



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS JOINING FORCES FOUNDATION

**Financial Audit
 For the Year Ended June 30, 2020**

Release Date: March 17, 2022

FINDINGS THIS AUDIT: 4	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	3	3	2019	20-03		
Category 2:	0	1	1	2018	20-01		
Category 3:	0	0	0	2016	20-02	20-04	
TOTAL	0	4	4				
FINDINGS LAST AUDIT: 5							

INTRODUCTION

The auditors expressed an **adverse opinion** on the Foundation’s basic financial statements. The Codification of Statements on Auditing Standards (AU-C § 705.09) states auditors “should express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.”

This digest covers the Foundation’s financial audit for the year ended June 30, 2020. The Foundation’s compliance examination covering the year ended June 30, 2020, will be released under a separate cover.

SYNOPSIS

- **(20-01)** The Foundation did not present adequate financial statements and related note disclosure for Fiscal Year 2020.
- **(20-02)** The personnel of the 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.
- **(20-03)** The Foundation failed to maintain adequate controls over its Board of Directors and did not take certain actions as required by its bylaws.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**FAILURE TO PRESENT ADEQUATE FINANCIAL
STATEMENTS AND NOTES**

The Foundation did not present adequate financial statements and related note disclosures for Fiscal Year 2020. During testing, some of the more significant issues we noted included the following instances where the Foundation did not present the financial statements and related note disclosures in accordance with the *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)*:

Related-party transaction not properly disclosed

- The Foundation did not disclose all of its material related-party transactions for Fiscal Year 2020. The Foundation received and failed to disclose donations totaling \$92,000 from one of its board members during Fiscal Year 2020.

All information related to the restatement of beginning balance of net assets not disclosed

- The Foundation did not disclose required information in the notes to the financial statements regarding the restatement of its beginning balance for net assets.

Inappropriate note disclosure

- The Foundation did not make the appropriate note disclosure regarding the transfer of financial assets with Operation Her Story, where the Foundation acts as an intermediary or other recipient entity by accepting cash from donors on behalf of Operation Her Story.

We noted the following instances where the Foundation did not present the financial statements and related note disclosures in accordance with sources such as practices that are widely recognized and prevalent, either generally or in the industry, including good business practices:

Inaccurate amounts and percentages reported

- The Foundation disclosed in Note 6 (Line of Credit) a net borrowing on its line of credit to be (\$5); however, the Foundation paid the line of credit in full, closing the line of credit prior to June 30, 2020. Hence, the Foundation no longer has this line of credit and the disclosure should be omitted. In addition, the Foundation disclosed an interest rate of 5% in Note 6; however, we noted the terms of the line of credit agreement indicated a variable rate of interest. The variable rate ranged from 5.5% to 7.25% during the examination period and was 5.5% as of June 30, 2020.

Inaccurate note disclosure

- The Foundation did not present all concentrations of risk in Note 7 (Concentrations of Risk). Due to this omission, Note 7 is incomplete. In addition, Note 7 is inaccurate due to the concentration of risk percentages not agreeing to the auditor recalculation based on the underlying accounting

records. We noted two contributors who, together, contributed 78% of the Foundation's revenue. The Foundation also stated in Note 7 that it receives contributions from agencies of the State of Illinois; however, this statement does not agree to supporting documentation, and should be omitted from the disclosure unless such transactions between the Foundation and the State of Illinois occur.

Overstatement and inaccurate reporting of loan amount

- The Foundation recorded the Small Business Administration loan as \$154,000; however, the loan appears to be for \$150,000. While the Foundation did receive \$154,000 total from the U.S. Small Business Administration, \$4,000 of that total amount was received two months prior to the \$150,000 loan and was not included in the terms of the \$150,000 loan agreement. The Foundation was unable to provide support for the \$4,000 receipt from the U.S. Small Business Administration; hence, we are unable to determine the correct classification of the \$4,000 on the statement of financial position. Due to this error, the schedule of future monthly payments to the Small Business Administration does not agree to the loan agreement which states the first payment is due twelve months from the date of the note. We noted the current and noncurrent portions of the "note payable – SBA" reported on the statement of financial position is inaccurate. The Foundation reported a current liability of \$7,692 instead of \$641 plus the portion of the \$4,000 receipt that was a current liability, if any. The noncurrent portion would change in relation to the current portion change. (Finding 1, pages 22-29)

This finding has been repeated since 2018.

We recommended the Foundation utilize professional tools, such as checklists, to improve the completeness and quality of its financial statements and related note disclosures. Additionally, we recommended the Foundation develop and consistently apply a method for classifying and allocating expenses on its statement of functional expenses.

Foundation agreed

The Foundation agreed with the recommendation.

INADEQUATE INTERNAL CONTROL STRUCTURE

The personnel of the 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. Some of the more significant

No formal policies and procedures over personnel records and payroll

Inaccurate payroll deduction computations

Inconsistencies between bylaws and internal policies

deficiencies we noted included the following:

- 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 did not compute employee payroll deductions correctly for the following disbursements selected for detail testing. For 23 of 23 (100%) payroll transactions tested, totaling \$269,612, the amount withheld for State and Federal Taxes were not accurately computed for 4 of 7 employees (57%) tested. The Foundation over withheld an absolute total of \$5,392.
 - The Foundation does not have a system or process in place to track employee attendance.
 - 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.
 - Employee requests for time off are not formally documented.
- The Foundation has inconsistencies between its 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. (Finding 2, pages 30-32)

This finding has been repeated since 2016.

We recommended the Foundation's management and Board meet and agree on specific internal control objectives, policies, and practices. We also recommended Board members and management formally develop and update written policies and procedures to facilitate the Foundation's operations and perform and document ongoing reviews of financial records

and activities, including contracts and bank reconciliations, to ensure objectives, policies, and practices are being adhered to closely.

Foundation agreed

The Foundation agreed with the recommendation.

INADEQUATE CONTROLS OVER BOARD MEMBERSHIP

The Foundation failed to maintain adequate controls over its Board of Directors (Board) and did not take certain actions required by its bylaws.

The Foundation did not monitor and document compliance with statutory term limits for its Board members. During testing of statutory Board requirements, we noted the following:

Board members serving on expired terms

- The Foundation did not document the appointment or start date for one Board member's term. As a result, we were unable to determine if the member was serving on an expired term.
- Two Board members were serving on expired terms. The Board members had served 1,177 and 1,394 days beyond each individual's term expiration as of June 30, 2020.

The Foundation's planning and organizational documents were not updated during Fiscal Year 2020. 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. Specifically, we noted the following:

Adopted Board composition is inconsistent with statute requirements

- The Foundation's currently adopted Board composition is not consistent with the Act. The Foundation adopted a 7-7-7 model: 7 mandated members, 7 task force leaders, and 7 civic members. The Foundation did not ensure its bylaws or the Act (20 ILCS 2805/37(d)) were updated to reflect the changes to its Board composition. (Finding 3, pages 33-35)

We recommended the Foundation ensure all Board member information, including but not limited to appointments, terms, and periods of vacancies, is consistently monitored and accounted for. Also, we recommended the Foundation periodically review and update its planning and organizational documents to properly reflect its operations; specifically, by amending its bylaws and continuing to seek legislative change to the Department of Veterans' Affairs Act in order to reflect changes in the Board's structure. Further, we recommended

the Foundation maintain record of all meetings and post meeting minutes to its website in accordance with the Foundation's bylaws and State law.

Foundation agreed

The Foundation agreed with the recommendation.

OTHER FINDINGS

The remaining finding pertains to lack of documentation to substantiate compliance with grant agreements. We will review the Foundation's progress towards the implementation of our recommendation in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the Foundation as of and for the year ended June 30, 2020 are not fairly stated in all material respects.

This financial audit was conducted by the Office of the Auditor General's staff.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JDP