

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS**

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020

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AGENCY OFFICIALS

Adjutant General	Major General Richard R. Neely (effective 02/08/2019) Major General Richard Hayes, Jr. (through 02/07/2019)
Assistant Adjutant General - Air	Brigadier General Peter Nezamis (effective 01/28/2019) Major General Ronald Paul (through 01/27/2019)
Assistant Adjutant General - Army	Major General Michael Zerbonia
Military Executive - Chief of Staff	Colonel (Ret.) James Smith
Chief Financial Officer	Ms. Elena Goutsalenko
Military Judge Advocate	Colonel (Ret.) Robert Roth

The Department's primary administrative office is located at:

Camp Lincoln
1301 N. MacArthur Boulevard
Springfield, Illinois 62702



MANAGEMENT ASSERTION LETTER

June 21, 2021

Roth & Co., LLP
815 W. Van Buren St., Suite 500
Chicago, Illinois 60607

Ladies and Gentlemen:

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 State of Illinois, Department of Military Affairs (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following specified requirements during the two years ended June 30, 2020. Based on this evaluation, we assert that during the years ended June 30, 2019 and June 30, 2020, the Department has materially complied with the specified requirements listed below.

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Department of Military Affairs

SIGNED ORIGINAL ON FILE

Richard R. Neely
Major General, ANG
The Adjutant General

SIGNED ORIGINAL ON FILE

Elena Goutsalenko
Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Robert Roth
General Counsel

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020**

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 does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	18	16
Repeated findings	11*	8
Prior recommendations implemented or not repeated	5	3

* Includes Finding 2018-015 which was combined into 2020-001.

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
FINDINGS (STATE COMPLIANCE)				
2020-001	11	2018/2004	Property Control Weaknesses	Material Weakness/ Material Noncompliance
2020-002	16	2018/2012	Noncompliance with Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing	Material Weakness/ Material Noncompliance
2020-003	19	2018/2012	Inadequate Internal Control over Commodities	Material Weakness/ Material Noncompliance
2020-004	21	New	Weaknesses in Preparation of GAAP Reporting Forms	Material Weakness/ Material Noncompliance

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SCHEDULE OF FINDINGS (CONTINUED)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE) (CONTINUED)				
2020-005	24	2018/2018	Inadequate Controls over Contractual Services	Material Weakness/ Material Noncompliance
2020-006	26	2018/2014	Inadequate Controls over Monthly Reconciliation	Significant Deficiency/ Noncompliance
2020-007	28	2018/2018	Inadequate Controls over Agency Fee Imposition Reports	Significant Deficiency/ Noncompliance
2020-008	30	2018/2014	Failure to File Required Reports	Significant Deficiency/ Noncompliance
2020-009	32	2018/2016	Failure to Develop a Formal Fraud Risk Assessment Program	Significant Deficiency/ Noncompliance
2020-010	34	New	Noncompliance with Vehicle Requirements	Significant Deficiency/ Noncompliance
2020-011	36	New	Completion and Retention of Employment Eligibility Verification Form	Significant Deficiency/ Noncompliance
2020-012	38	2018/2018	Noncompliance with the Military Code of Illinois	Significant Deficiency/ Noncompliance
2020-013	39	2018/2018	Inadequate Controls over Voucher Processing	Significant Deficiency/ Noncompliance
2020-014	41	New	Inaccurate Accounts Receivable Reporting	Significant Deficiency/ Noncompliance
2020-015	43	New	Inadequate Computer Security Controls	Significant Deficiency/ Noncompliance
2020-016	45	New	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency/ Noncompliance
2020-017	48	New	Weaknesses with Payment Card Industry Data Security Standards	Significant Deficiency/ Noncompliance
2020-018	50	New	Failure to Demonstrate the Completeness and Accuracy of the Report Components	Significant Deficiency/ Noncompliance

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SCHEDULE OF FINDINGS (CONTINUED)

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
A	52	2018/2018	Lack of Documentation for Testing
B	52	2018/2014	Inadequate Controls over Receipts and Refunds
C	52	2018/2012	Lack of Documentation for Lincoln's Challenge Cadets
D	52	2018/2018	Inadequate Controls over Employee Records
E	53	2018/2018	Inadequate Control over Payroll Vouchers

EXIT CONFERENCE

The Department of Military Affairs waived an exit conference in a correspondence from Alicia Collins, Chief Internal Auditor, on May 19, 2021. The responses to the recommendations were provided by Alicia Collins, Chief Internal Auditor, in correspondences dated May 26, 2021, June 3, 2021, and June 11, 2021.

**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

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Military Affairs (Department) 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 two years ended June 30, 2020. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

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

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 Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department 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 Department's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Department during the two years ended June 30, 2020.

Specified Requirement B

As described in the accompanying Schedule of Findings as items 2020-001; 2020-003; and, 2020-005, the Department had not obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

Specified Requirement C

As described in the accompanying Schedule of Findings as items 2020-001 through 2020-005, the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material deviations from the specified requirements described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 2020, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2020-006 through 2020-018.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department'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 Department 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 Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 significant deficiencies.

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 in internal control* 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 2020-001 through 2020-005 to be material weaknesses.

A *significant deficiency in internal control* 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 items 2020-006 through 2020-018 to be significant deficiencies.

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

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department'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 Department's compliance with the specified requirements. The accompanying supplementary information for the years ended June 30, 2020 and June 30, 2019 in Schedules 1 through 5 and the Analysis of Operations section are presented for purposes of additional analysis. Such information is the responsibility of Department management. We have applied certain limited procedures as prescribed by the *Audit Guide* to the accompanying supplementary information for the years ended June 30, 2020 and June 30, 2019 in Schedules 1 through 5. We have not applied procedures to accompanying supplementary information for the year ended the June 30, 2018, in Schedules 3 through 5 and in the Analysis of Operations Section. We do not express an opinion, a conclusion, nor provide any assurance on the accompanying supplementary information in Schedules 3 through 5 or the Analysis of Operations Section.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
June 21, 2021

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2020

2020-001. **FINDING** (Property Control Weaknesses)

The Department of Military Affairs (Department) did not maintain sufficient controls over its property and related fiscal records.

During testing, we noted the Department did not maintain detailed supporting documentation for its quarterly Agency Report of State Property (Form C-15) filed with the Office of Comptroller (Comptroller). As of June 30, 2019, and 2020, the Department reported total property totaling \$445.8 million and \$452.3 million, respectively. Due to the lack of detailed documentation, the following compliance examination procedures could not be performed:

- The State property listing provided by the Department in response to audit requests could not be reconciled with the ending balances reported in the Form C-15 Reports for the fourth quarters ended June 30, 2019 and June 30, 2020. Moreover, the Department could not provide annual additions and deletions reports during fiscal years 2019 and 2020. As a result, the accountants were unable to verify if assets were recorded at their proper values, asset disposals were authorized and properly recorded, any sensitive data stored on State-owned electronic data processing equipment disposed were properly removed, and annual depreciation amounts were properly calculated.
- Property additions per the Form C-15 Reports could not be reconciled to the Comptroller's records reflected on the Object Expense/Expenditures by Quarter Report (SA02).
- During testing, the Department failed to provide documentation to support its calculations for the SCO-537/538 forms; therefore, we were unable to test if the Department appropriately classified purchases as building improvements, land improvements, or site improvements.

Due to these conditions, the accountants were unable to conclude whether the Department'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 Department's equipment.

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, the accountants performed the following tests:

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List to Floor and Floor to List Testing:

- Three of 60 (5%) equipment items tested were not found in the Department's property listing.
- Two of 60 (3%) equipment items tested had incorrect serial numbers in the Department's property listing.
- Two of 60 (3%) equipment items tested were not clearly marked with the Department's inventory decal or tag to indicate it was the property of the State of Illinois.

The Statewide Accounting Management System (SAMS) (Procedure 29.10.10) requires agencies maintain current property records, including the cost, acquisition date, location, description of asset, date of disposition, and authorization of disposition. Additionally, the Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) requires the Department to adjust property records within 90 days after acquisition, change or deletion of equipment items. Further, the Code (44 Ill. Admin. Code 5010.210) requires all equipment, regardless of value, be clearly marked with the agency's inventory decal to indicate it is property of the State of Illinois.

Filing of Annual Inventory Certification to the Department of Central Management Services (CMS):

- The Department did not properly file its annual inventory certifications with CMS. The Department did not include a detailed listing of equipment items over \$1,000 or subject to theft with its annual inventory certifications during the examination period as required. As a result, the auditors were unable to trace equipment items selected for testing to the reports.
- The Department did not submit its annual inventory certifications to CMS on a timely basis. The Fiscal Year 2019 and Fiscal Year 2020 certifications were filed 137 and 81 days late, respectively.

The State Property Control Act (30 ILCS 605/6.02) requires inventory certifications be submitted to CMS on an annual basis. In addition, the Code (44 Ill. Admin. Code 5010.460(c)) requires the Department to provide an annual listing of all equipment items with an acquisition value of \$1,000 or more and equipment subject to theft with an acquisition value of less than \$1,000. Further, the Code (44 Ill. Admin. Code 5010.460(f)) requires the Adjutant General, or his designee, to complete and sign both the "Certification of Inventory" and "Discrepancy Report" and forward the report with the complete inventory listing to the CMS Property Control Division.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
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Voucher Testing:

- For five of 22 (23%) State property expenditure vouchers tested, for purchases of new furniture of \$500 or more, totaling \$212,430, the Department did not file a New Furniture Affidavit with the State Surplus Administrator. The State Property Control Act (30 ILCS 605/7a) requires agencies, prior to purchasing new furniture, to first check with CMS to determine if any surplus furniture can be used in place of new furniture. If the Department finds it is unable to use available surplus furniture, it must file an affidavit prior to any purchase specifying the type of furniture, the cost per type, and the total cost per category with a clear statement identifying why the furniture must be purchased new.
- Fourteen of 19 (74%) telecommunication, State property and electronic data processing expenditure vouchers tested, totaling \$646,141, contained purchases of equipment with individual unit prices of \$1,000 and more, but those items were not found on the Department's property control records.
- Twenty-nine of 46 (63%) permanent improvement vouchers tested, totaling \$4,060,921, were remodeling, renovation, and site improvement expenditures, but those items were not added to the Department's property records.

Quarterly Transfers from the Capital Development Board (CDB)

- One of 10 (10%) CDB projects tested, totaling \$66,044 as of June 30, 2020, lacked documentary evidence to support authorization of the project and therefore, we were unable to determine if the project was properly authorized.
- For ten of 10 (100%) CDB projects tested, totaling \$2,976,811 as of June 30, 2020, the Department failed to record transfers-in from CDB for the 1st quarter of Fiscal Year 2019 through the 3rd quarter of Fiscal Year 2020, totaling \$2,558,595, to the Department's property records.

The State Property Control Act (30 ILCS 605/4 and 6.02) requires the Department be accountable for the supervision, control, and inventory of all items under its jurisdiction and control. Additionally, the Illinois Administrative Code (44 Ill. Admin. Code 5010.400) requires the Department to adjust property records within 90 days of acquisition, change, or deletion of equipment. The Code (44 Ill. Admin. Code 5010.210) also requires equipment with a value greater than \$1,000 and equipment that is subject to theft with a value less than \$1,000 to be marked with a unique identification number to be assigned by the agency holding the property. Further, the State Records Act (5 ILCS 160/9) requires the

STATE OF ILLINOIS
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For the Two Years Ended June 30, 2020

Department to establish and maintain a program for agency records management, which should include effective controls over the maintenance of records.

Historical Artifacts

List to Floor and Floor to List Testing:

- Eight of 25 (32%) historical artifacts tested were not found in the location indicated on the Department's artifacts listing.
- Two of 25 (8%) historical artifacts tested were not found in the Department's artifacts listing.
- The Department was unable to provide documentation showing the Adjutant General filed the Artifact Loan Report to the Governor prior to September 1, 2019 and September 1, 2020.

The Military Code of Illinois (Military Code) (20 ILCS 1805/25) requires the Adjutant General to have charge of and carefully preserve the colors, flags, guidons, and military trophies of war belonging to the State. Good internal controls over historical artifacts include maintaining accurate records of the location of items with historical and cultural value. The Military Code (20 ILCS 1805/25) further requires the Adjutant General to file an annual report with the Governor by September 1 listing each item loaned during previous fiscal years, the terms and conditions of each loan, and the federal or State governmental office or recognized museum to which each item has been loaned.

This finding was first reported during the period ended June 30, 2004. In the subsequent years, the Department has been unsuccessful in implementing appropriate corrective action or procedures.

Department personnel stated, as they did during the prior examination period, contributing factors for the issues noted were the result of manpower deficiencies, staff not knowing correct procedures, lack of communication between Department personnel, and omission errors.

Failure to maintain accurate property and equipment records and file reports represents noncompliance with State laws and regulations and increases the potential for fraud and theft of State property. (Finding Code No. 2020-001, 2018-001, 2018-015, 2016-001, 2014-001, 12-2, 10-1, 08-2, 06-2, 04-3)

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
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For the Two Years Ended June 30, 2020

RECOMMENDATION

We recommend the Department take actions to strengthen its internal controls over the recording and reporting of its State property and equipment transactions to ensure property records accurately reflect equipment on-hand in accordance with State regulations, and equipment items are properly inventoried and tagged. Further, the Department should implement a corrective action plan to complete a full inventory to identify and correct its accumulated property and equipment errors.

DEPARTMENT RESPONSE

The Department agrees with the finding. A corrective action plan will be implemented to complete a full inventory to identify and correct accumulated property and equipment errors.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS**

For the Two Years Ended June 30, 2020

2020-002. **FINDING** (Noncompliance with Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing)

The Department of Military Affairs (Department) failed to fully comply with the Fiscal Control and Internal Auditing Act (Act) and International Standards for the Professional Practice of Internal Auditing (internal auditing standards).

In November 2018, the Department hired a Chief Internal Auditor, established a full-time program of internal auditing and adopted the internal auditing standards. During our review of the Department's internal audit activities for fiscal years 2019 and 2020, we noted the following:

- The Department did not have a two-year audit plan for the fiscal year ended June 30, 2019. In addition, the fiscal year 2020-2021 two-year audit plan did not identify all of the Department's material laws and regulations, material provisions of contracts and grant agreements, major systems of internal accounting and administrative controls over the obligation and expenditure, and use of public funds of the State, and reviews of the design of major new electronic data processing systems before their installation in assessing its risk factors when selecting the internal audits to be performed. Further, the plan was not approved by the Adjutant General or Chief of Staff.
- Audits of the Department's major system of internal accounting and administrative controls including testing of the obligation, expenditure and use of public funds of the State to determine whether those activities are in accordance with applicable laws and regulations were not completed during fiscal years 2019 and 2020. There were three internal reports completed and issued during Fiscal Year 2020 and none in Fiscal Year 2019.
- The Department did not conduct a review of the State's Enterprise Resource Planning (ERP) application prior to its implementation on January 1, 2020. The ERP application replaced the Accounting Information System used by the Department in managing its financial systems, appropriations, expenditures, fund transfers, adjustments, vendor, contracts and contract amendments.

The Act (30 ILCS 10/2003(a)) requires the internal auditing program to include: (1) a two-year plan, identifying audits scheduled for the pending fiscal year, approved by the chief executive officer before the beginning of the fiscal year; (2) audits of major systems of internal accounting and administrative control to be performed at least once every two years and must include testing of the obligation, expenditure, receipt and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
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applicable laws and regulations; and grants received or made by the designated State agency to determine that grants are monitored, administered, and accounted for in accordance with applicable laws and regulations; and (3) reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

- The Chief Internal Auditor did not submit a written report to the Adjutant General detailing how the audit plan was carried out, the significant findings, and the extent to which recommended changes were implemented for fiscal years 2019 and 2020. The Act (30 ILCS 10/2003(a)) requires by September 30 of each year the chief internal auditor to submit to the chief executive officer a written report detailing how the audit plan for that year was carried out, the significant findings, and the extent to which recommended changes were implemented.
- The Department provided documentation of the evaluation of their systems of internal fiscal and administrative controls for Fiscal Year 2019; however, the Fiscal Year 2019 Fiscal Control and Internal Auditing Act (FCIAA) Certification was not submitted as required. The Act (30 ILCS 10/3003(a)) requires the Department, by May 1 of each year, to transmit to the Auditor General a certification that the systems of internal fiscal and administrative controls of the Department fully comply with the requirements of the Act or the systems of internal and fiscal administrative controls of the department do not fully comply with the requirements of the Act. Also, good internal controls should include procedures to ensure retention of proof of submission of the FCIAA certification.
- The Department failed to perform internal assessments for fiscal years 2019 and 2020. The internal auditing standards (Sections No. 1310 to 1312) require the quality assurance and improvement program to include both internal and external assessments. Internal assessments must include ongoing monitoring of the performance of the internal audit activity, and periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.
- The Department failed to evaluate the design, implementation, and effectiveness of the Department's ethics-related objectives, programs, and activities. The internal auditing standards (Section 2110.A1) require the internal audit activity to evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

STATE OF ILLINOIS
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This finding was first reported during the period ended June 30, 2012. In the subsequent years, the Department has been unsuccessful in implementing all required internal audit procedures.

During the prior examination period, Department personnel stated the issues noted were due to employee oversight and error. During the current examination period, Department personnel indicated the Chief Internal Auditor began mid-year in the midst of an ongoing State compliance examination. Department personnel further stated there was not a handover of responsibilities or requirements due to the position being vacant for a period of time. Additionally, Department personnel stated competing priorities and numerous training requirements along with the familiarization of specific State requirements and mandates, resulted in the deficiencies noted.

Failure to properly prepare and approve a two-year audit plan, failure to conduct required internal audits and internal assessments, and the failure to evaluate the design, implementation, and effectiveness of the Department's ethics-related objectives, programs, and activities inhibit the Department's ability to monitor the effectiveness of its system of internal controls and results in noncompliance with the Act and internal auditing standards. Failure to ensure the FCIAA certification is filed results in noncompliance with the Act. (Finding No. 2020-002, 2018-002, 2016-002, 2014-004, 12-1)

RECOMMENDATION

We recommend the Chief Internal Auditor gain a thorough understanding of the compliance requirements applicable to the Department and develop policies and procedures to ensure compliance with the Act and internal auditing standards.

DEPARTMENT RESPONSE

The Department agrees with the finding. A comprehensive 2-year audit plan will be developed and approved for Fiscal Year 2023 to 2024 and the current audit plan for Fiscal Year 2021 to 2022 will be amended in order to facilitate compliance with the Act and Standards.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF FINDINGS**

For the Two Years Ended June 30, 2020

2020-003. **FINDING** (Inadequate Internal Control over Commodities)

The Department of Military Affairs (Department) did not exercise adequate internal control over its commodities inventories.

In Fiscal Year 2019, the Department implemented a new, web-based database for ordering commodities inventory. The database allows Readiness Centers' (armories) Managers throughout the State to email orders to the Storekeeper and the Department to maintain an items-on-hand count. During our testing, we noted the database could not generate a report of items-on-hand as of a given point-in-time. As a result, the Department was not able to provide the list of commodities inventories as of June 30, 2019 and June 30, 2020.

Due to this condition, we were unable to conclude whether the Department'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 Department's year end commodities inventories balances.

The Department expended approximately \$955,390 and \$960,979 on commodities during Fiscal Year 2019 and Fiscal Year 2020, respectively.

The Statewide Accounting Management System (SAMS) (Procedure 02.50.20) requires detailed subsidiary records to be maintained for significant categories of inventories, which must periodically be reconciled to control accounts. In addition, the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure the applicable information system can produce all necessary reports to facilitate adequate review, monitoring, reconciliation, and the inventory reporting process.

This finding was first reported during the period ended June 30, 2012. In the subsequent years, the Department has been unsuccessful in implementing appropriate corrective action.

During the prior examination period, Department personnel stated the issues noted were due to not having an inventory control program to track inventory and the ordering of commodities being done by multiple sections. During the current examination period, Department personnel indicated their commodities database is not developed to reflect historical data. Department personnel further stated the Storekeeper was not familiar with an option for pulling a monthly record and keeping it on file for audit purposes.

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Failure to maintain inventory reports and balances restricts the Department's ability to review, monitor, reconcile, and evaluate inventory levels over periods of time. Moreover, without the Department providing complete and adequate documentation to enable testing, the accountants were unable to complete their procedures and provide useful and relevant feedback to the General Assembly regarding the Department's commodities. (Finding Code No. 2020-003, 2018-004, 2016-003, 2014-010, 12-4)

RECOMMENDATION

We recommend the Department implement procedures to maintain accurate records of its commodities inventory, perform periodic inventory counts, and reconcile its inventory records as required.

DEPARTMENT RESPONSE

The Department agrees with the finding. The management system used for the ordering and receipt of commodities crashed during the current fiscal year resulting in a loss of all records prior to January 2020. The Department is now conducting monthly inventory data collections. The records are retained in a separate system.

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2020-004. **FINDING** (Weaknesses in Preparation of GAAP Reporting Forms)

The Department of Military Affairs (Department) did not correctly report federal grant financial information in the year-end Generally Accepted Accounting Principles (GAAP) Reporting Packages to the Office of Comptroller and in the Schedule of Expenditures of Federal Awards (SEFA).

The Department reported federal activity in six funds during Fiscal Years 2019 and 2020. While performing Agreed-Upon Procedures over the Fiscal Year 2020 SCO-563, 567 and 568 GAAP forms, we noted the Department inaccurately reported or could not support financial information on Forms SCO-563, 567, 568 and the SEFA:

- SCO-563 form
 - Fund 001 current year expenditures were overstated by approximately \$79 thousand for CFDA #12.401 - National Guard Military Operations and Maintenance (O&M) Projects;
 - Fund 333 current year expenditures were overstated by approximately \$1.169 million for CFDA #12.401 - National Guard Military O&M Projects;
 - Fund 333 current year receipts were overstated by approximately \$1.047 million for CFDA #12.401 - National Guard Military O&M Projects;
 - Fund 333 current year expenditures were understated by approximately \$192 thousand for CFDA #12.404 - National Guard Challenge Program; and,
 - Fund 927 current year expenditures were overstated by approximately \$30 thousand for CFDA #12.400 - Military Construction, National Guard.
- SCO-567 form
 - Fund 730 current year expenditures were overstated by approximately \$553 thousand for CFDA #21.019 - Coronavirus Relief Fund.
- SCO-568 form
 - Fund 141 current year expenditures were overstated by approximately \$463 thousand for CFDA #12.400 - Military Construction, National Guard.
- The Department agreed to Form SCO-568 changes based on the Office of Comptroller's review as follows:
 - Fund 333 current year expenditures amounts were adjusted resulting in an overstatement of \$23 thousand in CFDA #12.000, an overstatement of \$6 thousand in CFDA #12.401, and an overstatement of \$65 thousand from an unknown CFDA #. The Department did not verify if the amounts were

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accurate, and support was not provided to substantiate the amounts reported.

- The Department prepared SEFA contained the following errors:
 - Federal expenditures totaling \$4.879 million, reported in form SCO-567 for Fund 730 was not included in the SEFA, resulting in an understatement of SEFA expenditures;
 - The Coronavirus Relief Fund (CFDA #21.019) program reported in Fund 730 was not properly identified as a COVID-19 grant in the Department's SEFA; and,
 - The Capital Development Board's expenditures totaling \$5.935 million were included in the SEFA, resulting in an overstatement of SEFA expenditures for the same amount.

Management has the ultimate responsibility for the Department's internal control over financial reporting, which should include an adequate system of review designed to ensure the completeness and accuracy of the Department's financial reporting. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that the accounting and recording of financial data permits for the preparation of reliable financial reports. In addition, the State Records Act (5 ILCS 160/9) requires agencies to establish and maintain a program for agency records management, which should include effective controls over maintenance of records.

Department personnel indicated, due to unexpected staff shortages, the inability to review documents in a timely manner due to working remotely during the COVID-19 pandemic, and an unexpected staffing change that resulted in a lack of training on the preparation of GAAP packages, the Department worked closely with the Office of Comptroller to prepare a number of end-of-year reports. Those consultations relied heavily on the Comptroller's records, rather than the Department records due to the deadline for submission of said reports. These factors caused the deficiencies noted.

Failure to submit correct and properly supported information to the Office of Comptroller decreases the accuracy of federal financial information used for the Statewide SEFA. (Finding Code No. 2020-004)

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RECOMMENDATION

We recommend the Department ensure accurate financial information is submitted to the Office of Comptroller. Further, the Department should review and revise, as necessary, its current system to gather, compile, document, and review the financial information to be reported in the GAAP Reporting Package forms.

DEPARTMENT RESPONSE

The Department agrees with the finding. The auditors' recommendations will be taken into consideration and applied as appropriate. The internal procedures have been revised to accurately report the GAAP forms required.

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2020-005. **FINDING** (Inadequate Controls over Contractual Services)

The Department of Military Affairs (Department) did not maintain adequate controls over its contractual services and interagency agreements.

During testing, we noted the following:

- The Department failed to maintain the requisition and purchase order forms for one of 11 (9%) contracts tested, totaling \$89,550, thus we were not able to determine if the related requisition and purchase order were properly approved.
- One of 3 (33%) real property lease agreements tested were not paid in accordance with the lease term resulting in an overpayment totaling \$3,560.

The State Records Act (5 ILCS 160/9) requires agencies to establish and maintain a program for agency records management, which should include effective controls over maintenance of records. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recoded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The Department was unable to provide a complete listing for all interagency agreements. Throughout testing, interagency agreements were found that were not included in the listing provided by the Department.

Due to these conditions, we were unable to conclude whether the Department'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 Department's interagency agreements.

Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole, we performed a review of Department's interagency agreements and noted one of three (33%) interagency agreements tested was executed 189 days after start date on the agreement.

Good business practices require contracts to be reduced to writing and signed by all parties prior to beginning of the agreement term.

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During the prior and current examination periods, Department personnel indicated the conditions were caused by employee error and oversight.

Failure to maintain adequate controls over contractual services expenditures does not provide assurance that expenditures and funds are properly recorded and accounted for to maintain accountability over the Department's resources. Without the Department providing complete and adequate documentation to enable testing, the accountants were unable to provide useful and relevant feedback to the General Assembly regarding the Department's interagency agreements. (Finding Code No. 2020-005, 2018-011)

RECOMMENDATION

We recommend the Department ensure documentation is properly maintained for its contracts. We further recommend the Department maintain documentation of its population of interagency agreements. We also recommend the Department recoup the overpaid rent.

DEPARTMENT RESPONSE

The Department agrees with the finding. The transition from the Federal Information System to the State Information System resulted in a document being misplaced. A new Department policy has been implemented which requires the retention of all required documents in one central location.

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2020-006. **FINDING** (Inadequate Controls over Monthly Reconciliations)

The Department of Military Affairs (Department) did not maintain adequate controls over its monthly appropriation balance reconciliations.

During testing of reconciliations between the records maintained by the Office of Comptroller (Comptroller) and the Department's records during the examination period, we noted the following:

- Twelve of 141 (9%) monthly reconciliations of the monthly Appropriation Status Report (SB01) and monthly Cash Report (SB05) were not timely completed. