Act established a task force and placed exactly one person from the Department on the task force, the Director. Neither the Department nor the Director were given the power or authority by this Act to establish a task force, to study the possible health effects of the exposure to hazardous materials or to submit a report to anybody of the State government. It is a settled concept of law that a State agency may only do those things that are specifically authorized or necessarily implied. The Department was not authorized to take any of the actions alleged as violations in this portion of the audit finding, nor was the Department authorized to implement the recommendation from the auditors to insure a task force is established or see that its duties are carried out. The authorities for the task force expired 01 Jan 08.

The finding should be removed form this audit report.

The finding that the Department failed to establish a task force should be removed from this audit report.

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

The finding that the Department failed to establish a method to assist eligible members or veterans in obtaining the required information should be removed from this audit report, as the already established protocols meet the requirements.

Therefore, this finding should be removed in its entirety from this audit report.

AUDITORS' COMMENT

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

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CURRENT FINDINGS – State Compliance (Continued)

- 08-8. **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 all Veterans' Service Officers at each field office for a total of 89 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 89 weeks tested. We noted the following:

- Six of 89 (7%) weekly statistical reports did not accurately trace to the underlying daily interview records.
- Two of 89 (2%) monthly statistical reports did not accurately trace to the underlying weekly statistical reports.
- Four of 89 (4%) monthly statistical reports were not mathematically correct.
- One of 89 (1%) weekly statistical reports was not mathematically correct.
- Five of 89 (6%) monthly statistical reports were not signed by the Veterans' Service Officer.
- Twenty-six of 89 (29%) weekly statistical reports were not signed by the Veterans' Service Officer.

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- Four of 89 (4%) months tested contained between one and twelve reports which the Department was unable to provide.

In addition, we selected 7 of 32 (22%) itinerant offices with telephones to inquire anonymously about hours of operation with the Veterans' Service Officers (VSO). We then compared the hours stated by the VSO with the hours listed on the Department's website. Three of 7 (43%) itinerant offices stated hours of operation which varied from the hours listed on the Department's website. Additionally, one of 7 (14%) itinerant offices did not have a valid phone number listed on the Department's website.

Furthermore, we reviewed four consecutive weekly itineraries as submitted by the North, Central, and South division field office supervisors. We noted the itineraries did not match the supervisor sign-in records for 4 of 37 (11%) visits tested.

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

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. 08-8, 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 Department agrees with this finding. The Department will review internal

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policies and procedures for Veterans' Service Officers reporting and implement internal controls to ensure accurate and complete records are maintained.

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CURRENT FINDINGS – State Compliance (Continued)

08-9. **FINDING** (Performance evaluations not timely completed)

The Illinois Department of Veterans' Affairs (Department) did not complete annual employee performance evaluations timely.

The Department did not timely complete annual evaluations for 13 (52%) of 25 employees tested during the period. Employee evaluations were completed from 42 to 179 days late. In addition, four employees did not receive a FY07 evaluation and six employees had not received a FY08 evaluation.

The Department's Employee Manual Chapter 2, Section 11 states that evaluations take place every 12 months, unless otherwise specified under the Personnel Rules.

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

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. (Finding Code No. 08-9)

RECOMMENDATION

We recommend the Department take appropriate measures to ensure performance evaluations are conducted annually as required by policy.

DEPARTMENT RESPONSE

The Department agrees with this finding. Management has made this a priority and has made significant progress to become caught up on past due evaluations. The Human Resources Department is working with the Information Technology Department on a new program to track when evaluations are due to inform management of evaluation due dates in advance.

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CURRENT FINDINGS – State Compliance (Continued)

08-10. **FINDING** (Inadequate controls over employee overtime)

The Illinois Department of Veterans' Affairs (Department) did not exercise adequate controls over employee's use of overtime.

During testing, we noted that eleven (22%) of 50 employees did not receive approval prior to working approximately 84 hours of overtime as required by the Department's Manual. We noted two instances where overtime requests were approved five to 15 days after the date the overtime was worked. Thirteen instances were noted where overtime requests were filled out by the employee from one to 34 days after the date of overtime worked. Fifteen instances were noted where overtime requests were never filled out.

The Department's Employee Manual states overtime must be authorized and approved by the immediate supervisor and except in emergency situations, an overtime request form must be completed prior to an employee working additional hours.

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

Failure to follow the Department's personnel policies regarding overtime increases the risk the Department will pay for services not rendered by employees. (Finding Code No. 08-10)

RECOMMENDATION

We recommend the Department ensure overtime is approved in advance and that overtime requests be filled out.

DEPARTMENT RESPONSE

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

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CURRENT FINDINGS – State Compliance (Continued)

08-11. **FINDING** (Inadequate controls over State vehicles)

The Department of Veterans' Affairs (Department) did not maintain adequate control over State vehicles.

We noted the following:

- Ten of 25 (40%) operation of automobile vouchers tested included weekend gas purchases. We noted 27 instances totaling \$1,019 of weekend gas purchases on these ten vouchers. The Department was unable to provide support for the business purpose of these weekend gas purchases; therefore, we could not determine if vehicles were used for personal purposes, other than commuting. The State Property Control Act (30 ILCS 605/4) specifies each agency's accountability for supervision and control of State property. In addition, the Illinois Administrative Code (44 Ill. Adm. Code 5040.350(a)), states that "State owned vehicles shall only be used for public purposes and in the best interests of the State."
- Eight of 25 (32%) operation of automobile vouchers tested contained automotive expenditures that lacked supporting documentation. These eight vouchers were missing a total of 10 gas tickets that totaled \$373 of purchases paid by the Agency with no supporting documentation. SAMS (Procedure 17.10.20) requires that each State agency maintain all supporting documentation necessary to substantiate their expenditures. Without the actual charge receipts, the auditor is unable to determine reasonableness of purchases.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the establishment and maintenance of a system of internal controls to safeguard funds against waste, loss, unauthorized use and misappropriation.

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

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Failure to exercise adequate internal controls over expenditures increases the likelihood of erroneous payments and decreases the reliability of the data used to track vehicle repairs and costs. (Finding Code No. 08-11)

RECOMMENDATION

We recommend that the Department implement controls to ensure and verify that State vehicles are used in accordance with applicable rules and regulations. In addition, the Department should obtain and maintain adequate support before paying expenditures.

DEPARTMENT RESPONSE

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

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CURRENT FINDINGS – State Compliance (Continued)

08-12. **FINDING** (Lack of current Disaster Contingency Planning or Testing to Ensure Recovery of Computer Systems)

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. Although some contact lists and the organizational chart were updated in 2008, the essential parts of the Plan had not been updated since 1999. The Plan contains outdated information and does not address the Central Office's role in recovery of the Department's Homes and Field Offices.

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

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 and resources the disaster recovery efforts have been limited over the past year.

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 appropriately modified, as the Department's computing environment and disaster recovery needs change. (Finding Code No. 08-12, 06-8)

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

DEPARTMENT RESPONSE

The Department agrees with the finding and has contracted services to review and update all Department policies and procedures for streamlining, consistency and compliance with applicable statutes.

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CURRENT FINDINGS – State Compliance (Continued)

08-13. **FINDING** (Inadequate controls over grant agreements)

The Illinois Department of Veterans' Affairs (Department) did not enforce compliance with its grant agreements' requirements regarding timely submission of required reports. As a result, the Department's ability to monitor State grants was negatively impacted. The Department awarded Veterans' Assistance grants totaling \$1,852,377 and \$1,408,204 in FY07 and FY08, respectively.

We noted seven of 15 (47%) grants tested totaling \$661,000, where the grantees did not submit or timely submit a semi-annual report. One of 15 (7%) grantees did not submit the semi-annual report. Six of 15 (40%) grantees submitted the semi-annual report between 57 and 186 days late.

