

**STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2008

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008

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STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008

AGENCY OFFICIALS

Director (Current)	Mr. Daniel Grant
Director (December 15, 2006 through June 30, 2008)	Ms. Tammy Duckworth
Director (July 1, 2006 through December 14, 2006)	Mr. Roy Dolgos
Home Administrator (June 1, 2007 through June 30, 2008)	Ms. Linda Hadley
Acting Home Administrator (August 5, 2006 through May 31, 2007)	Ms. Patricia Simms
Home Administrator (July 1, 2006 through August 4, 2006)	Ms. Connie Duncan
Business Administrator	Ms. Christy Butler
Adjutant	Ms. Patricia Simms

The Home is located at:

792 North Main Street
Anna, IL 62906



STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS

792 NORTH MAIN STREET
TELEPHONE: (618) 833-6302

ANNA, ILLINOIS 62906
FAX: (618) 833-3602

PAT QUINN
GOVERNOR

LINDA S. HADLEY
ADMINISTRATOR

DANIEL W. GRANT
DIRECTOR

June 3, 2009

Honorable William G. Holland
Auditor General
Hes Park Plaza
740 East Ash Street
Springfield, IL 62703
Attention: Lisa Warden, Audit Manager

Dear Mr. Holland:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Department of Veterans Affairs - Anna Veterans Home (Agency). 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 Agency'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, 2007 and June 30, 2008, the Agency has materially complied with the assertions below.

- A. The agency 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 agency 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 agency 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 agency 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 agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Anna Veterans Home



Linda Hadley, Home Administrator



Christy Butler, Business Administrator

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</u>	<u>Current</u>	<u>Prior</u>
Findings	5	5
Repeated findings	1	0
Prior recommendations implemented or not repeated	4	0

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

SCHEDULE OF FINDINGS

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
08-1	9	Noncompliance with application and admission requirements	Significant Deficiency and Noncompliance
08-2	11	Inaccurate property reporting	Significant Deficiency and Noncompliance
08-3	13	Inappropriate involvement in resident's personal finances	Significant Deficiency and Noncompliance
08-4	15	Inadequate controls over locally held funds and related reporting	Significant Deficiency and Noncompliance
08-5	17	Bank balances not adequately collateralized	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

- | | | |
|---|----|---|
| A | 18 | Employee performance evaluations were not performed timely |
| B | 18 | Noncompliance with State Officials and Employees Ethics Act |
| C | 18 | Inappropriate automotive purchase |
| D | 18 | Inadequate segregation of duties for receipts |

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Home personnel at an exit conference on May 4, 2009. Attending were:

Illinois Veterans' Home at Anna

Linda Hadley, Home Administrator
Christy Butler, Business Administrator
Debbie Dillon, Accountant Advanced

Department of Veterans' Affairs – Central Office

Deborah L. Miller, Chief Fiscal Officer

Office of the Auditor General

Lisa Warden, Audit Manager
Courtney Dzierwa, Audit Supervisor
Stephanie Wildhaber, Auditor

Responses to the recommendations were provided on May 4, 2009 by Christy Butler, Business Administrator.

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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, Illinois Veterans' Home at Anna'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 the State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna's compliance based on our examination.

- A. The State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna 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, Illinois Veterans' Home at Anna 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, Illinois Veterans' Home at Anna 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, Illinois Veterans' Home at Anna 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, Illinois Veterans' Home at Anna on behalf of the State or held in trust by the State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna 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 the State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna'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 the State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna's compliance with specified requirements.

In our opinion, the State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna 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 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, 08-4, and 08-5.

Internal Control

The management of the State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna 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, Illinois Veterans' Home at Anna'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, Illinois Veterans' Home at Anna's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna'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.

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 described in the accompanying schedule of findings as items 08-1, 08-2, 08-3, 08-4, and 08-5 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. We did not consider any of the deficiencies described in the accompanying schedule of findings to be material weaknesses.

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

The State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna's response to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Department of Veterans' Affairs, Illinois Veterans' Home at Anna'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 2008 and 2007 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments and the Annual Statistics 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, the Department of Veterans' Affairs, 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

June 3, 2009

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

08-1. **FINDING** (Noncompliance with application and admission requirements)

The Illinois Veterans' Home at Anna (Home) did not comply with all application and admission requirements of the Department of Veterans' Affairs Act (Act). We noted the following:

- One of 11 (9%) tested veterans admitted to the Home during the examination period did not meet admission requirements. The individual was not a resident of Illinois, nor did the veteran enter military service from Illinois as required for admission. Home management stated the applicant was admitted due to an erroneous belief that being discharged in Illinois was a qualifying criterion for admission.

The Act (20 ILCS 2805/2.01(c)) states an applicant must have service accredited to the State of Illinois or have been a resident of this State for one year immediately preceding the date of application to qualify for Home admission.

- One of 25 (4%) applicants tested was approved for admission and placed on the Home's short-term waiting list without providing proof of military service to the Home. Management stated the missing documentation was a processing error, and obtained proof of military service subsequent to our testing.

The Act (20 ILCS 2805/2.01(a)) states any honorably discharged veteran is entitled to admission to an Illinois Veterans Home, provided the applicant completed minimum military service requirements and/or military activities as specified in the Act. Good internal controls require the Home to ensure all applicants meet applicable eligibility requirements before admission to the Home is approved.

- One of 25 (4%) applicants tested was approved for admission to the Home and given preference over all other eligible and previously approved veterans. This veteran resided at the Home until September 2006, left the Home to reside at his home, and then wished to return to the Home. Once a bed became available in June 2008, this veteran was allowed to bypass all other eligible and previously approved veterans on the waiting list and was re-admitted to the Home. Management stated this applicant was erroneously re-admitted ahead of other applicants on the waiting list.

