

**ILLINOIS JOINING FORCES FOUNDATION**

**COMPLIANCE EXAMINATION**

For the Year Ended June 30, 2019

ILLINOIS JOINING FORCES FOUNDATION  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2019

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ILLINOIS JOINING FORCES FOUNDATION  
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For the Year Ended June 30, 2019

**FOUNDATION OFFICIALS**

Board Chairperson (10/01/19 – Present)	Ms. Erica Borggren
Board Vice Chairperson (10/01/19 – Present)	Mr. John DeBlasio
Board Co-Chair (07/01/18 – 10/01/19)	Mr. Steve Goodwin
Board Co-Chair (07/01/18 – 10/01/19)	Mr. Kevin Smith
Executive Director (04/08/19 – Present)	Dr. Stephen Curda
Interim Executive Director (02/15/19 – 04/07/19)	Mr. Jim Dolan
Executive Director (07/01/18 – 02/14/19)	Mr. Jaime Martinez

**GOVERNING BOARD MEMBERS<sup>1</sup>**

Secretary (06/01/20 – Present)	Mr. Greg Tanacea
Secretary (10/01/19 – 06/01/20)	Mr. Dennis Smith
Secretary (07/01/18 – 10/01/19)	Mr. Paul McConville
Treasurer (10/01/19 – Present)	Rep. Stephanie Kifowit
Treasurer (07/01/18 – 10/01/19)	Mr. John DeBlasio
Governor Appointee (02/01/20 – Present)	Ms. Erica Borggren
Governor Appointee (07/01/18 – 02/01/20)	Colonel (Retired) David Leckrone
President of the Senate Appointee (07/01/18 – Present)	Senator Michael Hastings
Minority Leader of the Senate Appointee (02/01/20 – Present)	Colonel (Retired) David Leckrone
Minority Leader of the Senate Appointee (07/01/18 – 02/01/20)	Senator Dale Righter
Speaker of the House Appointee (07/01/18 – Present)	Rep. Stephanie Kifowit
Director, Department of Veterans' Affairs (07/01/18 – Present)	Rep. Linda Chapa LaVia
Minority Leader of the House Appointee (07/01/18 – Present)	Mr. John De Blasio
Department of Military Affairs Designee (07/01/18 – Present)	Brigadier General Richard Neely

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Department of Military Affairs Designee Rep (07/01/18 – Present)	Command Sergeant Major Dena Bellowe
Civic Member (07/01/18 – Present)	Mr. Don Cooke
Civic Member (07/01/18 – Present)	Mr. John Schwan
Civic Member (07/01/18 – 10/01/19)	Ms. Roseann Darabaris
Civic Member (07/01/18 – 10/01/19)	Mr. Jim Hobbins
Task Force Leader (07/01/18 – Present)	Brigadier General Patricia Wallace
Task Force Leader (07/01/18 – Present)	Mr. Matt Schachman
Task Force Leader (07/01/18 – Present)	Mr. Richard Hayes
Task Force Leader (01/01/20 – Present)	Mr. John Edelman
Task Force Leader (07/01/18 – 10/01/19)	Ms. Modie Lavin
Task Force Leader (07/01/18 – 10/01/19)	Mr. David Piatek
Task Force Leader (07/01/18 – 10/01/19)	Mr. Dennis Smith

**FOUNDATION OFFICE**

The Foundation's primary administrative office is located at:

100 South State Street, 4<sup>th</sup> Floor  
Chicago, Illinois 60603

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<sup>1</sup> The accountants were unable to determine the accuracy of the listing of Governing Board Members as provided by the Foundation (see Finding 2019-005).



MANAGEMENT ASSERTION LETTER

(December 22, 2020)

Honorable Frank J. Mautino  
Auditor General  
State of Illinois  
740 East Ash Street  
Springfield, Illinois 62703-3154

Auditor General Mautino:

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 Illinois Joining Forces Foundation (Foundation). We are responsible for and we are working to establish and maintain an effective system of internal controls over compliance requirements. We have performed an evaluation of the Foundation's compliance with the following specified requirements for the year ended June 30, 2019. Based on this evaluation, we found that increased internal controls are needed to materially comply.

- A. To the best of our knowledge, other than what has been previously disclosed and reported in the Schedule of Findings, the Foundation has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. To the best of our knowledge, other than what has been previously disclosed and reported in the Schedule of Findings, the Foundation has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. To the best of our knowledge, other than what has been previously disclosed and reported in the Schedule of Findings, the Foundation has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. To the best of our knowledge, other than what has been previously disclosed and reported in the Schedule of Findings, revenues and receipts collected by the Foundation 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. To the best of our knowledge, other than what has been previously disclosed and reported in the Schedule of Findings, money or negotiable securities or similar assets handled by

the Foundation or held in trust by the Foundation have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

In addition, we are aware of the following noncompliance matters which occurred during the period subsequent to June 30, 2019, which requires disclosure by management under the attestation standards established by the American Institute of Certified Public Accountants (AT-C § 205.48). Management believes a number of the issues identified and described in the Schedule of Findings for the year ended June 30, 2019, persisted during Fiscal Year 2020 and Fiscal Year 2021 and that additional sampling by the accountants may have yielded additional exceptions and problems similar to those disclosed and reported in the Schedule of Findings.

Yours truly,

Illinois Joining Forces Foundation

**SIGNED ORIGINAL ON FILE**

\_\_\_\_\_  
Stephen Curda, Executive Director

**SIGNED ORIGINAL ON FILE**

\_\_\_\_\_  
Brenda Osuch, Chief Operating Officer

ILLINOIS JOINING FORCES FOUNDATION  
 COMPLIANCE EXAMINATION  
 For the Year Ended June 30, 2019

**COMPLIANCE REPORT**

**SUMMARY**

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

**ACCOUNTANT’S REPORT**

The Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes contains an adverse opinion on compliance and identifies material weaknesses in internal control over compliance.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	Report	Report
Findings	7	6
Repeated Findings	6	3
Prior Recommendations Implemented or Not Repeated	0	0

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last</u> <u>Reported</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

2019-001	14	2018	Inadequate Financial Reporting and Controls	Material Weakness and Noncompliance
2019-002	19	2018	Failure to Present Adequate Financial Statements and Notes	Material Weakness
2019-003	25	2018	Inadequate Internal Control Structure	Material Weakness and Noncompliance

ILLINOIS JOINING FORCES FOUNDATION  
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**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last Reported</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)				
2019-004	29	2018	Lack of Documentation to Substantiate Compliance with Grant Agreements	Material Weakness and Noncompliance
2019-005	31	New	Incomplete and Inconsistent Board Membership Information	Material Weakness and Noncompliance
FINDINGS (STATE COMPLIANCE)				
2019-006	34	2018	Failure to Comply with Statutory Requirements	Material Weakness and Material Noncompliance
2019-007	36	2018	Procedural Deficiencies	Significant Deficiency and Noncompliance
<p>In addition, the following findings which are reported as current findings relating to <i>Government Auditing Standards</i> also meet the reporting requirements for State Compliance.</p>				
2019-001	14	2018	Inadequate Financial Reporting and Controls	Material Weakness and Material Noncompliance
2019-002	19	2018	Failure to Present Adequate Financial Statements and Notes	Material Weakness and Material Noncompliance
2019-003	25	2018	Inadequate Internal Control Structure	Material Weakness and Material Noncompliance
2019-004	29	2018	Lack of Documentation to Substantiate Compliance with Grant Agreements	Material Weakness and Material Noncompliance
2019-005	31	New	Incomplete and Inconsistent Board Membership Information	Material Weakness and Material Noncompliance

ILLINOIS JOINING FORCES FOUNDATION  
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**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Foundation personnel at an exit conference on November 23, 2020.

Attending were:

Illinois Joining Forces Foundation

Stephen Curda, Executive Director

Brenda Osuch, Chief Operating Officer

Jim Dolan, Senior Director of Development

LaNae Edwards, Business Operations Analyst

Office of the Auditor General

Courtney Dzierwa, Senior Audit Manager

Jennifer Cicci, Senior Audit Manager

Quentin Kuntzman, Audit Supervisor

The responses to the recommendations were provided by Brenda Osuch, Chief Operating Officer, in a correspondence dated November 27, 2020.

SPRINGFIELD OFFICE:  
ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046  
FAX: 217/785-8222 • TTY: 888/261-2887  
FRAUD HOTLINE: 1-855-217-1895



CHICAGO OFFICE:  
MICHAEL A. BILANDIC BLDG. • SUITE S-900  
160 NORTH LASALLE • 60601-3103  
PHONE: 312/814-4000  
FAX: 312/814-4006  
FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL  
FRANK J. MAUTINO

**INDEPENDENT ACCOUNTANT'S REPORT  
ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND  
ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Directors  
Illinois Joining Forces Foundation

**Compliance**

We have examined compliance by the Illinois Joining Forces Foundation (Foundation) with the specified 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 year ended June 30, 2019. Management of the Foundation is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Foundation's compliance with the specified requirements based on our examination.

The specified requirements are:

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

- D. Revenues and receipts collected by the Foundation 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 Foundation or held in trust by the Foundation have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Foundation complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Foundation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

Our examination does not provide a legal determination on the Foundation's compliance with the specified requirements.

Our examination disclosed material noncompliance with the specified requirements during the year ended June 30, 2019. As described in items 2019-001 through 2019-007 in the accompanying Schedule of Findings, the Foundation did not comply with the specified requirements. Items 2019-001 through 2019-006 are each considered to represent material deviations with the specified requirements. First, as described in the accompanying Schedule of Findings as items 2019-001 through 2019-007, the Foundation had not complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations. Further, as described in the accompanying Schedule of Findings as items 2019-001 through 2019-003, the Foundation had not ensured revenues and receipts collected by the Foundation were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law. Additionally, as described in the accompanying Schedule of Findings as items 2019-001 through 2019-004, money or negotiable securities or similar assets handled by the Foundation or held in trust by the Foundation had not been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law. Finally, item 2019-007 individually would have been regarded as significant noncompliance with the specified requirements; however, when aggregated, we determined these items constitute material deviations with the specified requirements.

In our opinion, because of the significance and pervasiveness of the material deviations from the specified requirements described in the preceding paragraph, the Foundation did not comply with the specified requirements during the year ended June 30, 2019, in all material respects.

The Foundation's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Foundation's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

### **Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

In planning and performing our examination, we considered the Foundation's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Foundation's compliance with the specified requirements and to test and report on the Foundation's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

*A deficiency in internal control* 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 and correct, noncompliance with the specified requirements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2019-001 through 2019-006 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as item 2019-007 to be a significant deficiency.

There were no immaterial findings that have been excluded from this report.

The Foundation's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Foundation's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

### **Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on the Foundation's compliance with the specified requirements. The Analysis of Operations section is presented for purposes of additional analysis. Such information is the responsibility of Foundation management. Because of the significance of the matters described in the accompanying Schedule of Findings as items 2019-001 through 2019-007, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK, CPA  
Director of Financial and Compliance Audits

Springfield, Illinois  
December 22, 2020

SPRINGFIELD OFFICE:  
ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046  
FAX: 217/785-8222 • TTY: 888/261-2887  
FRAUD HOTLINE: 1-855-217-1895



CHICAGO OFFICE:  
MICHAEL A. BILANDIC BLDG. • SUITE S-900  
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PHONE: 312/814-4000  
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OFFICE OF THE AUDITOR GENERAL  
FRANK J. MAUTINO

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Directors  
Illinois Joining Forces Foundation

**Report on the Financial Statements**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Illinois Joining Forces Foundation, which comprise the Statement of Financial Position as of June 30, 2019, and the related Statement of Activities, Statement of Functional Expenses, and Statement of Cash Flows for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and we have issued our report thereon dated December 22, 2020.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2019-001 and 2019-003 through 2019-005.

**Internal Control Over Financial Reporting**

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the Foundation's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2019-001 through 2019-005, that we consider to be material weaknesses.

### **Foundation's Responses to the Findings**

The Foundation's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Foundation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK, CPA  
Director of Financial and Compliance Audits

Springfield, Illinois  
December 22, 2020

**ILLINOIS JOINING FORCES FOUNDATION**  
**SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS***  
**For the Year Ended June 30, 2019**

2019-001.     **FINDING** (Inadequate Financial Reporting and Controls)

The Illinois Joining Forces Foundation (Foundation) did not maintain adequate documentation and records to facilitate accurate and proper financial reporting.

We noted the following deficiencies and inaccuracies in financial reporting:

**Inaccurate and Incomplete Contributions Receivable/Promises to Give**

The Foundation accounted for revenue on a cash basis during Fiscal Year 2019 rather than an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). Specifically, we noted the following:

- The Foundation received an unconditional promise to give, totaling \$500,000 in the form of a grant agreement during Fiscal Year 2019. The Foundation received \$375,000 of the \$500,000 grant during Fiscal Year 2019. As a result, revenue and contributions receivable, totaling \$125,000, were improperly excluded from the June 30, 2019, financial statements.
- The Foundation received another unconditional promise to give, totaling \$75,000 in the form of a grant agreement during Fiscal Year 2019. The Foundation did not receive any funds related to this grant during Fiscal Year 2019. As a result, revenue and contributions receivable, totaling \$75,000, were improperly excluded from the June 30, 2019, financial statements.
- During the prior examination, we identified one unconditional promise to give related to a grant agreement, for which revenue was improperly recognized on a cash basis. We noted Fiscal Year 2018 revenues and receivables were understated by \$21,732 due to the improper accounting treatment. During Fiscal Year 2019, the Foundation received \$21,519 related to this unconditional promise to give. As a result, revenue, totaling \$21,519, was improperly included and contributions receivable, totaling \$213, was improperly excluded from the June 30, 2019, financial statements.

The cumulative effect of these misstatements resulted in a \$200,213 understatement of contributions receivable and a \$178,481 understatement of revenues on the June 30, 2019, financial statements.

**ILLINOIS JOINING FORCES FOUNDATION**  
**SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS***  
**For the Year Ended June 30, 2019**

**Inaccurate and Incomplete Accounts Payable and Expenses**

The Foundation failed to record liabilities and expenses in the proper period. Specifically, we noted the following:

- During the prior examination, we identified a \$61,579 understatement of the Foundation's June 30, 2018, accounts payable balance due to an unrecorded vendor invoice. During Fiscal Year 2019, the Foundation failed to make the proper adjustment by restating the beginning balance of accounts payable. Instead, the Foundation recorded the omitted payable as a current year expense. As a result, expenses totaling \$61,579, were improperly included in the June 30, 2019, financial statements.
- One of 60 (2%) disbursements tested, totaling \$4,238, was related to an invoice received by the Foundation during Fiscal Year 2018; however, the Foundation recorded the disbursement as a current year expense. As a result, expenses, totaling \$4,238, were improperly included in the June 30, 2019, financial statements.

We also noted one of the Foundation's vendors agreed to write-down the balance owed by \$51,450 after June 30, 2019, but prior to the date the financial statements were available to be issued. The amount of the write-down consisted solely of expenses incurred prior to June 30, 2019. The Foundation failed to properly adjust its June 30, 2019, accounts payable balance. As a result, accounts payable, totaling \$51,450, was improperly included and other income, totaling \$51,450, was improperly excluded from the June 30, 2019, financial statements.

The cumulative effect of these misstatements resulted in a \$65,817 overstatement of expenses, a \$51,450 understatement of revenues, and a \$51,450 overstatement of accounts payable on the June 30, 2019, financial statements.

**Lack of Sufficient Records to Support Disbursements**

The Foundation did not maintain supporting documentation for disbursements:

- The Foundation was unable to provide supporting documentation, such as original receipts or invoices, for 30 of 60 (50%) disbursements selected for testing, totaling \$7,317. Of these transactions, 27, totaling \$4,317, were carried out through the use of a debit card, and receipts or invoices could not be provided to support these expenses. The remaining three disbursements, totaling \$3,000, were carried out through the use of a check. The only documentation to substantiate these transactions were emails from the Executive Director to the Fiscal Agent requesting the checks be prepared. Receipts or invoices could not be provided to support these email requests.

**ILLINOIS JOINING FORCES FOUNDATION**  
**SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS***  
**For the Year Ended June 30, 2019**

- The Foundation did not retain copies of its cancelled checks. As a result, we were unable to verify that 21 of 60 (35%) disbursements tested, totaling \$34,155, were properly authorized.

**Lack of Sufficient Records to Support Receipts**

The Foundation was unable to provide supporting documentation, such as correspondence from the contributor to the Foundation, or a signed grant agreement between the two parties, noting the contributed amount. As a result, we were unable to determine if the receipt of funds was complete and properly approved for three of eight (38%) receipts selected for testing, totaling \$84,500.

**Other Financial Reporting Deficiencies**

We also noted the following:

- Two of 8 (25%) receipts tested, totaling \$7,020, were not deposited timely. The funds were deposited into the Foundation's bank account 92 and 102 days after receipt. We noted the Foundation failed to record revenue during the proper period for one of these receipts, totaling \$7,000. The receipt was received by the Foundation during Fiscal Year 2018, but was not recognized and recorded as a revenue in its financial records until Fiscal Year 2019. As a result, revenue on the June 30, 2019, financial statements was overstated by \$7,000 and beginning net assets was understated by \$7,000.
- The Foundation improperly included a prior period adjustment line item, totaling \$71,155, in the Operating Activities section on its Fiscal Year 2019 Statement of Cash Flows. Consequently, the increase in accounts payable and accrued liabilities line item on its Fiscal Year 2019 Statement of Cash Flows was understated by this amount.
- The Foundation made an improper journal entry during Fiscal Year 2019 to correct a prior year error. During the prior examination, we noted the Foundation overstated its accumulated depreciation account and understated its accrued expenses by \$212 on its June 30, 2017, financial statements by improperly applying a wage garnishment installment to the account.
  - The Foundation improperly reduced its accumulated depreciation account and dues and subscriptions expense account \$212 to correct the Fiscal Year 2017 error. As a result, \$212 of expenses and accrued expenses were improperly excluded from its June 30, 2019, financial statements and beginning net assets was understated by \$212.

**ILLINOIS JOINING FORCES FOUNDATION**  
**SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS***  
**For the Year Ended June 30, 2019**

- The Foundation improperly overstated the purchase of equipment line item in the Investing Activities section and understated the change in net assets line item in the Operating Activities section of its Fiscal Year 2019 Statement of Cash Flows by \$212 due to the erroneous adjusting journal entry.
- The Foundation misclassified \$200 of bank charges as interest expense in its financial records and on its Fiscal Year 2019 Statement of Functional Expenses. Cash paid for interest reported on its Fiscal Year 2019 Statement of Cash Flows was overstated by \$200 as a result of this misclassification.
- The Foundation misclassified \$105 of travel costs as office supplies and meals and entertainment expenses in its financial records and on its Fiscal Year 2019 Statement of Functional Expenses.
- The Foundation was unable to provide documentation to substantiate nonemployee compensation payments made to two individuals during calendar year 2018, totaling \$12,909, were reported on its 2018 Form 1099.

The *Compliance Guide for 501(c)(3) Public Charities (Guide)* published by the Internal Revenue Service (IRS) states, “In general, a public charity must maintain books and records to show that it complies with tax rules.” The *Guide* also states:

If an organization does not keep required records, it may not be able to show that it qualifies for tax-exempt status or should be classified as a public charity. Thus, the organization may lose its tax-exempt status or be classified as a private foundation rather than a public charity.

At the time, the IRS’ *Instructions for Form 1099-MISC* required the Foundation to file a Form 1099-MISC for each person whom the Foundation paid at least \$600 of nonemployee compensation by January 31 of the year following when the payments were made. Beginning with Tax Year 2020, this type of income is reported on a Form 1099-NEC.

Further, good business practices require a proper internal control structure be established to ensure the accuracy and reliability of accounting data. Additionally, policy statements, personnel rules, systems of authorization and approval, and procedures should be used to properly guide employee actions and the Foundation’s operations. Sufficient and proper accounting records should be maintained to adequately control fiscal operations and provide reliable data necessary for management reports.

During the prior and current engagements, Foundation personnel indicated a lack of communication between Foundation management and the independent fiscal

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agent led to transactions, namely liabilities, expenses, receivables, and revenues, not being recorded on a timely basis and contributed to the other accounting errors noted. In addition, Foundation management acknowledged the lack of sufficient documentation and stated the documents were either not retained or were misplaced by staff.

Failure to maintain adequate documentation and records to support the operations and activities carried out by the Foundation increases the risk that the Foundation's financial records, account balances, and financial statements contain inaccuracies whether due to fraud or error. In addition, the lack of controls over record retention and the transaction process increases the risk of fraud, abuse, or misuse of Foundation resources. The absence of required records limits the Foundation's ability to accurately prepare its financial statements and could jeopardize the Foundation's status as a public charity. Further, failure to file Form 1099s represents noncompliance with federal regulations. (Finding Code No. 2019-001, 2018-001, 2016-001)

**RECOMMENDATION**

We recommend the Foundation take immediate action to:

- improve its recordkeeping and controls over recognizing revenue and related receivables in accordance with GAAP;
- improve its recordkeeping and controls over recognizing accounts payable and related expenses in accordance with GAAP;
- implement procedures to ensure relief of debt is properly recognized;
- ensure complete supporting documentation for disbursements and receipts is maintained;
- ensure receipts are deposited timely and revenue is recognized in the proper period;
- perform periodic reviews of financial information to detect and correct posting and reporting errors; and,
- ensure Form 1099s are properly prepared and filed in accordance with federal regulations.

**FOUNDATION RESPONSE**

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

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2019-002.     **FINDING** (Failure to Present Adequate Financial Statements and Notes)

The Illinois Joining Forces Foundation (Foundation) failed to present adequate financial statements and related note disclosures for Fiscal Year 2019.

We noted the following discrepancies during testing:

- The Foundation did not include all required disclosures in its Notes to the Financial Statements for Fiscal Year 2019:
  - The Foundation did not include a related party disclosure. Related party transactions include transactions with entities whose officers or directors are members of the Foundation’s Board or transactions directly between the Foundation and one of its board members. We noted one of the Foundation’s Board officers is also the Founder and Executive Director of one of the Foundation’s major funding organizations, which remitted \$23,000 to the Foundation during Fiscal Year 2019. In addition, one of the Foundation’s board members is also the Senior Vice President of Philanthropy at one of the Foundation’s major funding organizations, which remitted \$375,000 to the Foundation during Fiscal Year 2019.

Generally Accepted Accounting Principles (GAAP) requires the disclosure of related party transactions, including the nature of the relationship, a description of the transactions, the dollar amount of the transactions, and the amount due to or from the related parties as of the date of the statement of financial position presented.

- The Foundation did not include a disclosure regarding its restatement of beginning net assets as noted on the Statement of Activities. The Foundation restated its beginning Net Assets balance by \$71,155, due to an identified error in its previously issued financial statements. However, we noted this prior period adjustment did not account for all material misstatements in its previously issued financial statements (see Finding 2019-001).

GAAP requires the following information be disclosed related to corrections of errors in previously issued financial statements that have been restated: that the previously issued financial statements have been restated, a description of the nature of the error, the effect of the correction, and the cumulative effect of the change, in total and by class, on net assets as of the beginning of the earliest period presented.

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- The Foundation failed to adequately account for and disclose information regarding subsequent events. We noted one of the Foundation's vendors agreed to write-down the balance owed them by \$51,450 subsequent to June 30, 2019, but prior to the date the financial statements were initially available to be issued on December 3, 2019. The \$51,450 consisted solely of expenses incurred prior to June 30, 2019. The Foundation failed to adjust its financial statements (see Finding 2019-001) and include a related subsequent events disclosure in the Notes to the Financial Statements as a result of this write-down.

GAAP requires recognition and disclosure in the financial statements of all subsequent events that provide additional evidence about conditions that existed at the date of the financial statements.

- The Foundation did not include a disclosure regarding its operating leases during Fiscal Year 2019. Rental expense during Fiscal Year 2019 totaled \$17,754.

GAAP requires a disclosure of a general description of the Foundation's leasing arrangements and a disclosure of rental expense for each period for which a statement of activities is presented.

- The Foundation did not disclose qualitative information related to liquidity and the availability of resources.

GAAP requires disclosure of the following qualitative information related to liquidity and the availability of resources: (1) information that is necessary to supplement the quantitative information to communicate the availability of the Foundation's financial assets at the date of the statement of financial position to meet cash needs for general expenditures within one year of the date and (2) information that is useful for assessing the Foundation's liquidity that describes how the Foundation manages its liquid resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position.

- The Foundation did not include a detailed disclosure related to receivables or promises to give. The Foundation also failed to properly record receivables during Fiscal Year 2019 (see Finding 2019-001).

GAAP requires the following information be disclosed related to receivables: the amounts receivable in less than a year, in one to five years, and in more than five years; the amount of the allowance for

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uncollectible receivables; information regarding any unamortized discounts; and, the classification designation.

- The Foundation did not include a compensated absences disclosure. Per discussion with Foundation management, employees receive accrued benefit time, and remaining balances at year-end are carried over to the next. Due to a lack of documentation and records, we were unable to determine the Foundation's compliance and monitoring of, or calculate an amount of, its compensated absences.

GAAP requires the accrual of a liability for an employee's compensated absences, provided the employee has a right to receive compensation for future absences attributable to prior service, the right vests or accumulates, the payment is probable, and the amount can be reasonably estimated.

- In addition, the Foundation's Fiscal Year 2019 note disclosures contained inaccuracies and omissions.

- The Foundation did not provide a reasonably accurate disclosure of its methodology for classifying expenses between its two major categories, Program Services and Management and General as noted on its Statement of Functional Expenses. The disclosure indicates several expense categories were allocated based on square footage; however, this did not appear reasonable due to the Foundation's historically frequent changing of office locations. Further, the disclosure indicates depreciation, interest expense, and insurance costs are allocated between the two major categories; however, these expenses were wholly applied to the Management and General category on the Statement of Functional Expenses. The Foundation was unable to substantiate its classification and allocation of expenses on the Statement of Functional Expenses. As a result, we were unable to conclude as to the reasonableness of the classifications made.

GAAP requires the statement of functional expenses to contain information in enough detail for a reader to obtain a general understanding of the nature of the Foundation's costs of carrying out its activities.

- The Foundation's initial disclosure regarding its vulnerability resulting from its concentration of limited revenue sources only identified one grantor; however, during testing, we identified an additional grantor that qualified as a significant contributor. Together \$452,500 of \$483,380 (94%) of the Foundation's total reported revenue during Fiscal Year

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2019 came from these two identified grantors. In addition, the initial disclosure noted the Foundation's ability to generate resources is dependent on the economic health of the State; while partially true, the Foundation's ability to generate resources is dependent on the contributions from these significant contributors. The Notes to the Financial Statements were corrected to fix these errors.

GAAP requires the disclosure of concentrations in the volume of business transacted with a particular grantor at the financial statement date. Such concentrations make the Foundation vulnerable to the risk of a near-term severe impact, such as the loss of a grantor or grantors.

- The Foundation's initial fair value measurements disclosure did not include a description of the three-level hierarchy used to value its assets and liabilities. The Notes to the Financial Statements were corrected to fix these omissions.

GAAP defines the three levels as follows: level 1 inputs as unadjusted, quoted market prices for identical assets or liabilities in active markets at the measurement date; level 2 inputs are other observable inputs, either directly or indirectly including quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in non-active markets, inputs other than quoted prices that are observable for the assets or liability, or inputs that are derived principally from or corroborated by other observable market data; and level 3 inputs are unobservable inputs that cannot be corroborated by observable market data.

- The Foundation's initial disclosure of policies for the valuation of contributions receivable did not accurately represent the Foundation's valuation practices. The disclosure indicated contributions receivable that were expected to be collected in less than a year were recorded at fair value at the date of the promise. The results of our testing indicated contributions received of the type were actually recorded at net realizable value. The Notes to the Financial Statements were corrected to fix this error.
- The Foundation failed to report the correct amount in its Cash and Cash Equivalents note disclosure. The Foundation reported cash totaling \$3,192 at June 30, 2019, while the actual amount of cash at June 30, 2019, was \$128,446. The Notes to the Financial Statements were corrected to fix this error.

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- The Foundation failed to report correct amounts in its Fixed Assets note disclosure. The Foundation reported a net equipment value of \$2,273, while the actual net equipment value at June 30, 2019, was \$2,041. The Notes to the Financial Statements were corrected to fix this error.
- The Foundation disclosed an interest rate of 5% in the Notes to the Financial Statements for its line of credit; however, we noted the terms of the line of credit agreement entered into with the bank indicated a variable rate of interest. At June 30, 2019, the interest rate on the line of credit was 5.5%. The Notes to the Financial Statements were corrected to fix this error.
- The Foundation’s liquidity and availability disclosure failed to include receivables, totaling \$200,213, due to the Foundation improperly recognizing revenue on a cash basis (see Finding 2019-001).
- The Foundation’s June 30, 2019, financial statements and related note disclosures contained a significant amount of grammatical, capitalization, spelling, and formatting errors which had to be corrected.

Good business practices require a proper internal control structure to be established, including proper levels of monitoring and reviews, to help ensure the accuracy and reliability of accounting data and information presented in the financial statements and related notes.

In the previous and current engagements, Foundation personnel indicated a lack of communication between Foundation management and the independent fiscal agent and staff led to the inadequate financial statement presentation and related note disclosure inadequacies.

Failure to prepare complete and accurate note disclosures based upon GAAP hinders the usefulness and reliability of the Foundation’s financial statements. (Finding Code No. 2019-002, 2018-002)

**RECOMMENDATION**

We recommend the Foundation utilize professional tools, such as checklists, to improve the completeness and quality of its financial statements and related note disclosures. Additionally, we recommend the Foundation develop and consistently apply a methodology for classifying and allocating expenses on its Statement of Functional Expenses.

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**FOUNDATION RESPONSE**

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

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2019-003.     **FINDING** (Inadequate Internal Control Structure)

The personnel of the Illinois Joining Forces Foundation (Foundation) did not adhere to the Foundation’s bylaws and/or internal policies, which constituted the Foundation’s internal control structure. In addition, discrepancies existed between the Foundation’s bylaws and internal policies.

We noted the following discrepancies during testing:

- The Foundation did not maintain adequate control or have formal policies in place over personnel records and payroll to minimize the risk of payroll errors through miscommunication and/or lack of documentation, as described below:
  - The Foundation does not retain formal documentation of changes in employee salaries.
    - We tested a sample of four payroll transactions, totaling \$47,672, and noted gross pay for four of six (67%) employees differed from the salaries documented on the employees’ formal employment offer letters.
  - Payroll is automatically processed in full on a bi-weekly basis. The Foundation does not have adequate review and communication procedures to ensure any necessary payroll changes would be caught and adjusted timely.
  - The Foundation does not have a system or process in place to track employee attendance.
  - Employees track their own vacation and sick time balances, and employee requests for time off are not formally documented.
  - Documentation regarding vacation and sick time offered to employees is not consistent.
- The Foundation did not maintain adequate control over contracts entered into with vendors, as described below:
  - The Foundation was unable to provide three contractual agreements requested, pertaining to 5 of 60 (8%) disbursements tested. These five disbursements totaled \$11,406.

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- One contractual agreement tested, totaling \$25,731, pertaining to 2 of 60 (3%) disbursements tested, was improperly executed by the Foundation's Executive Director.

The Foundation's bylaws require the Board's chair or treasurer to execute all contracts of the Foundation.

- We also noted inconsistencies between the Foundation's bylaws and its internal Financial Controls Policy. The bylaws require dual approval from both the Board's treasurer and another Board member for expenses over \$5,000. However, the Financial Controls Policy limits the Executive Director's expenditure authority to disbursements of up to \$1,000 and requires dual approval for all expenses exceeding \$1,000. Per discussion with the Chair of the Board, the Executive Director was later given the ability to approve expenditures of up to \$5,000; however, written documentation of this change to the Financial Controls Policy was not provided to the auditors, and we could not positively determine when this change had taken effect. As a result, we were unable to determine whether transactions were properly approved.
- Bank reconciliations were performed by the Foundation's independent fiscal agent. The reconciliations were not signed or dated by either the preparer or a reviewer of the reconciliation. As a result, we were unable to determine the timeliness of the reconciliation, if a proper segregation of duties was maintained over the bank reconciliation process, and whether fiscal agent staff as well as Foundation personnel were involved in the process. Despite the involvement of the independent fiscal agent, we maintain Foundation personnel and/or Board members should be actively engaged in the ongoing review of all financial records, including bank reconciliations.

The Foundation's Financial Controls Policy requires the Treasurer be involved in the Foundation's Bank reconciliation process and regularly monitor its bank account and financial records.

Good business practices require a proper internal control structure be established to help safeguard assets, ensure the collection of revenues, prevent improper expenditures, ensure the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to legal requirements and prescribed management policies.

In addition, we noted the following potential situations of inurement to a private individual or organization:

- The Foundation utilized a debit card, linked to the Foundation's account, to carryout various transactions. No documentation or written policy could be

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provided to support use of a debit card. The Foundation executed 166 transactions during Fiscal Year 2019 totaling \$18,940 with the unauthorized card. Due to a lack of receipts or other documentation, we could not determine if these transactions were proper and related to Foundation functions and business. Further, we could not determine if purchases made via the debit card constituted fringe benefits which should have been reported to the Internal Revenue Service (IRS) as compensation.

The Foundation's bylaws state all disbursements of the Foundation are to be made by check.

The *Compliance Guide for 501(c)(3) Public Charities (Guide)* published by the Internal Revenue Service (IRS) states:

No part of an organization's net earnings may inure to the benefit of an insider. An insider is a person who has a personal or private interest in the activities of the organization such as an officer, director, or a key employee. This means that an organization is prohibited from allowing its income or assets to accrue to insiders. An example of prohibited inurement would include payment of unreasonable compensation to an insider. Any amount of inurement may be grounds for loss of tax-exempt status.

Further, IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits*, states, "Any fringe benefit you provide is taxable and must be included in the recipient's pay unless the law specifically excludes it." Finally, IRS Publication 535, *Business Expenses*, notes reimbursements to employees for business expenses incurred is generally allowable under either an accountable plan or nonaccountable plan. In order to be under an accountable plan so reimbursements are not included as wages on the employee's Form W-2, employees receiving reimbursements must have paid or incurred deductible expenses while performing employment services, adequately accounted for the expenses within a reasonable period of time generally defined by Publication 535 as within 60 days after the expenses were paid or incurred, and returned any excess reimbursements within a reasonable period of time. If the employee fails any of the tests, the employee is under a nonaccountable plan and all amounts paid as reimbursements are reported as wages on the employee's Form W-2, subject to income tax withholding, Social Security, Medicare, and unemployment taxes.

During the previous and current engagements, Foundation personnel indicated a lack of communication inhibited efforts to monitor and document fiscal and daily operations and implement new and updated policies. In addition, supporting documentation deficiencies resulted from the misplacing of or failure to retain documents by staff.

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Failure to adhere to the Foundation’s internal control structure, including both the bylaws and internal policy, makes the Foundation vulnerable to numerous risks, including but not limited to, failure to meet objectives, inaccurate financial records, and fraud. Additionally, failure to comply with the *Guide* and applicable IRS publications could result in the Foundation’s loss of tax-exempt status and subject the Foundation to IRS enforcement actions. (Finding Code No. 2019-003, 2018-003, 2016-002)

**RECOMMENDATION**

We recommend the Foundation’s management and Board meet and agree on specific internal control objectives, policies, and practices. We recommend Board members and management formally develop and update written policies and procedures to facilitate the Foundation’s operations. Board members and management should perform ongoing reviews of financial records and activities, including contracts and bank reconciliations, to ensure objectives, policies, and practices are being adhered to closely. Finally, we recommend the Foundation take immediate action to retain records to substantiate no inurement has occurred and reimbursements are properly accounted for under IRS Publication 535.

**FOUNDATION RESPONSE**

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

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2019-004.     **FINDING** (Lack of Documentation to Substantiate Compliance with Grant Agreements)

The Illinois Joining Forces Foundation (Foundation) failed to retain documentation and records to substantiate compliance with grant agreements.

We noted the Foundation was unable to provide a signed grant agreement, detailing the provisions regarding the use of funds and any compliance reporting requirements, for three of five (60%) potential grants selected for testing. For the other two (40%) grants selected for testing, the Foundation was able to provide a signed grant agreement; however, the Foundation was unable to provide further documentation to substantiate compliance with the provisions of the grant agreement.

The Foundation is heavily reliant upon grant funds received to continue their operations and mission. During Fiscal Year 2019, the Foundation received a total of \$483,380 in contributed monies. Of these funds, \$452,500 (94%) came from two identified grantors. This dependence on a small number of funding organizations makes it imperative the Foundation retain all necessary records and documentation to ensure compliance with grant agreements and to prevent situations where the Foundation may be required to return grant funds to providing organizations due to noncompliance.

Good business practices require the Foundation to ensure the terms of all grants, contracts, and binding agreements are complied with. Similarly, progress toward achieving goals and objectives, as well as expenditures made by the Foundation, should be actively monitored. Good business practices also require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for any necessary management reports.

During the previous and current engagements, Foundation personnel indicated the lack of documentation was due to the Foundation being regularly engaged with its donors, providing weekly and monthly updates. Foundation personnel felt this level of communication with donors was adequate and reduced the need for formal compliance documentation.

A lack of detailed documents and records to substantiate compliance with grant agreement terms and conditions could lead to the misuse of funds and/or require the repayment of funds to the grantor. In addition, the lack of proper documentation significantly increases the risk of a material misstatement in the Foundation's financial statements. (Finding Code No. 2019-004, 2018-004, 2016-003)

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**RECOMMENDATION**

We recommend the Foundation ensure full records are maintained for each grant received, including the completed application, signed grant agreement, expense records, and any progress reports or other information required to be submitted to the grantor. Further, we recommend the Foundation's management and Board of Directors perform ongoing reviews to ensure all terms and conditions within its grant agreements are complied with by the Foundation.

**FOUNDATION RESPONSE**

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

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2019-005.     **FINDING** (Incomplete and Inconsistent Board Membership Information)

The Illinois Joining Forces Foundation (Foundation) failed to maintain complete and consistent information regarding the membership of its Board of Directors (Board).

During testing, we requested a listing of the Foundation’s Board members, copies of Board meeting minutes, and the Foundation Officials page, which documents the Board composition, including all changes in Board positions, from the beginning of the audit/examination period through the date of the audit/examination report. Upon review of these documents, we noted the Foundation did not maintain a complete and accurate record of its Board members. Specifically, we noted the following:

- Not all members were accounted for at each meeting as either present or absent in accordance with the Open Meetings Act (5 ILCS 120/2.06(a));
- Individuals were inconsistently recognized as guests or Board members from meeting to meeting;
- The verification of a quorum was inconsistently and inaccurately documented for each meeting held; and,
- The listing of Board members provided by the Foundation did not agree to the Board members as documented within the Board meeting minutes or to the Board members as listed on the Foundation Officials page included on pages 1 and 2 of this report.

Due to these conditions, we were unable to conclude whether the Foundation’s population records were sufficiently precise and detailed under either the Auditing Standards or the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.09 and AT-C § 205.35) to test the governance role of the Board and its legal composition.

**Even given the population limitations noted above, we tested the listing of Board members as of June 30, 2019, provided by the Foundation and noted the following:**

- In addition to its statutorily required appointed Board members and its Executive Committee, the Board included nine other members, identified as either Civic Members or Task Force Leaders, who participated in voting matters. We noted the Foundation’s bylaws and the Department of Veterans’ Affairs Act (Act) (20 ILCS 2805/37(d)) did not authorize these changes to its Board composition.

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The Act (20 ILCS 2805/37(d)) requires the Foundation's Board consist of one member each appointed by the Governor, the President of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, the Minority Leader of the House of Representatives, the Director of Veterans' Affairs, a senior member of the management of the Department of Military Affairs as designated by the Adjutant General, and all of the members of the Illinois Joining Forces Executive Committee appointed by the Director of Veterans' Affairs. All other members shall be ex-officio, non-voting participants. Additionally, the Act (20 ILCS 2805/37(e)) requires the Foundation to operate within the provisions of the General Not for Profit Act of 1986. The General Not for Profit Corporation Act of 1986 (805 ILCS 105/108.10(a)) states the Foundation's Board shall be fixed by the bylaws, which may be increased or decreased by an amendment to the bylaws. The Foundation's bylaws included the same composition requirements as the Act.

- The Foundation was unable to provide documentation to substantiate the Director of Veterans' Affairs appointed all members of the Executive Committee as required by the Act (20 ILCS 2805/37(d)).
- The Foundation did not monitor and document compliance with statutory term limits for its Board members:
  - The Foundation did not document the appointment or start dates for 3 of 17 (18%) applicable Board members' terms. As a result, we were unable to determine if the members were serving on expired terms.
  - Of the 14 applicable Board members who did have a documented appointment or start date, 4 (29%) were serving on expired terms, between 678 and 1,028 days beyond each individual's term expiration as of June 30, 2019. We were unable to determine if terms for these board members were formally extended or if they were reappointed.

The Act (20 ILCS 2805/37(d)) limits Board members to two-year terms. Section 3.04 of the Foundation's bylaws allow the terms of Board members to be extended until a successor has been elected, but limits Board members from serving more than three consecutive terms.

Foundation personnel indicated these issues were due to lack of personnel, significant staff turnover, and competing priorities for the responsible personnel.

Failure to adequately account for the Foundation's Board membership and failure to update the bylaws to reflect composition changes represents noncompliance with State law and hinders the General Assembly's ability to fix the membership of the Board of Directors. Further, the inconsistent documentation of Board member

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names, dates, and voting status creates confusion and increases the risk of inappropriate involvement and voting in key Foundation operational, strategic, and financial decisions. (Finding Code No. 2019-005)

**RECOMMENDATION**

We recommend the Foundation ensure all Board member information, including but not limited to names, titles, source of appointment, voting status, terms, and periods of vacancies, is consistently monitored and accounted for. In addition, we recommend the Foundation improve its documentation of Board members present and absent at each meeting held and its verification of a quorum in its meeting minutes. Further, we recommend voting matters be limited to members identified in the Act, or the Foundation formally amend its bylaws and seek legislative change to the Act to reflect changes in the Board's structure.

**FOUNDATION RESPONSE**

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

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2019-006. **FINDING** (Failure to Comply with Statutory Requirements)

The Illinois Joining Forces Foundation (Foundation) failed to comply with certain statutory requirements.

During testing, we requested the Foundation provide us with a listing of all donation letters sent during the examination period. In response, Foundation management identified 7 letters, but the Foundation's records show an additional 8 receipts, totaling \$401,039, for which letters should have been sent.

Due to these conditions, we were unable to conclude whether the Foundation's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Foundation's donation letters.

**Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole**, we performed testing and noted the following:

- 4 of 7 (57%) written notices tested, totaling \$82,000, did not include the date the contribution was received by the Foundation, nor did they include disclosure that either no goods or services were exchanged for the contribution or the goods or services exchanged with its fair value for the contribution, as required by Section VII of the Foundation's Financial Controls Policy.
- The dollar amount specified in 1 of 7 (14%) written notices tested, totaling \$2,000, was not recognized in the Foundation's financial records.

The Department of Veterans' Affairs Act (Act) (20 ILCS 2805/37(h)) requires the Foundation to provide a written notice to any entity providing a gift, grant, donation, or bequest to the Foundation indicating the Foundation is not subject to the provisions of the Public Funds Investment Act (30 ILCS 235). Additionally, Internal Revenue Service Publication 1771, *Charitable Contributions: Substantiation and Disclosure Requirements*, notes that donors to a public charity cannot claim a tax deduction for any single contribution in excess of \$250 without obtaining a contemporaneous, written acknowledgment of the contribution from the recipient.

We also noted the Foundation's Treasurer did not have a fidelity or surety bond during the examination period.

The Act (20 ILCS 2805/37(g)) requires the Treasurer to obtain a fidelity or surety bond on satisfactory terms and in sufficient amounts to protect the interests of the Foundation, which shall be paid for by the Foundation.

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During the prior and current engagements, Foundation personnel indicated these issues were due to lack of personnel and significant staff turnover.

Failure to provide contributors with consistent written notice of their donation could result in donor dissatisfaction when donors discover their donations are not eligible tax deductions and represents noncompliance with State law. Further, failure by the Foundation’s Treasurer to obtain a fidelity or surety bond could result in the Foundation incurring unrecoverable losses and represents noncompliance with State law. (Finding Code No. 2019-006, 2018-005)

**RECOMMENDATION**

We recommend the Foundation implement controls to ensure all gifts, grants, donations, and bequests are tracked and a complete listing is maintained. We also recommend the Foundation perform periodic reconciliations between the listing and accounting records to ensure completeness. In addition, we recommend the Foundation develop a standard letter or template for sending to donors to ensure all required information is included. Finally, we recommend the Foundation obtain a fidelity or surety bond for the Treasurer in accordance with the Act.

**FOUNDATION RESPONSE**

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

**ILLINOIS JOINING FORCES FOUNDATION**  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE**  
**For the Year Ended June 30, 2019**

2019-007. **FINDING** (Procedural Deficiencies)

The Illinois Joining Forces Foundation (Foundation) did not take certain actions required by its bylaws and did not ensure planning and organizational documents were updated to reflect current operations.

We noted the following conditions during testing:

- The Foundation’s planning and organizational documents were not updated during Fiscal Year 2019. As a result, these documents continued to contain inconsistencies regarding descriptions of the Foundation’s executive committee, working groups, and task forces and did not accurately reflect the Foundation’s current operational model, which focuses on fulfilling its mission using a veteran service community development and outreach initiative.

Good business practices require a periodic update of internal planning and organizational documents to promote operational efficiency and encourage adherence to legal requirements and prescribed management policies.

- The Foundation did not comply with its bylaws. Specifically, we noted:
  - A Freedom of Information Officer had not been appointed as required.  
  
Section 9.03 of the Foundation’s bylaws requires the Board to appoint one officer or employee to act as the Freedom of Information Officer in accordance with the Freedom of Information Act (5 ILCS 140).
  - The Foundation did not keep written minutes of any closed meetings held by the Board, nor did the Foundation post the Board’s open meeting minutes to its website as required.

Section 3.07 of the Foundation’s bylaws requires all meetings of the Board to be held in accordance with the Open Meetings Act (Act) (5 ILCS 120). The Act (5 ILCS 120/2.06(a)) requires written minutes of all Board meetings to be retained, whether open or closed. The Act (5 ILCS 102/20.06(b)) also requires the Foundation to post the minutes of its open meeting minutes to its website within 10 days after the approval of the minutes.

During the previous and current engagements, Foundation personnel indicated these issues were caused by a lack of staff and management turnover. Foundation personnel also indicated the structure and current operations were changed to better meet organizational needs, but these changes were not yet documented due to competing priorities for the responsible personnel.

**ILLINOIS JOINING FORCES FOUNDATION**  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE**  
**For the Year Ended June 30, 2019**

Failure to update planning and organizational documents can create confusion and inefficiencies. Failure to appoint a Freedom of information Officer represents noncompliance with the Foundation’s bylaws. Failure to retain minutes of closed Board meetings and post records of open meeting minutes on the Foundation’s website represents noncompliance with the Foundation’s bylaws and the Act. (Finding Code No. 2019-007, 2018-006)

**RECOMMENDATION**

We recommend the Foundation periodically review and update its planning and organizational documents to properly reflect its operations. Further, we recommend the Foundation appoint a Freedom of Information Officer and maintain record of and post meeting minutes in accordance with the Foundation’s bylaws and State law.

**FOUNDATION RESPONSE**

Illinois Joining Forces generally agrees to the finding. Steps have been taken since the last audit to remedy these deficiencies, but due to timing could not be evident for the FY19 audit. However, corrections and compliance will be reflected in the FY20 audit.

**ILLINOIS JOINING FORCES FOUNDATION  
FUNCTIONS AND PLANNING PROGRAM  
(NOT EXAMINED)**

For the Year Ended June 30, 2019

**Functions**

The Illinois Joining Forces Foundation (Foundation) was launched in 2012 through an inter-governmental agreement between the State's Department of Veterans' Affairs and Department of Military Affairs as a Statewide, public-private network of military and veteran-serving organizations working together to improve services for service members, veterans, and their families. The Foundation operates within the provisions of the Department of Veterans' Affairs Act (20 ILCS 2805), the General Not For Profit Corporation Act of 1986 (805 ILCS 105), and any other applicable State and federal laws and regulations.

The purposes of the Foundation are to promote, support, assist, and sustain Foundation operations through the solicitation and acceptance of grants and private donations and to disburse them for the stated intent of the Foundation or the donor. The solicitation and generation of public and private funding and donations assist in enhancing the Foundation's mission, services, programs, and operations, while allowing the Foundation to engage generally in other lawful endeavors consistent with the foregoing purposes. The Foundation's mission is to bring together public, private, and government stakeholders to collaboratively support service members, veterans, and their families, regardless of status.

The Foundation has established a Veteran Support Community (VSC) initiative to help achieve its mission. Specifically, the VSC initiative's intent is to identify and develop hubs of support in regions with a significant veteran population. During Fiscal Year 2019, the Foundation had a total of 19 targeted, developing, or active VSCs located throughout the State.

Targeted is the first stage in the VSC development process. These are areas identified as potential VSCs, which are being scanned for assets and resources. Developing is the next stage of establishing a VSC. During this stage, the Foundation begins working with community partners and validating sustainability. Once the developing stage is complete, the VSC is established as active. For active VSCs, the Foundation holds regular meetings with community partners and resources are shared between the VSCs and the Foundation. Active VSCs also help in making referrals to veterans seeking assistance by referring them to appropriate resources and/or organizations.

The Foundation's Care Coordination Center serves as the central point of contact to assist in the referral process. The Care Coordination Center receives and processes assistance requests from anywhere in the State and directs individuals to VSCs, and through them, to service providers in their local communities. The Care Coordination Center also analyzes trends in support requests to determine which areas are in greatest need. During 2019, the Care Coordination Center served 472 unique clients and 736 unique service episodes, tracking the type of service the veterans were seeking assistance in, along with data on age, race, and gender of those seeking services:

**ILLINOIS JOINING FORCES FOUNDATION  
FUNCTIONS AND PLANNING PROGRAM  
(NOT EXAMINED)**

For the Year Ended June 30, 2019

**Care Coordination Center Data  
2019\***

<u>Type of Service</u>		<u>Age</u>	
Benefits	5%	25 and under	4%
Employment	11%	26-34	14%
Financial Assistance	15%	35-44	17%
Health	4%	45-54	20%
Housing and Shelter	36%	55-64	18%
Legal	12%	65 and over	27%
Other	17%		
<u>Race</u>		<u>Gender</u>	
Black/African American	36%	Male	77%
Hispanic/Latino	5%	Female	20%
Other	6%	Undisclosed	3%
White	45%		
Undisclosed	8%		

\*Tracked and reported by calendar year

In late 2018, the Foundation also launched its Women Veteran Ambassador Program to promote women veteran advocacy and bring women veteran issues to the forefront at the community level. The Foundation intends to have an ambassador representing each VSC to triage needs, provide crisis intervention, and facilitate appropriate referrals. As of June 30, 2019, the Foundation had female ambassadors in three VSCs across the State.

**Planning**

The Foundation’s main long-term goals are to provide benefits to service members, veterans, and their families by:

1. Building cross-sector relationships and mutual awareness among military and veteran support organizations through the Foundation’s Veteran Support Communities;
2. Providing policy recommendations to the Illinois Veterans’ Advisory Council;
3. Facilitating the transfer of information among the Foundation’s member organizations;
4. Providing a no-wrong-door web-based, online navigation platform to provide referrals for service members, veterans, and their families in need of services;

**ILLINOIS JOINING FORCES FOUNDATION  
FUNCTIONS AND PLANNING PROGRAM  
(NOT EXAMINED)**

For the Year Ended June 30, 2019

5. Educating Foundation members and other community providers regarding military and veteran culture and needs, thus improving the collective capacity of the support system;
6. Outreaching directly to service members, veterans, and their families regarding the no-wrong-door system that is available to them; and,
7. Soliciting and accepting grants, donations, gifts, or bequests, and generating both public and private funding and donations to assist in enhancing the Foundation's mission, services, programs, and operations.

**ILLINOIS JOINING FORCES FOUNDATION  
MEMORANDUMS OF UNDERSTANDING  
(NOT EXAMINED)**

For the Year Ended June 30, 2019

<b>Parties Involved Other Than the Illinois Joining Forces Foundation</b>	<b>Dates Involved</b>	<b>Description</b>
Department of Veterans' Affairs (DVA)	2014*	To establish a formal relationship between the Illinois Joining Forces Foundation (IJFF) and DVA and to set forth a framework that constitutes "reasonable assistance" expected to be provided by DVA to IJFF as set forth in the Department of Veterans' Affairs Act (20 ILCS 2805/37).
Department of Military Affairs (DMA)	2014**	To establish a formal relationship between the IJFF and DMA and to set forth a framework that constitutes "reasonable assistance" expected to be provided by DMA to IJFF as set forth in the Department of Veterans' Affairs Act (20 ILCS 2805/37).
Office of Auditor General (OAG)	FY17/18	To conduct financial and compliance audits of IJFF in accordance with the Illinois State Auditing Act (30 ILCS 5) for the two year period ended June 30, 2018.
Office of Auditor General (OAG)	FY19	To conduct financial and compliance audits of IJFF in accordance with the Illinois State Auditing Act (30 ILCS 5) for the one year period ended June 30, 2019.

\*Initial date of the MOU was not specified. However, IJFF was established in August 2014. Certain provisions of the agreement, including DVA's payments for IJFF's website maintenance and access to DVA's conference room and phone lines, were terminated on June 30, 2015 and September 1, 2015, respectively. The remaining agreement will stay in effect until it is modified and/or terminated by the participants.

\*\*Initial date of the MOU was not specified. However, IJFF was established in August 2014. The agreement will remain in effect until it is modified and/or terminated by the participants.