The grant agreement required the grantee to submit a semi-annual report to the Department on the status of funded projects or programs and on the expenditure of grant funds including specific general information, funding status, status of program and evaluation.

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

Inadequate monitoring of grants could result in improper expenditures by the Department for services and reports not received. (Finding Code No. 08-13)

RECOMMENDATION

We recommend the Department adequately monitor its grants to ensure all required reports are received from the grantee. We further recommend the Department adequately document its monitoring efforts.

DEPARTMENT RESPONSE

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

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

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CURRENT FINDINGS – State Compliance (Continued)

08-14. **FINDING** (Inadequate controls over voucher processing)

The Department of Veterans' Affairs (Department) did not exercise adequate control over voucher processing.

During testing we noted the following:

- Twenty of 325 (6%) vouchers tested totaling \$62,521 were approved for payment from 2 to 63 days late. The Illinois Administrative Code (74 Ill. Adm. Code 900.70) requires an agency to review a bill and either approve or deny the bill in whole or in part within 30 days after physical receipt of the bill.
- Three of 325 (1%) vouchers tested, totaling \$18,151, did not include payments for required interest, totaling \$248. The State Prompt Payment Act (30 ILCS 540/3-2) requires State agencies to determine whether interest is due and automatically pay interest penalties amounting to \$50 or more to the appropriate vendor when payment is not issued within 60 days after receipt of a proper bill.
- Two of 325 (1%) vouchers tested, totaling \$2,699, were approved and paid prior to the receipt of goods. The State Finance Act (30 ILCS 105/9.05) requires the voucher to state on its face that the goods or services are being procured pursuant to a formal, written contract the terms of which require advance payment. If it is not possible to execute a written contract, the voucher shall so state.
- One of 325 (1%) vouchers tested, totaling \$1,890, did not document the date the invoice was received by the Department. The Illinois Administrative Code (74 Ill. Adm. Code 900.70) requires an agency to review a bill and either approve or deny the bill in whole or in part within 30 days after physical receipt of the bill.

Department personnel stated invoices not processed timely were due to the timing and division receiving the invoices. Invoices not processed timely were either received during the demanding lapse and GAAP reporting time period or received by divisions other than the fiscal department and were not received by the fiscal department timely. As for the prompt payment interest payments, these amounts

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are calculated by the invoice processing system. Prompt payment invoices not being generated are a system error.

Failure to approve vouchers timely could subject the State to unnecessary interest charges. Failure to pay interest penalties is noncompliance with the State Prompt Payment Act and the Illinois Administrative Code. Failure to maintain adequate supporting documentation may lead to inappropriate expenditures. Advance payments made for goods could result in improper expenditures by the Department for goods not received. (Finding Code No. 08-14)

RECOMMENDATION

We recommend the Department implement controls to ensure vouchers are approved within the required time frame. The Department should comply with the Illinois State Records Act and ensure it maintains an adequate system of recordkeeping. The Department should develop and implement procedures to identify all vouchers not paid within 60 days to ensure the proper amount of interest is paid. Additionally, the Department should not make advance payment for goods unless procured through a contract which requires advance payment.

DEPARTMENT RESPONSE

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

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

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

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

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

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CURRENT FINDINGS – State Compliance (Continued)

08-15. **FINDING** (Inadequate controls over equipment)

The Department of Veterans' Affairs (Department) did not have adequate controls over equipment.

During our testing we noted the following:

- The Department did not include the purchase of 15 shredders, totaling \$3,281, on its property control inventory records. SAMS (Procedure 29.10.10) requires an agency to maintain current property information at a summary level. Department personnel stated these items were added to the property control records in July 2008 and that the account technician did not give a copy of payment to the property control employee in a timely manner.
- Two of 50 (4%) equipment items tested, totaling \$6,014, could not be located. SAMS (Procedure 29.10.10) requires an agency to maintain current property information at a summary level which includes the location of the asset. In addition, Department personnel stated that one item was a server rack that originally had the ID tag on the doors. The doors were removed and surplused and the rack was transferred to one of the homes without an ID tag. The other item was placed on the discrepancy report and has been surplused as a black tag to CMS.
- One of 50 (2%) equipment items tested, totaling \$15,328 was located at a different location than what was recorded on the property control records. Good internal control procedures require the proper tracking of equipment items within the Department. Department personnel stated that the car was accidentally listed with the same property tag number as another car at a different location on the property listing and has since been corrected.
- One of 50 (2%) equipment items tested, totaling \$3,663, did not contain a proper State identification tag. DCMS property control rule (44 Ill. Adm. Code 5010.210) states it is the agency's responsibility to mark each piece of State-owned equipment in their possession with a unique six digit identification number to be assigned by the agency holding the property. Department personnel stated a piece of the item was removed which had the original tag number on it.

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- Four of 50 (8%) equipment items could not be traced back to the Department's inventory records. SAMS (Procedure 29.10.10) requires an agency to maintain current property information, even items of a nominal value which are excluded from the detail records however are to be maintained for internal accountability purposes. Department personnel stated two items are IT equipment and all central office IT equipment is within the central office location code regardless of where it is physically located at within the central office. One item is believed to have been requested to be deleted from inventory and the other item was transferred to a field office and is awaiting paperwork so it can be added to the system.

Failure to maintain accurate property control records and properly tag equipment items increases the potential for fraud and possible loss or theft of State property. (Finding Code No. 08-15)

RECOMMENDATION

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

DEPARTMENT RESPONSE

The Department agrees with this finding. The Department will provide refresher training on proper equipment procedures to ensure accurate Department property records.

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CURRENT FINDINGS – State Compliance (Continued)

08-16. **FINDING** (GAAP reporting)

The Illinois Department of Veterans' Affairs (Department) did not report certain financial information to the Office of the Comptroller through the financial reporting process.

During FY08 the Department received a pass-through grant with the Capital Development Board of \$4,383,464 for expenditures incurred for the construction improvements to the Department's LaSalle Veterans' Home in accordance with the State Homes Construction Program. However, the Department failed to report this amount from the federal government in its FY08 Generally Accepted Accounting Principles (GAAP) package for the General Revenue (001) Fund.

The Statewide Accounting Management Systems (SAMS) Manual (Procedure 27.10.10) requires all State agencies to submit annual GAAP reporting packages for any fund or funds in which they expend from and/or deposit receipts.

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

Failure to submit correct information to the Office of the Comptroller on its GAAP reporting forms increases the risk that the statewide financial statements will not be fairly stated. (Finding Code No. 08-16)

RECOMMENDATION

We recommend the Department report all financial information to the Office of the Comptroller through the GAAP reporting process.

DEPARTMENT RESPONSE

The Department agrees with this finding. The Department did report the pass-through State Homes Construction grant on the SCO-568 form. Completion of the SCO-563 was inadvertently omitted in the FY08 GAAP package as this was a late addition to the GAAP package. This omission also was not found in the Comptroller's review of the Department GAAP package.

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The Department will complete the SCO-563 form in future GAAP packages for State Homes Construction pass-through grants.

AUDITORS' COMMENT

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

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PRIOR FINDINGS NOT REPEATED

- A. **FINDING** (Noncompliance with the State Officials and Employees Ethics Act)

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

In the current period, the Department updated their time sheet to reflect the proper language required by the State Officials and Employee Ethics Act.

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

In the prior period, 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) and (7)).

In the current period, the Department reviewed statements of economic interest prior to filing with the Secretary of State. In addition, we did not note any instances where the Department did not properly 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.

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

In the prior period, 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.