The Admission and Waiting List Policy adopted by the Home states any veteran whose application has been accepted but cannot be immediately admitted to the facility be placed on a waiting list and prioritized on a "first come-first served" basis without exception.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

- Two of 11 (18%) files tested for veterans admitted during the examination period did not contain evidence the veteran had been notified of the rules of the Home upon admission. Management stated that rules of the Home are reviewed with the family as part of the admission process, but certifications of receipt of Home rules may not have been obtained upon admission due to oversight.

The Act (20 ILCS 2805/2.06) states the Department shall notify an applicant at admission of rules and regulations established by the Department governing the admission, maintenance, and discharge of residents. Home procedures require residents to sign a certification acknowledging receipt of rules and regulations upon admission into the Home and annually thereafter.

Failure to comply with and adhere to application and admission requirements increases the risk qualified veterans will not gain timely and equitable admission into the Home and may reduce veterans' access to the residential and nursing care to which they are entitled. Failure to document notification of rules provided to veterans upon admission limits the Home's ability to prove that due process was followed. (Finding Code No. 08-1)

RECOMMENDATION

We recommend the Home carefully evaluate each application for admission to ensure all admission and eligibility requirements are met and documented in the application file before granting admission into the Home. We also recommend the Home ensure each veteran is notified of the rules of the Home upon admission and this notification is documented in each veteran's file.

AGENCY RESPONSE

Implemented, per the auditors recommendation.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

08-2. **FINDING** (Inaccurate property reporting)

The Illinois Veterans' Home at Anna (Home) did not exercise adequate control over reporting State property

Five of eight (63%) State Property Quarterly Reports (C-15's) submitted to the Department of Veterans' Affairs Central Office (Central Office) did not accurately reflect Home equipment transactions. The Central Office used the C-15's submitted by each Home to compile and submit a Department-wide C-15 to the State Comptroller's Office. The following errors were noted:

- Additions to property records were not reported timely on the Home's C-15's. A site improvement, totaling \$17,500, occurred during the fourth quarter of Fiscal Year 2007; however, the subsequent addition was not reported on the Home's C-15 until the following fiscal year. We also noted two equipment items, totaling \$1,112, were reported on the Home's C-15's for the subsequent, rather than the current, quarter.
- Deletions reported on two of the Home's C-15's were reported improperly. As a result, the Home's deletions were misstated by \$6,207 during two quarters of Fiscal Year 2008.

As a result of these errors, the Home's ending balance of State property as reported on the June 30, 2007 C-15 was understated by \$18,212. Our testing did not detect any errors in the Home's ending balance of State property as reported on the June 30, 2008 C-15.

The Statewide Accounting Management System (SAMS) (Procedure 29.10.30) states the C-15, when properly completed, presents the total cost of State property, by category, reflected on the agency's records as of the reporting date. SAMS (29.20.10) also requires an agency to report all additions, deletions, and net transfers affecting each asset class that occurred during the quarter being reported. Good internal controls require an agency to review all reported information for accuracy before submission.

Home management stated the conditions noted above were due to untimely data entry of additions on Home property records. Further, management stated other misstatements were due to clerical errors by Central Office staff.

Inaccurate property reporting reduces the reliability of statewide capital asset information. (Finding Code No. 08-2, 06-4)

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

RECOMMENDATION

We recommend the Home ensure completeness and accuracy of C-15's and underlying internal records before submission of C-15's to Central Office.

AGENCY RESPONSE

Implemented. The home will strengthen our internal controls to ensure complete accuracy before submitting to Central Office.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

08-3. **FINDING** (Inappropriate involvement in resident's personal finances)

A management-level employee of the Illinois Veterans' Home at Anna (Home) helped maintain one resident's personal checking account.

The Home employee involved assisted the resident with writing checks from his personal checking account. In addition, the employee stated she received monthly bank statements from the resident, then forwarded them to the appointed power of attorney. However, we noted copies of some bank statements were maintained in the resident's file at the Home. Approximately \$45,000 flowed through this account on an annual basis.

The involvement of an individual employee of the Home in a resident's personal finances is inappropriate and circumvents controls previously established by the Illinois Department of Veterans' Affairs. The Member's Trust Fund (Fund) was established by the Department of Veterans Affairs Act (Act) (20 ILCS 2805/2.04) to provide an approved mechanism for the deposit, safeguarding and distribution of residents' monies, as initiated by the resident. The Home acts as a fiduciary over the Fund and is thus required to maintain an appropriate system of internal controls over the Fund, including but not limited to, an adequate segregation of duties and monthly reconciliation of the individual accounts within the Fund by an independent person. However, such internal controls are not in place for personal resident accounts maintained outside of the Fund. The Home does not have authority to assist any resident with their personal finances maintained outside the Members' Trust Fund.

Home management stated the resident was legally blind but wished to retain independence over his finances and requested assistance from the Home employee. Further, Home management stated the resident was given the choice to deposit his personal money into his Members' Trust Fund account, but the resident elected to keep the majority of his money in his personal checking account. Management stated that subsequent to our testing, the Home discontinued involvement in residents' finances held outside the Members' Trust Fund.

Failure to utilize the approved mechanism for residents who need assistance in managing their personal finances circumvents established controls and increases the risk inappropriate transactions will occur and not be detected timely by employees in the course of their normal duties. (Finding Code No. 08-3)

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

RECOMMENDATION

We recommend the Home prohibit employee involvement in the residents' personal finances maintained outside the Member's Trust Fund.

AGENCY RESPONSE

Implemented, per the auditors recommendation.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

08-4. **FINDING** (Inadequate controls over locally held funds and related reporting)

The Illinois Veterans' Home at Anna (Home) did not exercise adequate control over its locally held funds and related reporting.

The Home's activities are conducted in three locally held funds: the Members' Trust Fund, Members' Benefit Fund, and Anna Clearing Account. We noted the following:

- Twenty-nine checks, totaling \$8,102, were written from the Members' Benefit Fund and made payable to either Cash or an employee. Home personnel stated these checks were cashed, and the cash was used for a baseball game outing in one instance. The remaining cash was distributed to the Home's residents as prizes for bingo and blackjack games conducted by the Home's activity department. However, the only records maintained to document the actual expenditures were statements signed by the employee who received the funds.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls to ensure funds are safeguarded against waste, loss, unauthorized use, and misappropriation. Home management stated staff failed to obtain receipts for the baseball game and thought controls over cash for bingo and blackjack were sufficient.

- The Home could not provide documentation that 9 of 72 (13%) reconciliations were performed timely. Management stated reconciliations were performed timely by a back up employee and again by the responsible employee upon return from an extended leave, but the reconciliation date was only documented for the latter. Those reconciliations of bank statements to agency records were completed 1 to 134 days after the required date.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls to ensure funds and other assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Statewide Accounting Management System (SAMS) (Procedure 25.40.20) and good internal controls require receipt reconciliations to be performed monthly and the appropriate parties notified of any irreconcilable differences to ensure corrective action can be taken to locate the differences and correct the accounting records.

- Eleven of 24 (46%) Quarterly Reports of Receipts and Disbursements (C-17) reports contained errors and inconsistencies in the classification of receipts and disbursements.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

Management stated these errors and inconsistencies were due to unfamiliarity of the back up employee with C-17 reporting.

The State Comptroller's Act (15 ILCS 405/16) requires each State agency to file with the Office of the Comptroller a report of its receipts and disbursements during the preceding quarter within 30 days of the end of the quarter. Good internal controls require an agency to review all reported information for accuracy before submission.

Failure to obtain sufficient documentation for payments to cash or employees increases the risk of fraud and misappropriation. Further, failure to perform monthly reconciliations timely impairs the Home's ability promptly identify and correct errors or irregularities and could result in inaccurate statewide financial reporting. In addition, failure to correctly and consistently report receipts and disbursements limits the usefulness of management reports. (Finding Code No. 08-4)

RECOMMENDATION

We recommend the Home strengthen controls over local fund transactions and reporting. Specifically, the Home should:

- Obtain receipts for all expenditures, including detailed documentation from an independent person of the distribution of cash winnings to residents;
- Ensure bank reconciliations are initialed and dated to document their timely completion; and
- Thoroughly review all C-17 reports and the underlying transaction records for accuracy and completeness before submitting the reports to the Office of the Comptroller.

AGENCY RESPONSE

Implemented, per the auditors recommendation.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

08-5. **FINDING** (Bank balances not adequately collateralized)

The Illinois Veterans' Home at Anna (Home) did not obtain additional collateral for uninsured account balances.

We noted the daily bank balance of the Benefit Trust Fund exceeded the amount of federal deposit insurance coverage for 9 of the 24 (38%) months during the examination period by amounts ranging from \$19,052 to \$45,860. No additional collateral was obtained to secure the uninsured portion of the fund.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2c) states whenever funds deposited with a bank or savings and loan association exceed the amount of federal deposit insurance coverage, a bond or pledged securities shall be obtained.

Home personnel stated the fund received two large donations, which caused the balance to be higher than usual.

Failure to ensure local funds are properly collateralized subjects funds to a risk of loss in the event of failure of the bank or savings and loan in which the funds are deposited. (Finding Code No. 08-5)

RECOMMENDATION

We recommend the Home monitor local fund account balances and obtain additional collateral when balances exceed the amount of federal deposit insurance coverage.

AGENCY RESPONSE

Implemented, per the auditors recommendation.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

Prior Findings Not Repeated

- A. **FINDING** (Employee performance evaluations were not performed timely)

During the prior examination period, the Illinois Veterans' Home at Anna (Home) did not conduct employee performance appraisals timely.

During the current examination period, the Home conducted performance appraisals in a timely manner for the sample of employees tested. (Finding Code No. 06-1)

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

During the prior year, the Illinois Veterans' Home at Anna (Home) did not maintain time sheets in compliance with the State Officials and Employees Ethics Act (Act).

During the current period, the Home's timesheets were updated to comply with the State Officials and Employees Ethics Act (Act). (Finding Code No. 06-2)

- C. **FINDING** (Inappropriate automotive purchase)

During the prior examination period, the Illinois Veterans' Home at Anna (Home) inappropriately purchased equipment for Central Office from its lump sum appropriation.

During the current examination period, no instances of inappropriate equipment purchases were noted. (Finding Code No. 06-3)

- D. **FINDING** (Inadequate segregation of duties for receipts)

During the prior examination period, the Illinois Veterans' Home at Anna (Home) did not have an adequate segregation of duties over receipt processing within its locally held clearing account.

During the current examination period, the Home achieved a proper segregation of duties by dividing the tasks amongst four individuals within the business office. (Finding Code No. 06-5)

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
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 Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) – Locally Held Funds
 - 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 Significant Account Balances
 - Analysis of Accounts Receivable

- Analysis of Operations:
 - Agency Functions and Planning Program
 - Average Number of Employees
 - Annual Statistics (Not Examined)
 - 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 the Service Efforts and Accomplishments and the Annual Statistics 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
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2008

Fourteen Months Ended August 31, 2008

P.A. 95-0348	Appropriations		Lapse Period		Balances Lapsed
	(Net After Transfers)	Expenditures Through 6/30/08	Expenditures 7/01 - 8/31/08	Total Expenditures	
Appropriated Funds					
Fund 001- General Revenue Fund					
Personal Services	\$ 1,980,800	\$ 1,905,445	\$ (1,501)	\$ 1,903,944	\$ 76,856
State Contribution to State Employees' Retirement System	328,800	316,477	0	316,477	12,323
State Contributions to Social Security	146,900	141,143	0	141,143	5,757
Contractual Services	20,100	19,161	0	19,161	939
Commodities	11,100	1,717	9,383	11,100	0
Electronic Data Processing	100	0	0	0	100
General Revenue Fund Total	\$ 2,487,800	\$ 2,383,943	\$ 7,882	\$ 2,391,825	\$ 95,975

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2008

Fourteen Months Ended August 31, 2008

P.A. 95-0348	Appropriations		Lapse Period		Balances Lapsed
	(Net After Transfers)	Expenditures Through 6/30/08	Expenditures 7/01 - 8/31/08	Total Expenditures	
Fund 273- Anna Veterans' Home Fund					
Personal Services	\$ 732,500	\$ 538,956	\$ 133,060	\$ 672,016	\$ 60,484
State Contribution to State					
Employees' Retirement System	121,600	89,489	25,950	115,439	6,161
State Contributions to Social Security	56,000	39,873	11,602	51,475	4,525
Contractual Services	553,500	494,079	56,265	550,344	3,156
Travel	10,500	8,923	778	9,701	799
Commodities	293,500	280,913	5,019	285,932	7,568
Printing	2,000	1,003	0	1,003	997
Equipment	25,500	25,143	128	25,271	229
Electronic Data Processing	3,000	2,495	0	2,495	505
Telecommunications	18,800	13,672	3,115	16,787	2,013
Operation of Automotive Equipment	10,400	8,886	1,241	10,127	273
Refunds	13,000	4,869	909	5,778	7,222
Permanent Improvements	10,000	9,374	0	9,374	626
Healthcare Shared Services Center	192,800	180,624	7,246	187,870	4,930
Anna Veterans' Home Fund Total	\$ 2,043,100	\$ 1,698,299	\$ 245,313	\$ 1,943,612	\$ 99,488
Total Appropriated Funds	\$ 4,530,900	\$ 4,082,242	\$ 253,195	\$ 4,335,437	\$ 195,463

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2008

Fourteen Months Ended August 31, 2008

P.A. 95-0348	Appropriations		Lapse Period		Balances
	(Net After Transfers)	Expenditures Through 6/30/08	Expenditures 7/01 - 8/31/08	Total Expenditures	
Non-Appropriated Fund					
Fund 775 - Veterans' Affairs Library Grant Fund					
Library Expenses	\$ 2,906	\$ 1,595	\$ 4,501		
Return Unused Cash	0	349	349		
Veterans' Affairs Library Grant Fund Total	<u>\$ 2,906</u>	<u>\$ 1,944</u>	<u>\$ 4,850</u>		
Grand Total All Funds	<u>\$ 4,085,148</u>	<u>\$ 2,55,139</u>	<u>\$ 4,340,287</u>		

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller. Expenditures for personal services are net of deductions for meal tickets.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2007

Fourteen Months Ended August 31, 2007

P.A. 94-798	Appropriations		Lapse Period		Balances
	(Net After Transfers)	Expenditures Through 6/30/07	Expenditures 7/01 - 8/31/07	Total Expenditures	
Appropriated Funds					
Fund 001- General Revenue Fund					
Personal Services	\$ 1,427,000	\$ 1,270,637	\$ 0	\$ 1,270,637	\$ 156,363
State Contribution to State Employees' Retirement System	164,600	146,854	324	147,178	17,422
State Contributions to Social Security	109,200	94,207	0	94,207	14,993
Contractual Services	100	100	0	100	0
Commodities	100	0	0	0	100
Electronic Data Processing	100	0	0	0	100
General Revenue Fund Total	\$ 1,701,100	\$ 1,511,798	\$ 324	\$ 1,512,122	\$ 188,978

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2007

Fourteen Months Ended August 31, 2007

P.A. 94-798	Appropriations		Lapse Period		Balances
	(Net After Transfers)	Expenditures Through 6/30/07	Expenditures 7/01 - 8/31/07	Total Expenditures	
Fund 273- Anna Veterans' Home Fund					
Personal Services	\$ 1,448,500	\$ 1,085,893	\$ 129,591	\$ 1,215,484	\$ 233,016
State Contribution to State					
Employees' Retirement System	166,900	125,757	15,408	141,165	25,735
State Contributions to Social Security	92,400	80,672	9,981	90,653	1,747
Contractual Services	564,900	488,074	61,739	549,813	15,087
Travel	8,000	4,765	1,268	6,033	1,967
Commodities	260,900	238,553	12,014	250,567	10,333
Printing	2,000	1,633	0	1,633	367
Equipment	7,500	4,731	0	4,731	2,769
Electronic Data Processing	3,000	2,310	0	2,310	690
Telecommunications	15,300	12,391	1,160	13,551	1,749
Operation of Automotive Equipment	10,500	9,180	1,081	10,261	239
Refunds	13,000	4,192	0	4,192	8,808
Permanent Improvements	100	0	0	0	100
Anna Veterans' Home Fund Total	\$ 2,593,000	\$ 2,058,151	\$ 232,242	\$ 2,290,393	\$ 302,607
Total Appropriated Funds	\$ 4,294,100	\$ 3,569,949	\$ 232,566	\$ 3,802,515	\$ 491,585

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2007

Fourteen Months Ended August 31, 2007

P.A. 94-798	Appropriations		Lapse Period		Balances
	(Net After Transfers)	Expenditures Through 6/30/07	Expenditures 7/01 - 8/31/07	Total Expenditures	
Non-Appropriated Fund					
Fund 775 - Veterans' Affairs Library Grant Fund					
Library Expenses		\$ 2,886	\$ 2,092	\$ 4,978	
Return of Unused Cash		0	0	0	
Veterans' Affairs Library Grant Fund Total		<u>\$ 2,886</u>	<u>\$ 2,092</u>	<u>\$ 4,978</u>	
Grand Total All Funds		<u>\$ 3,572,835</u>	<u>\$ 234,658</u>	<u>\$ 3,807,493</u>	

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller. Expenditures for personal services are net of deductions for meal tickets.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

	Fiscal Year		
	2008	2007	2006
	P.A. 95-0348	P.A. 94-798	P.A. 94-0015
Fund 001- General Revenue Fund			
Appropriations (Net of Transfers)	\$ 2,487,800	\$ 1,701,100	\$ 639,000
<u>Expenditures</u>			
Personal Services	\$ 1,903,944	\$ 1,270,637	\$ 0
State Contribution to State			
Employees' Retirement System	316,477	147,178	0
State Contributions to Social Security	141,143	94,207	0
Contractual Services	19,161	100	0
Commodities	11,100	0	0
Ordinary and Contingent Expenses	<u>0</u>	<u>0</u>	<u>638,759</u>
Total Expenditures	<u>\$ 2,391,825</u>	<u>\$ 1,512,122</u>	<u>\$ 638,759</u>
Lapsed Balances	<u>\$ 95,975</u>	<u>\$ 188,978</u>	<u>\$ 241</u>
Fund 273- Anna Veterans' Home Fund			
Appropriations (Net of Transfers)	\$ 2,043,100	\$ 2,593,000	\$ 3,323,800
<u>Expenditures</u>			
Personal Services	\$ 672,016	\$ 1,215,484	\$ 0
State Contribution to State			
Employees' Retirement System	115,439	141,165	0
State Contributions to Social Security	51,475	90,653	0
Contractual Services	550,344	549,813	0
Travel	9,701	6,033	0
Commodities	285,932	250,567	0
Printing	1,003	1,633	0
Equipment	25,271	4,731	0
Electronic Data Processing	2,495	2,310	0
Telecommunications	16,787	13,551	0
Operation of Automotive Equipment	10,127	10,261	0
Refunds	5,778	4,192	4,750
Permanent Improvements	9,374	0	0
Healthcare Shared Services Center	187,870	0	0
Ordinary and Contingent Expenses	<u>0</u>	<u>0</u>	<u>2,948,537</u>
Total Expenditures	<u>\$ 1,943,612</u>	<u>\$ 2,290,393</u>	<u>\$ 2,953,287</u>
Lapsed Balances	<u>\$ 99,488</u>	<u>\$ 302,607</u>	<u>\$ 370,513</u>

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

	Fiscal Year		
	2008	2007	2006
	P.A. 95-0348	P.A. 94-798	P.A. 94-0015
TOTAL APPROPRIATED FUNDS			
Appropriations (Net of Transfers)	<u>\$ 4,530,900</u>	<u>\$ 4,294,100</u>	<u>\$ 3,962,800</u>
Total Expenditures	<u>\$ 4,335,437</u>	<u>\$ 3,802,515</u>	<u>\$ 3,592,046</u>
Lapsed Balances	<u>\$ 195,463</u>	<u>\$ 491,585</u>	<u>\$ 370,754</u>
 Non-Appropriated Funds			
Fund 775 - Veterans' Affairs Library Grant Fund			
<u>Expenditures</u>			
Library Expenses	\$ 4,501	\$ 4,978	\$ 9,000
Return Unused Cash	<u>349</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 4,850</u>	<u>\$ 4,978</u>	<u>\$ 9,000</u>
 TOTAL EXPENDITURES - ALL FUNDS			
Total Expenditures	<u>\$ 4,340,287</u>	<u>\$ 3,807,493</u>	<u>\$ 3,601,046</u>

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
**COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND
BALANCE (CASH BASIS) – LOCALLY HELD FUNDS**
For the Year Ended June 30,

	<u>2008</u>	<u>2007</u>
<u>Benefits Trust Fund - Anna - 1339</u>		
Cash Balance, July 1	\$ 26,235	\$ 27,857
Receipts	167,511	65,866
Disbursements	<u>(68,619)</u>	<u>(67,488)</u>
Cash Balance, June 30	<u>\$ 125,127</u>	<u>\$ 26,235</u>
<u>IVHA - Members' Trust Fund - 1348</u>		
Cash Balance, July 1	\$ 48,146	\$ 44,721
Receipts	805,839	844,351
Disbursements	<u>(789,169)</u>	<u>(840,926)</u>
Cash Balance, June 30*	<u>\$ 64,816</u>	<u>\$ 48,146</u>
<u>IVHA - Clearing Account Fund - 1311</u>		
Cash Balance, July 1	\$ 0	\$ 0
Receipts	773,569	832,785
Disbursements	<u>(773,569)</u>	<u>(832,785)</u>
Cash Balance, June 30	<u>\$ 0</u>	<u>\$ 0</u>

*Ending balances do not include petty cash on-hand amounts of \$53 in FY08 and \$24 in FY07.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2008

	Total	Land and Land Improvements	Site Improvements	Buildings and Building Improvements	Equipment
Balance at July 1, 2006	\$ 7,103,500	\$ 1,527	\$ 1,193,534	\$ 5,045,321	\$ 863,118
Additions	75,292	-	17,500	-	57,792
Deletions	(20,468)	-	-	(75)	(20,393)
Net Transfers	<u>(9,606)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,606)</u>
Balance at June 30, 2007	<u>\$ 7,148,718</u>	<u>\$ 1,527</u>	<u>\$ 1,211,034</u>	<u>\$ 5,045,246</u>	<u>\$ 890,911</u>
Balance at July 1, 2007	\$ 7,148,718	\$ 1,527	\$ 1,211,034	\$ 5,045,246	\$ 890,911
Additions	111,887	-	-	17,740	94,147
Deletions	(30,900)	-	-	-	(30,900)
Net Transfers	<u>(44,054)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,054)</u>
Balance at June 30, 2008	<u>\$ 7,185,651</u>	<u>\$ 1,527</u>	<u>\$ 1,211,034</u>	<u>\$ 5,062,986</u>	<u>\$ 910,104</u>

Note: The above schedule has been derived from Home records, which have been reconciled to the C-15 Agency Report of State Property submitted quarterly to the Office of the Comptroller. The amounts reported above have been adjusted to reflect accurate property balances after correction of reporting errors noted in Finding 08-2 on page 11.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Fiscal Years Ended June 30,

Anna Veterans' Home Fund - 273	<u>2008</u>	<u>2007</u>	<u>2006</u>
VA Reimbursements	\$ 1,321,315	\$ 1,268,724	\$ 1,196,923
Patient Fees	765,323	814,992	792,883
Meal Tickets*	1,469	2,010	2,419
Health and Human Services	4,993	13,973	36,369
Insurance Claims Reimbursement	756	1,536	1,114
Anna Misc. Charges - Phone / Jury Duty	159	94	23
Copy Fees	23	220	37
Miscellaneous Refunds	988	-	-
Prior Year Refunds	<u>406</u>	<u>597</u>	<u>-</u>
Total Receipts	<u>\$ 2,095,432</u>	<u>\$ 2,102,146</u>	<u>\$ 2,029,768</u>

* Does not include receipts collected via payroll deductions.

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For the Fiscal Years Ended June 30,

<u>Anna Veterans' Home Fund – 273</u>	<u>2008</u>	<u>2007</u>
Receipts per Department Records	\$ 2,095,432	\$ 2,102,146
Add: Deposits in Transit, Beginning of Year	2,043	1,550
Less: Deposits in Transit, End of Year	<u>(6,103)</u>	<u>(2,043)</u>
Deposits Recorded by the Comptroller	<u>\$ 2,091,372</u>	<u>\$ 2,101,653</u>

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

Variations noted exceeding \$5,000 and 20% are explained below:

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

GENERAL REVENUE FUND – 001

PERSONAL SERVICES

The increase in personal services expenditures was due to a budgetary change. In Fiscal Year 2007, the personal services appropriation was split approximately in half between the General Revenue Fund (GRF) and the Anna Veterans' Home Fund (273). In Fiscal Year 2008, a larger appropriation for personal services expenditures was received and spent from the GRF. As a result, an increased amount of personal services transactions were processed through the GRF.

STATE CONTRIBUTION TO STATE EMPLOYEES' RETIREMENT SYSTEM

The increase in State Contribution to State Employees' Retirement System (SERS) expenditures was primarily due to a budgetary change. In Fiscal Year 2007, the SERS appropriation was split approximately in half between the GRF and Fund 273. In Fiscal Year 2008, a larger appropriation for SERS expenditures was received from and spent from the GRF. As a result, an increased amount of SERS transactions were processed through the GRF. The increase was also due to the employer contribution rate increasing from 11.525% in Fiscal Year 2007 to 16.561% in Fiscal Year 2008.

STATE CONTRIBUTIONS TO SOCIAL SECURITY

The increase in State Contributions to Social Security expenditures was due to a budgetary change. In Fiscal Year 2007, the State Contributions to Social Security appropriation was split approximately in half between the GRF and Fund 273. In Fiscal Year 2008, a larger appropriation for State Contributions to Social Security expenditures was received and spent from the GRF. As a result, an increased amount of State Contributions to Social Security transactions were processed through the GRF.

CONTRACTUAL SERVICES

The increase in contractual services expenditures was due to the Home transferring \$20,000 into the contractual services line in order to pay unexpected costs incurred for repair maintenance to real property.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
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 2008, continued

COMMODITIES

The increase in commodities expenditures was due to a higher level of care required by residents, which resulted in a significant increase in the cost of medical supplies.

ANNA VETERANS' HOME FUND – 273

PERSONAL SERVICES

The decrease in personal services expenditures was due to a budgetary change. In Fiscal Year 2007, the personal services appropriation was split approximately in half between the GRF and Fund 273. In Fiscal Year 2008, the appropriation for personal services from Fund 273 was reduced to nearly half of the Fiscal Year 2007 appropriation. As a result, a decreased amount of personal services transactions were processed through the Home Fund.

STATE CONTRIBUTIONS TO SOCIAL SECURITY

The decrease in State Contributions to Social Security expenditures was due to a budgetary change. In Fiscal Year 2007, the State Contributions to Social Security appropriation was split approximately in half between the GRF and Fund 273. In Fiscal Year 2008, the appropriation for State Contributions to Social Security from Fund 273 was reduced to nearly half of the Fiscal Year 2007 appropriation. As a result, a decreased amount of State Contributions to Social Security transactions were processed through the Home Fund.

EQUIPMENT

The increase in equipment expenditures was due to the Home utilizing a majority of the Fiscal Year 2008 appropriation to replace and update dietary equipment.

PERMANENT IMPROVEMENTS

The increase in permanent improvement expenditures was due to \$9,374 for repairs due to leakage and mold problems.

HEALTHCARE SHARED SERVICES CENTER

The increase in healthcare and shared services center expenditures was due to a new appropriation in 2008 for \$192,000 for costs and expenses related to or in support of a Healthcare Shared Services Center.

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

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

GENERAL REVENUE FUND – 001

ALL LINE ITEMS

The increases in these expenditure categories were due to the appropriation and payment of expenditures being broken out between these line items in Fiscal Year 2007. In Fiscal Year 2006, the appropriation and payment of all expenditures were from the ordinary and contingent expenses lump sum line item.

ANNA VETERANS' HOME FUND – 273

ALL LINE ITEMS

The increases in these expenditure categories were due to the appropriation and payment of expenditures being broken out between these line items in Fiscal Year 2007. In Fiscal Year 2006, the appropriation and payment of all expenditures were from the ordinary and contingent expenses lump sum line item.

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

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

ANNA VETERANS' HOME FUND – 273

MEAL TICKETS

During Fiscal Year 2007 and preceding years, employees were permitted to either purchase individual meal tickets on a day to day basis or have the meal money deducted from their paychecks. However, during Fiscal Year 2008, employees who chose to eat meals at the Home were required to have the meal ticket money deducted from their paychecks. As a result, the meal money collected by the Home decreased to reflect only the meal tickets sold to guests of the Home's residents. Meal ticket money deducted from employee paychecks is not recorded as a receipt at the Home, but as a reduction in the Home's payroll costs.

HEALTH AND HUMAN SERVICES

The decrease in Health and Human Services payments was due to both past and current amounts from Medicare being received during Fiscal Year 2007, and only current amounts were received during Fiscal Year 2008.

INSURANCE CLAIMS REIMBURSEMENT

The decrease in insurance claims reimbursements received was due to both past and current third party insurance reimbursements being paid during Fiscal Year 2007, and only current amounts were paid during Fiscal Year 2008.

COPY FEES

There was a reduction in the number of copies of medical records requested from Fiscal Year 2007 to Fiscal Year 2008.

MISCELLANEOUS REFUNDS

Previously, all refunds were sent directly to the Central Office in Springfield. During Fiscal Year 2008, the Home began receiving and processing its own refunds.

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

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

ANNA VETERANS' HOME FUND – 273

HEALTH AND HUMAN SERVICES

The decrease in Health and Human Services payments was due to Medicare Part B implementation and the collection of retroactively billed amounts. Medicare Part B billing was implemented at the end of Fiscal Year 2005, and the Home was able to bill retroactively for services rendered back to Fiscal Year 2004. The Home was not a Medicare certified facility prior to that time. Fiscal Year 2006 receipts consisted of payments received for some of the retroactive billings as well as current amounts. During Fiscal Year 2007, receipts consisted of the balance of the retroactive billings as well as current amounts.

INSURANCE CLAIMS REIMBURSEMENT

The increase in insurance claims reimbursements received was due to more residents carrying third party insurance in Fiscal Year 2007 than Fiscal Year 2006.

COPY FEES

The increase in copy fees received was due to an increase in the number of copies of medical records requested from Fiscal Year 2006 to Fiscal Year 2007.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Fiscal Years Ended June 30, 2008

Lapse period spending exceeding 20% of total fiscal year expenditures is explained below:

FISCAL YEAR 2008

GENERAL REVENUE FUND – 001

COMMODITIES

Lapse period expenditures were due to payments of billings for commodities for the operation of the Home that were received prior to June 30 and paid during lapse period. Significant expenditures included medical commodities and dietary commodities.

ANNA VETERANS' HOME FUND – 273

PERSONAL SERVICES, STATE CONTRIBUTION TO STATE EMPLOYEES' RETIREMENT SYSTEM, AND STATE CONTRIBUTIONS TO SOCIAL SECURITY

Lapse period expenditures were due to payments of June payroll for the period June 16-30, 2008. Only three months of payroll expenditures were allocated to the fund.

CONTRACTUAL SERVICES

Lapse period expenditures were due to payments of billings for services for the operation of the Home that were received prior to June 30 and paid during lapse period. Significant expenditures included medical services and supplies and laundry services and supplies.

FISCAL YEAR 2007

We noted no significant lapse period spending during Fiscal Year 2007.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
For the Two Years Ended June 30, 2008

CASH

The Anna Veterans' Home Fund (273) is a non-shared fund held in the State Treasury. It is classified as a special revenue fund and is restricted to expenditures for specified purposes. It is appropriated by the General Assembly. Cash balances were \$854,193 and \$696,258 at June 30, 2008 and 2007, respectively.

The Home is also the custodian of three locally held funds: the Benefits Trust Fund-Anna (Fund 1339), the IVHA Members' Trust Fund (Fund 1348) and the IVHA Clearing Account (Fund 1311). The Benefits Trust Fund-Anna is classified as a special revenue fund and is restricted to expenditures for the benefit, entertainment and recreation of the residents. The IVHA Members' Trust Fund is classified as an agency fund and is a depository for the residents' funds, which is used to account for the receipts and disbursements of the residents. The IVHA Clearing Account is considered a sub-account of the Anna Veterans' Home Fund (273). The Benefits Trust Fund-Anna and the IVHA Members' Trust Fund are held at the Anna National Bank and the IVHA Clearing Account is held at the Anna State Bank. During Fiscal Years 2007 and 2008, locally held funds were insured by the FDIC up to \$100,000 per account.

Cash balances for the Benefits Trust Fund-Anna were \$125,127 and \$26,235 at June 30, 2008 and 2007, respectively. Cash balances for the IVHA Members' Trust Fund were \$64,869 and \$48,170 at June 30, 2008 and 2007, respectively. The activity of the Anna Clearing Account is collapsed into the Anna Home Fund (273) for annual financial reporting to the Comptroller. Cash balances for the IVHA Clearing Account were \$0 at June 30, 2008 and 2007.

PROPERTY

A comparative schedule of State Property is shown in the Financial Related Information Section of this report. There were no significant variances noted in this schedule.

STATE OF ILLINOIS
DEPARTMENT OF VETERANS' AFFAIRS
ILLINOIS VETERANS' HOME AT ANNA
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Two Years Ended June 30, 2008

ANALYSIS OF ACCOUNTS RECEIVABLE

Accounts receivable of the Anna Veterans' Home Fund (273) consisted of the following at June 30,

	<u>2008</u>	<u>2007</u>
Due from the U.S. Department of Veterans'		
Affairs - per diem reimbursement	\$ 210,027	\$ 217,444
Maintenance fees due from members	3,312	3,983
Total	<u>\$ 213,339</u>	<u>\$ 221,427</u>

The following is an aging of the accounts receivable due to Fund 273 at June 30,

	<u>2008</u>	<u>2007</u>
Not past due	\$ 206,115	\$ 218,066
31-90 days past due	3,863	-
91+ days past due	3,361	3,361
Total	<u>\$ 213,339</u>	<u>\$ 221,427</u>

The Home uses the Comptroller's offset system and private collection services to collect old receivable balances if necessary.

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AGENCY FUNCTIONS AND PLANNING PROGRAM

Agency Functions

The Illinois Veterans' Home at Anna (Home) was opened in August 1994 and it currently operates under the authority of the Department of Veterans' Affairs Act (20 ILCS 2805 et seq.) The Home was established to provide care as described below for the southern Illinois area veteran population. The Home is a mixed care facility composed of independent apartment units with a maximum occupancy of twelve eligible veterans, their spouses, widows or widowers (depending on bed availability), and a fifty bed intermediate and skilled care component for eligible veterans.

The Home is subject to several regulatory agencies, including the U. S. Department of Veterans' Affairs, Illinois Department of Veterans' Affairs and Illinois Department of Public Health. Funding is provided by "member" maintenance charges based on the resident's ability to pay, the U. S. Department of Veterans' Affairs per diem patient care reimbursements and appropriations from the State of Illinois.

According to the Department of Veterans' Affairs (Department), commitment to the care of the aging veteran is and shall continue to be the primary focus of the Department. Program offerings for the Anna Veterans' Home consist of health care, social activities, recreation, and support services.

The Home made numerous expenditures from the Benefit Fund during the examination period to directly benefit the residents. Those expenditures included a television, several pieces of specialized mobility furniture, and a fluidotherapy unit for the residents.

Agency Planning

The Home has developed several long-range goals to be completed in subsequent years. These goals are to:

- Expand the dining room to alleviate overcrowding and better accommodate residents in wheelchairs;
- Explore the addition of 25 skilled care beds for increasing need;
- Evaluate creating additional small apartments for veterans' housing on grounds;

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AGENCY FUNCTIONS AND PLANNING PROGRAM, continued

- Consider re-organizing Nurses Station area; and
- Add a small aquatic therapy room near the physical therapy area.

In addition, the Home had short-term planning goals regarding facility administration, fiscal operations, admissions, social services, human resources, and nursing goals.

The goals of the Home are set by the Department with input from the Home Administrator, interested veterans' groups, and information from the other Veterans' Homes. The Home Administrator monitors the achievement of these goals.

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AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Home records, presents the average number of State of Illinois full-time equivalent employees, by function, for the fiscal years ended June 30,

<u>Function</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Administration	14	14	13
Healthcare	38	36	34
Dietary	7	8	7
Housekeeping	6	6	6
Total Average Full-Time Employees	<u>65</u>	<u>64</u>	<u>60</u>

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ANNUAL STATISTICS

RATIO OF EMPLOYEES TO RESIDENTS (Not Examined)

The following comparative data was prepared from the Department of Veterans' Affairs - Central Office records for the fiscal years ended June 30,

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Certified capacity of Home	62	62	62
Daily average number of residents:			
Skilled Care	48	48	48
Domiciliary	10	9	12
Average number of State employees	65	64	60
Ratio of employees to residents	1.12 to 1	1.12 to 1	1 to 1

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COSTS PER RESIDENT (Not Examined)

The following costs of resident care were prepared from the Department's Central Office records for the fiscal years ended June 30,

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Average healthcare spending per resident per year ^{1,2}	\$ 5,584	\$ 6,102	\$ 5,322
Average cost per resident per meal (excludes labor costs)	\$ 2.32	\$ 2.05	\$ 1.92
Average annual cost of meals per resident (excludes labor costs)	\$ 2,541	\$ 2,241	\$ 2,099
Average annual cost of care per resident:			
Skilled Care	\$ 55,746	\$ 49,428	\$ 23,170
Domiciliary	\$ 28,700	\$ 22,849	\$ 10,698

¹ Healthcare spending costs include costs for hospital and medical services, pharmaceutical services, medical fees, and medical supplies.

² The average for Fiscal Year 2006 differs from the prior year report due to correction of a calculation error. The error was corrected during the current examination period.

INJURY STATISTICS (Not Examined)

The following comparison was prepared from the Department's Central Office records for the fiscal years ended June 30,

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Number of resident injuries	31	34	57

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SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Nursing Care			
Number of Admissions	17	21	13
Number of Deaths	16	18	13
Number of Discharges	4	3	0
Veteran Days of Care Furnished	17,055	16,154	17,795
Domiciliary Care			
Number of Admissions	6	4	2
Number of Deaths	0	1	1
Number of Discharges	4	3	2
Veteran Days of Care Furnished	3,444	3,056	3,502