In the current period, the Department submitted required reports by the specified deadlines. Additionally, each report contained all required information.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008

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 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
 - Average Number of Employees
 - Service Efforts and Accomplishments (Not Examined)

The accountants' 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, except for information on Service Efforts and Accomplishments on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS - CENTRAL OFFICE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30,
(amounts expressed in thousands)

Federal Grantor/Division/Program Title	Federal CFDA Number	2007	2008
U.S Department of Veterans' Affairs			
Anna Veterans' Home -			
Veterans State Domiciliary Care	64.014	\$ 114	\$ 102
Quincy Veterans' Home -			
Veterans State Domiciliary Care	64.014	286	\$ 271
Total State Domiciliary Care		<u>\$ 400</u>	<u>\$ 373</u>
Anna Veterans' Home -			
Veterans State Nursing Home Care	64.015	\$ 1,295	\$ 1,083
LaSalle Veterans' Home -			
Veterans State Nursing Home Care	64.015	2,364	\$ 2,408
Manteno Veterans' Home -			
Veterans State Nursing Home Care	64.015	6,946	\$ 6,311
Quincy Veterans' Home -			
Veterans State Nursing Home Care	64.015	9,279	\$ 9,198
Total State Nursing Home Care		<u>\$ 19,884</u>	<u>\$ 19,000</u>
Manteno Homeless Program	64.XXX	\$ 144	\$ 6
Total Manteno Homeless Program		<u>\$ 144</u>	<u>\$ 6</u>
All-Volunteer Force Educational Assistance	64.124	\$ 574	\$ 920
Total All-Volunteer Force Educational Assistance		<u>\$ 574</u>	<u>\$ 920</u>
Troops to Teachers	12.XXX	\$ -	\$ 129
Spouses to Teachers	12.XXX	\$ -	\$ 8
Total Troops to Teachers and Spouses to Teachers		<u>\$ -</u>	<u>\$ 137</u>
U.S. Department of Veterans' Affairs Total		<u>\$ 21,002</u>	<u>\$ 20,436</u>
U.S. Department of Housing and Urban Development			
Manteno Veterans Homeless Program			
Supportive Housing	14.235	\$ (144)	\$ 67
U.S. Department of Housing and Urban Development Total		<u>\$ (144)</u>	<u>\$ 67</u>
Total Expenditures of Federal Awards		<u>\$ 20,858</u>	<u>\$ 20,503</u>

Note: The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule. CFDA # 64.005 State Homes Construction Program was not properly reported. See finding 08-16.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended June 30, 2008

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, 2007 and June 30, 2008.

B. Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the cash 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:

Grants to States for Construction of State Home Facilities – CFDA # 64.005

Objective is to assist States to acquire or construct State home facilities for furnishing domiciliary or nursing home care to veterans, and to expand, remodel, or alter existing buildings for furnishing domiciliary, nursing home, or hospital care to veterans in State homes.

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.

Manteno Homeless Program – CFDA # 64.XXX

Objectives are to rehabilitate the Prince building on the Manteno Veterans' Home campus for operation of the Manteno Homeless Program from grant funding received from the Federal Home Loan Bank of Chicago. No operating funds for the program were received from FHLBC.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended June 30, 2008

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/Spouses-to-Teachers – CFDA # 12.XXX

Objectives are to recruit eligible members of the armed forces for participation in the Troops to Teachers and facilitate the certification and employment of such participants as teachers in public schools.

Supportive Housing – CFDA # 14.235

Objectives are to promote the development of supportive housing and supportive services to assist homeless persons in the transition from homelessness and to enable them to live as independently as possible. Program funds may be used to provide: (i) transitional housing within a 24-month period as well as up to six months of follow-up services to former residents to assist their adjustment to independent living; (ii) permanent housing provided in conjunction with appropriate supportive services designed to maximize the ability of persons with disabilities to live as independently as possible; (iii) supportive housing that is, or is part of, a particularly innovative project for, or alternative method of, meeting the immediate and long-term needs of homeless individuals and families; (iv) supportive services for homeless individuals not provided in conjunction with supportive housing,(v) safe havens for homeless individuals with serious mental illness currently residing on the streets who may not yet be ready for supportive services; and (vi)HMIS for developing management information systems to maintain data on beds, units and homeless individuals.

NOTE 3 – Pass-Through and Subrecipient Awards

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

NOTE 4 – Noncash Awards

The Department did not receive any noncash awards.

STATE OF ILLINOIS
 Department of Veterans' Affairs
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For The Fiscal Year Ended June 30, 2008

P.A. 95-0348 FISCAL YEAR 2008	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	
General Revenue Fund (001) - Central Office (01)					
Personal Services	\$ 1,696,400	\$ 1,591,359	\$ 83,379	1,674,738	\$ 21,662
Employee Retirement	-	-	-	-	-
Contributions Paid by Employer					
State Contribution to State	281,600	263,661	13,813	277,474	4,126
Employees' Retirement System	129,800	117,947	6,227	124,174	5,626
State Contributions to Social Security	460,300	384,755	52,229	436,984	23,316
Contractual Services	48,600	43,082	3,130	46,212	2,388
Travel	17,000	13,305	1,910	15,215	1,785
Commodities	5,900	4,747	795	5,542	358
Printing	48,250	5,372	36,578	41,950	6,300
Equipment	983,850	586,315	357,308	943,623	40,227
Electronic Data Processing	78,900	48,730	10,218	58,948	19,952
Telecommunications	17,800	13,492	2,037	15,529	2,271
Operation of Automotive Equipment	842,500	698,441	141,351	839,792	2,708
MIA/POW Scholarship	97,800	46,439	3,300	49,739	48,061
Bonus Payments to War Veterans	163,700	134,250	2,500	136,750	26,950
Educational Opportunities	615,800	262,600	47,700	310,300	305,500
Cartage and Erection of	34,200	34,200	-	34,200	-
Veterans' Headstones	-	-	-	-	-
Cartage and Erection of	-	-	-	-	-
Veterans' Headstones - PY	750,000	-	-	-	750,000
Veterans Projects and Activities	50,000	-	-	-	50,000
Post Traumatic Stress Disorder	-	-	-	-	-
Outpatient Counseling Program	-	-	-	-	-
Veterans' Conservation Corp.	-	-	-	-	-

STATE OF ILLINOIS
 Department of Veterans' Affairs
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For The Fiscal Year Ended June 30, 2008

	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	
P.A. 95-0348					
FISCAL YEAR 2008					
Additional Frontline Staff	382,900	78,660	17,154	95,814	287,086
Total Fiscal Year 2008	<u>\$ 6,705,300</u>	<u>\$ 4,327,355</u>	<u>\$ 779,629</u>	<u>\$ 5,106,984</u>	<u>\$ 1,598,316</u>
Illinois Veterans' Homes Fund (102) - Central Office (01)					
Operations of Veterans' Homes	\$ 300,000	\$ 12,353	\$ 108,716	\$ 121,069	\$ 178,931
Total Fiscal Year 2008	<u>\$ 300,000</u>	<u>\$ 12,353</u>	<u>\$ 108,716</u>	<u>\$ 121,069</u>	<u>\$ 178,931</u>
Illinois Veterans Assistance Fund (236) - Central Office (01)					
Grant from Illinois Veterans' Assistance Fund	\$ 8,000,000	\$ 1,870,530	\$ 615,100	\$ 2,485,630	\$ 5,514,370
Total Fiscal Year 2008	<u>\$ 8,000,000</u>	<u>\$ 1,870,530</u>	<u>\$ 615,100</u>	<u>\$ 2,485,630</u>	<u>\$ 5,514,370</u>
Illinois Affordable Housing Trust Fund (286) - Central Office (01)					
Specialty Adapted Housing for Veterans	\$ 223,000	\$ 181,629	\$ -	\$ 181,629	\$ 41,371
Total Fiscal Year 2008	<u>\$ 223,000</u>	<u>\$ 181,629</u>	<u>\$ -</u>	<u>\$ 181,629</u>	<u>\$ 41,371</u>
Library Grant Fund (725) - Central Office (01)					
Illinois Military Family Relief Fund	\$ 250,000	\$ 60,000	\$ -	\$ 60,000	\$ 190,000
Total Fiscal Year 2008	<u>\$ 250,000</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 190,000</u>
Grand Total All Funds - Central Office	<u>\$ 6,451,867</u>	<u>\$ 6,451,867</u>	<u>\$ 1,503,445</u>	<u>\$ 7,955,312</u>	<u>\$ 1,900,000</u>

STATE OF ILLINOIS
 Department of Veterans' Affairs
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For The Fiscal Year Ended June 30, 2008

P.A. 95-0348 FISCAL YEAR 2008	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	
General Revenue Fund (001) - Field Services (15)					
Personal Services	\$ 3,809,100	\$ 3,254,765	\$ 147,980	\$ 3,402,745	\$ 406,355
Employee Retirement Contributions Paid by Employer	-	-	-	-	-
State Contribution to State Employees' Retirement System	632,300	542,177	24,515	566,692	65,608
State Contributions to Social Security	264,900	240,961	11,000	251,961	12,939
Contractual Services	312,700	201,780	16,767	218,547	94,153
Travel	107,600	83,993	9,344	93,337	14,263
Commodities	16,600	9,789	5,330	15,119	1,481
Printing	8,900	5,533	2,549	8,082	818
Equipment	58,500	14,672	1,012	15,684	42,816
Electronic Data Processing	100	-	-	-	100
Telecommunications	136,800	85,984	14,855	100,839	35,961
Operation of Automotive Equipment	33,300	23,482	9,004	32,486	814
Total Fiscal Year 2008	<u>\$ 5,380,800</u>	<u>\$ 4,463,136</u>	<u>\$ 242,356</u>	<u>\$ 4,705,492</u>	<u>\$ 675,308</u>
Grand Total All Funds - Field Services		<u>\$ 4,463,136</u>	<u>\$ 242,356</u>	<u>\$ 4,705,492</u>	
GI Education Fund (447) - State Approving Agency (30)					
Personal Services	\$ 536,500	\$ 426,464	\$ 24,772	\$ 451,236	\$ 85,264
Employee Retirement Contributions Paid by Employer	-	-	-	-	-
State Contribution to State Employees' Retirement System	89,000	70,810	4,103	74,913	14,087
State Contributions to Social Security	41,100	31,830	1,865	33,695	7,405
Group Insurance	128,000	83,173	2,750	85,923	42,077
Contractual Services	112,300	45,032	3,035	48,067	64,233

STATE OF ILLINOIS
 Department of Veterans' Affairs
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For The Fiscal Year Ended June 30, 2008

P.A. 95-0348 FISCAL YEAR 2008	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
			Expenditures July 1 to August 31	Expenditures August 31		
Travel	101,200	32,107	1,864	33,971	67,229	
Commodities	57,800	3,596	37	3,633	54,167	
Printing	27,600	15,067	2,769	17,836	9,764	
Equipment	93,900	10,129	0	10,129	83,771	
Electronic Data Processing	59,200	1,442	2,984	4,426	54,774	
Telecommunications	31,600	13,027	3,090	16,117	15,483	
Operation of Automotive Equipment	34,000	16,112	1,761	17,873	16,127	
Total Fiscal Year 2008	\$ 1,312,200	\$ 748,789	\$ 49,030	\$ 797,819	\$ 514,381	
Veterans' Affairs Federal Projects Fund (897) - State Approving Agency (30)						
Troops to Teachers	\$ 250,000	\$ 131,254	\$ 15,685	\$ 146,939	\$ 103,061	
Total Fiscal Year 2008	\$ 250,000	\$ 131,254	\$ 15,685	\$ 146,939	\$ 103,061	
Grand Total All Funds - State Approving Agency	\$ 880,043	\$ 880,043	\$ 64,715	\$ 944,758		
General Revenue Fund (001) - Shared Services (89)						
Healthcare Shared Services	\$ 819,100	\$ 766,725	\$ 24,774	\$ 791,499	\$ 27,601	
Total Fiscal Year 2008	\$ 819,100	\$ 766,725	\$ 24,774	\$ 791,499	\$ 27,601	
Grand Total All Funds - Shared Services	\$ 766,725	\$ 766,725	\$ 24,774	\$ 791,499		
Grand Total All Funds	\$ 12,561,771	\$ 12,561,771	\$ 1,835,290	\$ 14,397,061		

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
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For The Fiscal Year Ended June 30, 2007

P.A. 94-798 FISCAL YEAR 2007	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
			Expenditures July 1 to August 31	Expenditures August 31		
General Revenue Fund (001) - Central Office (01)						
Personal Services	\$ 2,054,300	\$ 1,932,096	\$ 101,142	\$ 2,033,238	\$ 21,062	
Employee Retirement	-	-	-	-	-	
Contributions Paid by Employer	-	-	-	-	-	
State Contribution to State	237,700	223,580	12,455	236,035	1,665	
Employees' Retirement System	153,400	143,816	8,065	151,881	1,519	
State Contributions to Social Security	445,300	352,034	56,041	408,075	37,225	
Contractual Services	34,300	28,840	4,755	33,595	705	
Travel	17,800	8,172	3,658	11,830	5,970	
Commodities	7,900	6,696	1,020	7,716	184	
Printing	75,000	1,719	68,857	70,576	4,424	
Equipment	907,100	536,577	326,366	862,943	44,157	
Electronic Data Processing	45,900	38,245	7,579	45,824	76	
Telecommunications	19,400	17,670	1,014	18,684	716	
Operation of Automotive Equipment	842,500	578,047	264,450	842,497	3	
MIA/POW Scholarship	97,800	30,063	3,200	33,263	64,537	
Bonus Payments to War Veterans	163,700	122,500	4,000	126,500	37,200	
Educational Opportunities						
Cartage and Erection of						
Veterans' Headstones	615,800	297,775	89,241	387,016	228,784	
Cartage and Erection of						
Veterans' Headstones - PY	34,200	28,200	500	28,700	5,500	
Veterans' Programs and Activities	100,000	100,000	-	100,000	-	
Total Fiscal Year 2007	\$ 5,852,100	\$ 4,446,030	\$ 952,343	\$ 5,398,373	\$ 453,727	

Illinois Veterans' Homes Fund (102) - Central Office (01)

Operations of Veterans' Homes	300,000	60,796	126,877	187,673	112,327
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STATE OF ILLINOIS
 Department of Veterans' Affairs
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For The Fiscal Year Ended June 30, 2007

P.A. 94-798 FISCAL YEAR 2007	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	
Total Fiscal Year 2007	\$ 300,000	\$ 60,796	\$ 126,877	\$ 187,673	\$ 112,327
Illinois Veterans Assistance Fund (236) - Central Office (01)					
Grant from Illinois Veterans' Assistance Fund	\$ 8,000,000	\$ 1,526,283	\$ 326,094	\$ 1,852,377	\$ 6,147,623
Total Fiscal Year 2007	\$ 8,000,000	\$ 1,526,283	\$ 326,094	\$ 1,852,377	\$ 6,147,623
Illinois Affordable Housing Trust Fund (286) - Central Office (01)					
Specially Adapted Housing for Veterans	223,000	150,000	-	150,000	73,000
Total Fiscal Year 2007	\$ 223,000	\$ 150,000	\$ -	\$ 150,000	\$ 73,000
Library Grant Fund (725) - Central Office (01)					
Illinois Military Family Relief Fund	250,000	63,000	3,000	66,000	184,000
Total Fiscal Year 2007	\$ 250,000	\$ 63,000	\$ 3,000	\$ 66,000	\$ 184,000
Grand Total All Funds - Central Office	\$ 6,246,109	\$ 6,246,109	\$ 1,408,314	\$ 7,654,423	\$ 7,654,423
General Revenue Fund (001) - Field Services (15)					
Personal Services	\$ 3,565,600	\$ 3,150,320	\$ 168,327	\$ 3,318,647	\$ 246,953
Employee Retirement	-	-	-	-	-
Contributions Paid by Employer	-	-	-	-	-
State Contribution to State	-	-	-	-	-

STATE OF ILLINOIS
 Department of Veterans' Affairs
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For The Fiscal Year Ended June 30, 2007

P.A. 94-798 FISCAL YEAR 2007	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
			Expenditures July 1 to August 31	Expenditures August 31		
Employees' Retirement System	410,900	363,142	19,403	382,545	28,355	
State Contributions to Social Security	272,700	232,304	12,491	244,795	27,905	
Contractual Services	251,700	194,009	21,825	215,834	35,866	
Travel	99,900	92,245	5,408	97,653	2,247	
Commodities	19,100	13,265	5,214	18,479	621	
Printing	14,900	6,150	7,970	14,120	780	
Equipment	58,500	2,612	49,150	51,762	6,738	
Electronic Data Processing	100	99	-	99	1	
Telecommunications	123,200	99,650	11,009	110,659	12,541	
Operation of Automotive Equipment	28,800	19,798	2,544	22,342	6,458	
Total Fiscal Year 2007	\$ 4,845,400	\$ 4,173,594	\$ 303,341	\$ 4,476,935	\$ 368,465	
Grand Total All Funds - Field Services		\$ 4,173,594	\$ 303,341	\$ 4,476,935		
GI Education Fund (447) - State Approving Agency (30)						
Personal Services	\$ 506,600	\$ 430,976	\$ 24,895	\$ 455,871	\$ 50,729	
Employee Retirement						
Contributions Paid by Employer	-	-	-	-	-	
State Contribution to State						
Employees' Retirement System	58,400	49,740	2,948	52,688	5,712	
State Contributions to Social Security	38,800	32,867	1,934	34,801	3,999	
Group Insurance	124,500	74,048	3,678	77,726	46,774	
Contractual Services	112,300	55,048	3,150	58,198	54,102	
Travel	101,200	33,493	1,103	34,596	66,604	
Commodities	57,800	5,609	13	5,622	52,178	
Printing	27,600	8,924	38	8,962	18,638	
Equipment	93,900	1,366	53,967	55,333	38,567	
Electronic Data Processing	59,200	5,907	1,839	7,746	51,454	
Telecommunications	31,600	13,516	3,662	17,178	14,422	
Operation of Automotive Equipment	34,000	14,252	4,942	19,194	14,806	
Total Fiscal Year 2007	\$ 1,245,900	\$ 725,746	\$ 102,169	\$ 827,915	\$ 417,985	

STATE OF ILLINOIS
 Department of Veterans' Affairs
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For The Fiscal Year Ended June 30, 2007

P.A. 94-798 FISCAL YEAR 2007	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
			Expenditures July 1 to August 31	Expenditures August 31		
Veterans' Affairs Federal Projects Fund (897) - State Approving Agency (30)						
Troops to Teachers	\$ 250,000	\$ 24,410	\$ 6,230		\$ 30,640	\$ 219,360
Total Fiscal Year 2007	<u>\$ 250,000</u>	<u>\$ 24,410</u>	<u>\$ 6,230</u>		<u>\$ 30,640</u>	<u>\$ 219,360</u>
Grand Total All Funds - State Approving Agency	\$ 750,156		\$ 108,399		\$ 858,555	
Grand Total All Funds	<u>\$ 11,169,859</u>		<u>\$ 1,820,054</u>		<u>\$ 12,989,913</u>	

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
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Years Ended June 30,

	Fiscal Year		
	2008	2007	2006
General Revenue Fund (001) - Central Office (01)	P.A. 95-0348	P.A. 94-798	P.A. 94-0015
Appropriations (Net of Transfers)	<u>\$ 6,705,300</u>	<u>\$ 5,852,100</u>	<u>\$ 6,068,800</u>
Expenditures			
Personal Services	\$ 1,674,738	\$ 2,033,238	1,695,761
Employee Retirement			
Contributions Paid by Employer	-	-	5,431
State Contribution to State			
Employees' Retirement System	277,474	236,035	132,206
State Contributions to Social Security	124,174	151,881	126,125
Contractual Services	436,984	408,075	418,835
Travel	46,212	33,595	31,476
Commodities	15,215	11,830	15,864
Printing	5,542	7,716	5,849
Equipment	41,950	70,576	4,356
Electronic Data Processing	943,623	862,943	577,504
Telecommunications	58,948	45,824	47,321
Operation of Automotive Equipment	15,529	18,684	14,449
MIA/POW Scholarship	839,792	842,497	1,710,123
Bonus Payments to War Veterans	49,739	33,263	28,496
Educational Opportunities	136,750	126,500	141,500
Specially Adapted Housing	-	-	212,500
Cartage and Erection of Veterans' Headstones	310,300	387,016	467,900
Cartage and Erection of Veterans' Headstones - PY	34,200	28,700	29,000
Veterans' Projects and Activities	-	100,000	-
Post Traumatic Stress Disorder Outpatient Counseling Program	-	-	-
Veterans' Conservation Corp.	-	-	-
Additional Frontline Staff	95,814	-	-
Total Expenditures	<u>\$ 5,106,984</u>	<u>\$ 5,398,373</u>	<u>\$ 5,664,696</u>
Lapsed Balances	<u>\$ 1,598,316</u>	<u>\$ 453,727</u>	<u>\$ 404,104</u>
Central Office			
Illinois Veterans' Homes Fund - 0102			
Appropriations (Net of Transfers)	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>
Expenditures			
Operation of Veterans' Homes	<u>121,069</u>	<u>187,673</u>	<u>-</u>
Total Expenditures	<u>\$ 121,069</u>	<u>\$ 187,673</u>	<u>\$ -</u>
Lapsed Balances	<u>\$ 178,931</u>	<u>\$ 112,327</u>	<u>\$ -</u>

STATE OF ILLINOIS
 Department of Veterans' Affairs
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Years Ended June 30,

	Fiscal Year		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Revenue Fund (001) - Central Office (01)	P.A. 95-0348	P.A. 94-798	P.A. 94-0015
Central Office			
Illinois Veterans' Assistance Fund - 0236			
Appropriations (Net of Transfers)	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ -</u>
Expenditures			
Grant from Illinois Veterans' Assistance Fund	<u>2,485,630</u>	<u>1,852,377</u>	<u>-</u>
Total Expenditures	<u>\$ 2,485,630</u>	<u>\$ 1,852,377</u>	<u>\$ -</u>
Lapsed Balances	<u>\$ 5,514,370</u>	<u>\$ 6,147,623</u>	<u>\$ -</u>
Central Office			
Illinois Affordable Housing Trust Fund - 0286			
Appropriations (Net of Transfers)	<u>\$ 223,000</u>	<u>\$ 223,000</u>	<u>\$ -</u>
Expenditures			
Specially Adapted Housing for Veterans	<u>181,629</u>	<u>150,000</u>	<u>-</u>
Total Expenditures	<u>\$ 181,629</u>	<u>\$ 150,000</u>	<u>\$ -</u>
Lapsed Balances	<u>\$ 41,371</u>	<u>\$ 73,000</u>	<u>\$ -</u>
Central Office			
Illinois Military Family Relief Fund - 0725			
Appropriations (Net of Transfers)	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>
Expenditures			
Payment of Benefits	<u>60,000</u>	<u>66,000</u>	<u>45,000</u>
Total Expenditures	<u>\$ 60,000</u>	<u>\$ 66,000</u>	<u>\$ 45,000</u>
Lapsed Balances	<u>\$ 190,000</u>	<u>\$ 184,000</u>	<u>\$ 205,000</u>
Veterans' Field Services			
General Revenue Fund - 0001			
Appropriations (Net of Transfers)	<u>\$ 5,380,800</u>	<u>\$ 4,845,400</u>	<u>\$ 4,860,400</u>
Expenditures			
Personal Services	<u>\$ 3,402,745</u>	<u>\$ 3,318,647</u>	<u>\$ 2,746,386</u>
Employee Retirement			
Contributions Paid by Employer	<u>-</u>	<u>-</u>	<u>20,188</u>

STATE OF ILLINOIS
 Department of Veterans' Affairs
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Years Ended June 30,

	Fiscal Year		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Revenue Fund (001) - Central Office (01)	P.A. 95-0348	P.A. 94-798	P.A. 94-0015
State Contribution to State			
Employees' Retirement System	566,692	382,545	214,147
State Contributions to Social Security	251,961	244,795	202,634
Contractual Services	218,547	215,834	255,312
Travel	93,337	97,653	79,630
Commodities	15,119	18,479	12,317
Printing	8,082	14,120	7,714
Equipment	15,684	51,762	48,998
Electronic Data Processing	-	99	40,812
Telecommunications	100,839	110,659	93,603
Operation of Automotive Equipment	32,486	22,342	14,176
	<u>\$ 4,705,492</u>	<u>\$ 4,476,935</u>	<u>\$ 3,735,917</u>
Lapsed Balances	<u>\$ 675,308</u>	<u>\$ 368,465</u>	<u>\$ 1,124,483</u>
State Approving Agency			
GI Education Fund - 0447			
Appropriations			
(Net of Transfers)	<u>\$ 1,312,200</u>	<u>\$ 1,245,900</u>	<u>\$ 1,208,300</u>
Expenditures			
Personal Services	\$ 451,236	\$ 455,871	\$ 485,401
Employee Retirement			
Contributions Paid by Employer	-	-	3,654
State Contribution to State			
Employees' Retirement System	74,913	52,688	37,847
State Contributions to Social Security	33,695	34,801	37,081
Group Insurance	85,923	77,726	87,521
Contractual Services	48,067	58,198	70,822
Travel	33,971	34,596	36,966
Commodities	3,633	5,622	4,994
Printing	17,836	8,962	21,436
Equipment	10,129	55,333	19,898
Electronic Data Processing	4,426	7,746	8,691
Telecommunications	16,117	17,178	14,851
Operation of Automotive Equipment	17,873	19,194	13,176
	<u>\$ 797,819</u>	<u>\$ 827,915</u>	<u>\$ 842,338</u>
Lapsed Balances	<u>\$ 514,381</u>	<u>\$ 417,985</u>	<u>\$ 365,962</u>

STATE OF ILLINOIS
 Department of Veterans' Affairs
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Years Ended June 30,

	Fiscal Year		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Revenue Fund (001) - Central Office (01)	P.A. 95-0348	P.A. 94-798	P.A. 94-0015
	<hr/>	<hr/>	<hr/>
State Approving Agency			
Veterans Affairs Federal Projects Fund - 0897			
Appropriations (Net of Transfers)	\$ 250,000	\$ 250,000	\$ -
Expenditures			
Troops to Teachers Grants	\$ 146,939	\$ 30,640	\$ 4,763
Total Expenditures	\$ 146,939	\$ 30,640	\$ 4,763
Lapsed Balances	<u>\$ 103,061</u>	<u>\$ 219,360</u>	<u>\$ -</u>
Shared Services			
General Revenue Fund - 0001			
Appropriations (Net of Transfers)	\$ 819,100	\$ -	\$ -
Expenditures			
Healthcare Shared Services	\$ 791,499	\$ -	\$ -
Total Expenditures	\$ 791,499	\$ -	\$ -
Lapsed Balances	<u>\$ 27,601</u>	<u>\$ -</u>	<u>\$ -</u>
Grand Total - All Funds			
Appropriations (Net of Transfers)	\$ 23,240,400	\$ 20,966,400	\$ 12,387,500
Total Expenditures	\$ 14,397,061	\$ 12,989,913	\$ 10,292,714
Lapsed Balances	<u>\$ 8,843,339</u>	<u>\$ 7,976,487</u>	<u>\$ 2,094,786</u>
Salaries from the Comptroller's Executive Salary Appropriation			
Director	\$ 111,381	\$ 105,035	\$ 99,595
Assistant Director	81,453	82,417	84,889
Total Expenditures from the Comptroller's Executive Salaries Appropriation	<u>\$ 192,834</u>	<u>\$ 187,452</u>	<u>\$ 184,484</u>

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2008

	Equipment
Balance at July 1, 2006	\$ 1,595,737
Additions	122,109
Deletions	1,994
Net Transfers	(240,104)
Balance at June 30, 2007	\$ 1,475,748
Balance at July 1, 2007	\$ 1,475,748
Additions	592,449
Deletions	76,555
Net Transfers	(362,220)
Balance at June 30, 2008	\$ 1,629,422

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,

<u>GENERAL REVENUE FUND (001)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Miscellaneous Receipts	\$ 456	\$ 123	\$ 211
Field Services	1,060	1,584	-
Prior Year Refunds	<u>6,082</u>	<u>1,653</u>	<u>1,559</u>
TOTAL - GENERAL REVENUE FUND	<u>\$ 7,598</u>	<u>\$ 3,360</u>	<u>\$ 1,770</u>
<u>G.I. EDUCATION FUND (447)</u>			
VA Reimbursements	\$ 836,684	\$ 477,524	\$ 1,024,714
Cash Refunds	38	-	-
Prior Year Refunds	<u>-</u>	<u>1,000</u>	<u>152</u>
TOTAL - G.I. EDUCATION FUND	<u>\$ 836,722</u>	<u>\$ 478,524</u>	<u>\$ 1,024,866</u>
<u>LIBRARY GRANT FUND (775)</u>			
Secretary of State Receipts	\$ 46,000	\$ 50,000	\$ 50,000
Cash Refunds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL - LIBRARY GRANT FUND	<u>\$ 46,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
<u>FEDERAL PROJECT FUND (897)</u>			
Department of Defense Receipts	\$ 112,227	\$ -	\$ 133,288
TOTAL - FEDERAL PROJECT FUND	<u>112,227</u>	<u>-</u>	<u>133,288</u>
TOTAL RECEIPTS	<u>\$ 1,002,547</u>	<u>\$ 531,884</u>	<u>\$ 1,209,924</u>

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

<u>General Revenue Fund - 001</u>	2008
Receipts per Department Records	\$ 7,598
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ 7,598

<u>G.I. Education Fund -447</u>	
Receipts per Department Records	\$ 836,722
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ 836,722

<u>Library Grant Fund -775</u>	
Receipts per Department Records	\$ 46,000
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ 46,000

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

<u>Federal Projects Fund - 897</u>	<u>2008</u>
Receipts per Department Records	\$ 112,227
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	<u>-</u>
Deposits Recorded by the Comptroller	<u><u>\$ 112,227</u></u>

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

<u>General Revenue Fund - 001</u>	2007
Receipts per Department Records	\$ 3,360
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ 3,360

<u>G.I. Education Fund -447</u>	
Receipts per Department Records	\$ 478,524
Add: Deposits in Transit, Beginning of Year	-
Less: Deposits in Transit, End of Year	-
Deposits Recorded by the Comptroller	\$ 478,524

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

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

<u>Federal Projects Fund - 897</u>	2007
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, 2008

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2008 AND 2007

General Revenue Fund (001) – Central Office

Travel

The increase in travel expenditures in Fiscal Year 2008 was due to an increase in travel by management to veteran activities and to the Veterans' Homes. Additionally, several employees were involved in contract negotiations which required travel during Fiscal Year 2008.

Equipment

The decrease in equipment expenditures in Fiscal Year 2008 was due to purchases made in Fiscal Year 2007, including a van for the Director and a security system for Central Office, which were not repeated during Fiscal year 2008.

Telecommunications

The increase in telecommunications expenditures in Fiscal Year 2008 was due to the upgrades of cellular phones and purchases of associated plan packages.

Bonus Payments to Veterans

The increase in bonus payments to veterans expenditures in Fiscal Year 2008 was due to an increase in grant applications which were received and paid for this purpose during Fiscal Year 2008.

Veterans' Programs and Activities

The decrease in veterans' programs and activities expenditures in Fiscal Year 2008 was due to the fact that this appropriation line item was not approved for the Department for Fiscal Year 2008; therefore, no funds could be expended.

Additional Frontline Staff

The increase in additional frontline staff expenditures in Fiscal Year 2008 was due to the new appropriation for this purpose in Fiscal Year 2008.

Veterans' Home Fund (102) – Central Office

Operations of Veterans' Homes

The decrease in operations of veterans' homes expenditures in Fiscal Year 2008 was due to a decrease in the amount of revenues received by this fund.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Fiscal Years Ended June 30, 2008

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2008 AND 2007, continued

Illinois Veterans' Assistance Fund (236) – Central Office

Grants from Illinois Veterans' Assistance Fund

The increase in grant expenditures in Fiscal Year 2008 was due to an increase in the number of grant applications received and the amounts of grant money disbursed due to the approvals of the grant applications.

Specially Adapted Housing for Veterans Fund (286) – Central Office

Specially Adapted Housing for Veterans

The increase in specially adapted housing for veterans expenditures in Fiscal Year 2008 was due to an increase in the receipt and approval of applications for this grant.

General Revenue Fund (001) - Field Services

State Contribution to State Employees' Retirement System

The increase in state contribution to state employees' retirement system expenditures in Fiscal Year 2008 was due to the contribution percentage increasing from 11.525% in Fiscal Year 2007 to 16.561% in Fiscal Year 2008.

Equipment

The decrease in equipment expenditures in Fiscal Year 2008 was due to the one-time purchase of three vehicles during Fiscal Year 2007, which was not repeated during Fiscal Year 2008.

Operation of Automotive Equipment

The increase in operation of automotive equipment expenditures in Fiscal Year 2008 was due to a drastic increase in gasoline prices.

GI Education Fund (447) – State Approving Agency

State Contribution to State Employees' Retirement System

The increase in state contribution to state employees' retirement system expenditures in Fiscal Year 2008 was due to the contribution percentage increasing from 11.525% in Fiscal Year 2007 to 16.561% in Fiscal Year 2008.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Fiscal Years Ended June 30, 2008

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN
FISCAL YEARS 2008 AND 2007, continued**

Equipment

The decrease in equipment expenditures in Fiscal Year 2008 was due to the purchase of several vehicles for State Approving Agency employees during Fiscal Year 2007, which were not repeated during Fiscal Year 2008.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Fiscal Years Ended June 30, 2008

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2007 AND 2006

General Revenue Fund (001) – Central Office

State Contribution to State Employees' Retirement System

The increase in state contributions to state employees' retirement system expenditures in Fiscal Year 2007 was due to the contribution percentage increasing from 7.795% in Fiscal Year 2006 to 11.525% in Fiscal Year 2007.

State Contribution to Social Security

The increase in state contributions to social security expenditures in Fiscal Year 2007 was due to an increase in personal services expenditures resulting in an increased contribution for social security expenditures.

Equipment

The increase in equipment expenditures resulted from the Department making two large purchases during Fiscal Year 2007, including a van and a security system for Central Office.

Electronic Data Processing

The increase in electronic data processing expenditures in Fiscal Year 2007 was primarily due to a consolidation of appropriations from the various divisions to Central Office.

MIA/POW Scholarship

The decrease in MIA/POW Scholarship expenditures in Fiscal Year 2007 was due to the individual educational institutions receiving a higher appropriation to provide scholarships.

Veterans' Programs and Activities

The increase in veterans' programs and activities expenditures in Fiscal Year 2007 was due to pass through grants.

Veterans' Home Fund (102) – Central Office

Operations of Veterans' Homes

The increase in operations of veterans' homes expenditures in Fiscal Year 2007 was due to Fiscal Year 2007 being the first year of Tax Check-Off Spending.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Fiscal Years Ended June 30, 2008

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2007 AND 2006, continued

Illinois Veterans' Assistance Fund (236) – Central Office

Grant from Illinois Veterans' Assistance Fund

The increase in grant expenditures in Fiscal Year 2007 was due to the approval of the grants for the first time during Fiscal Year 2007.

Specially Adapted Housing for Veterans Fund (286) – Central Office

Specially Adaptive Housing for Veterans

The increase in Specially Adaptive Housing for Veterans expenditures in Fiscal Year 2007 was due to the appropriation for these expenditures changing from the General Revenue Fund in Fiscal Year 2006 to the Specially Adaptive Housing for Veterans Fund in Fiscal Year 2007.

Illinois Military Family Relief Fund (725) – Central Office

Illinois Military Family Relief

The increase in Illinois military family relief expenditures in Fiscal Year 2007 was due to an increase in the number of payments of benefits authorized under the Survivor's Compensation Act, which is dependent upon the number of deaths of service men and women.

General Revenue Fund (001) - Field Services

Personal Services

The increase in personal services expenditures in Fiscal Year 2007 was due to an additional 25 Veteran Service Officers hired under the Governor's Initiative.

Employee Retirement Contributions Paid by Employer

The decrease in employee retirement contributions paid by employer expenditures in Fiscal Year 2007 was due to the complete phasing out of this benefit; therefore, no appropriation was established for these expenditures in Fiscal Year 2007.

State Contribution to State Employees' Retirement System

The increase in state contribution to state employees' retirement system expenditures in Fiscal Year 2007 was due to an increase in the retirement rate from 7.795% in Fiscal Year 2006 to 11.525% in Fiscal Year 2007. Additionally, the increase in retirement expenditures is directly related to the increase in personal services expenditures.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF VETERANS' AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Fiscal Years Ended June 30, 2008

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2007 AND 2006, continued

State Contributions to Social Security

The increase in state contribution to social security expenditures in Fiscal Year 2007 was due to the increase in personal services expenditures, which causes a proportional increase in social security expenditures.

Travel

The increase in travel expenditures in Fiscal Year 2007 was due to a Director initiative for senior staff to attend national conferences and training sessions to increase staff knowledge and improve operations.

Electronic Data Processing

The decrease in electronic data processing expenditures in Fiscal Year 2007 was due to the consolidation of the field services electronic data processing budget with the electronic data processing budget for the central office.

GI Education Fund (447) – State Approving Agency

State Contribution to State Employees' Retirement System

The increase in state contribution to state employees' retirement system expenditures in Fiscal Year 2007 was due to the contribution percentage increasing from 7.795% in Fiscal Year 2006 to 11.525% in Fiscal Year 2007.

Printing

The decrease in printing expenditures in Fiscal Year 2007 was due to the printing of new brochures and booklets for outreach purposes in Fiscal Year 2006, which did not need to be printed again in Fiscal Year 2007 due to stock availability.

Equipment

The increase in equipment expenditures in Fiscal Year 2007 was due to the purchase of two additional vehicles.

Veterans' Affairs Federal Projects Fund (897) – State Approving Agency

Troops to Teachers

The increase in Troops to Teachers expenditures in Fiscal Year 2007 was due to the hiring of program staff and other expenditures were annualized to full year spending.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2008

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN
FISCAL YEARS 2007 AND 2008**

G.I. Education Fund – 447

VA Reimbursements

The increase in Fiscal Year 2008 was due to the Department receiving four quarters of reimbursements compared to two quarters received during Fiscal Year 2007.

Veterans' Affairs Federal Project Fund – 897

Department of Defense Receipts

The increase in Fiscal Year 2008 was due to the Department receiving funds for the operation of this program from the Department of Defense. The Department did not receive funds for this program in Fiscal Year 2007.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN
FISCAL YEARS 2006 AND 2007**

G.I. Education Fund – 447

VA Reimbursements

The decrease was due to the fact that during Fiscal Year 2007 only two quarters of reimbursements were received by the Department compared to five quarters received during Fiscal Year 2006.

Veterans' Affairs Federal Project Fund – 897

Department of Defense Receipts

The decrease was due to the Department not receiving any funds during Fiscal Year 2007. The program was taken over by the Department late in Fiscal Year 2006 and, at that time, the balance of funds for this program was received from the previous agency responsible for the program. During Fiscal Year 2006, the Department also received a start up amount directly from the Department of Defense.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2008

FISCAL YEAR 2008

General Revenue Fund (001) – Central Office

Equipment

Lapse period expenditures totaling \$36,578 were paid during the lapse period due to the purchase of a color copier and library conference room furniture received and paid for during the lapse period.

Electronic Data Processing

Lapse period expenditures totaling \$357,308 were paid during the lapse period due to the purchase of laptops, monitors, servers, and desktops which were not received until late June and the invoices were paid during the lapse period. Additionally, lapse period spending also includes two months of statistical services revolving fund payments.

Veterans' Home Fund (102) – Central Office

Operations of Veterans' Homes

Lapse period expenditures totaling \$108,716 were paid during the lapse period due to the completion of plans for the expenditures of these funds made late in the fiscal year; therefore, payments for these expenditures were made during lapse period.

Illinois Veterans Assistance Fund (236) – Central Office

Grant from Illinois Veterans' Assistance Fund

Lapse period expenditures totaling \$615,100 were paid during the lapse period due to the approval of many grant applications late in the fiscal year causing large payments during lapse period.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2008

FISCAL YEAR 2007

General Revenue Fund (001) – Central Office

Equipment

Lapse period expenditures totaling \$68,857 were paid during the lapse period due to two major one-time purchases, including a van for the Director and a security system for Central Office, received and paid for late in the lapse period.

Electronic Data Processing

Lapse period expenditures totaling \$326,366 were paid during the lapse period due to the late approval of information technology equipment master contracts.

MIA/POW Scholarship

Lapse period expenditures totaling \$264,450 were paid during the lapse period due to a delay in scholarship payments in order for the payments to be pro-rated.

Cartage and Erection of Headstones

Lapse period expenditures totaling \$89,241 were paid during the lapse period due to a large number of payments for erection of headstone received late in the fiscal year and paid during lapse period.

Veterans' Home Fund (102) – Central Office

Operations of Veterans' Homes

Lapse period expenditures totaling \$126,877 were paid during the lapse period due to the completion of the first year of Tax Check-Off Spending during the lapse period.

General Revenue Fund (001) – Field Services

Equipment

Lapse period expenditures totaling \$49,150 were paid during the lapse period due to the purchase of several vehicles received and paid for late in the lapse period.

GI Education Fund (447) – State Approving Agency

Equipment

Lapse period expenditures totaling \$53,967 were paid during the lapse period due to the purchase of several vehicles received and paid for late in the lapse period.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Two Years Ended June 30, 2008

The Department had \$387,000 and \$409,000 in accounts receivable due from the Federal government at June 30, 2007 and 2008, 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.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS – CENTRAL OFFICE
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2008

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. During Fiscal Year 2007, the Department added the Troops to Teachers Program. The mission of the Troops to Teachers Program is to recruit eligible members of the armed forces for participation in the Program and facilitate the certification and employment of such participants as teachers in public schools.

Mr. Dan Grant was named Director of the Department on February 9, 2009. During the examination period Ms. L. Tammy Duckworth was the Director. The Director has eight individuals who report directly to him. 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 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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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.

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

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 1,094 beds for providing long-term care to veterans; 950 nursing care beds and 144 domiciliary care beds.

The Department operates 50 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, Suite 212, 62002
Aurora	900 N. Lake Street, Suite 205, 60506
Belleville	10 S. Jackson St., Suite 102, 62220
Benton	500 W. Main St. PO Box 640, 62812
Bensenville	113 W. Main Street, 60106
Berwyn	6610 W. Cermak, 60402
Bloomington	1616 S. Main, Room 15 and 16, 61701
Blue Island	3301 Wireton Rd., 60406
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	2122 W. Taylor, Suite 127, 60612
Chicago	1642 W. 59 th St., 2 nd Floor, 60636
Chicago Hts.	1010 Dixie Highway, Suite 101, 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 th St., Room 203, 62401
Elgin	254 Raymond St., 60120
Freeport	223 W. Stephenson St., Suite 201, 61032
Galesburg	362 N. Linwood Rd. 61401
Harrisburg	713A E. Church St., 62946
Jacksonville	1521 W. Walnut, 62650

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Joliet	2900 W. Jefferson St., 60435
Kewanee	111 N. East St., 61443
Lawrenceville	RR #1 Box 418, 62439
Machesney Park	10451 N. 2 nd St., Room 158, 61115
Macomb	135 W. Grant St., 61455
Marion	2309 W. Main St., Suite 122, 62959
Mattoon	112 Broadway Ave. East, 61938
Manteno	#1 Veterans Drive, 60950
Mt. Vernon	4105 N. Water Pl. Rm 112, 62864
Murphysboro	617 Walnut St., 62966
North Chicago	3001 Green Bay Rd, Building 135, 60064
Orland Park	14700 Ravinia Ave., 60462
Ottawa	700 Centennial Drive, 61350
Palatine	721 S. Quentin Rd., Suite 102, 60067
Peoria	323 Fulton Plaza, 1 st Fl., 61602
Pontiac	825 W. Reynolds, Suite 110, 61764
Quincy	1707 N. 12 th St., 62301
Rock Falls	716 6 th Ave., 61071
Rock Island	1504 3 rd 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 111-114, 61802
Wheaton	421 County Farm Rd., Room 1-800, 60187
Woodstock	1301 Sunset Ridge Rd., 60098

In addition to the 50 full-service field offices listed above, the Department also maintained 41 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 Fiscal Years 2008 through 2011. 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

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goal-setting process. The goals established in the plan are consistent with the Department's statutory mandates and authority.

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.

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AVERAGE NUMBER OF EMPLOYEES
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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>2008</u>	<u>2007</u>	<u>2006</u>
Central Office	25	35	32
Central Office - Shared Services	11	0	0
Field Offices	72	73	66
State Approving Agency	6	7	8
Troops to Teachers	1	0	0
Total	<u>115</u>	<u>115</u>	<u>106</u>

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SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
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SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)

Comparative annual service efforts and accomplishments are shown below:

	FY08	FY07	FY06
<u>Field Services</u>			
Number of permanent full-time offices	50	50	49
Number of part-time itinerant offices	41	39	35
<u>Grants</u>			
Number of claims processed	4,973	6,346	7,278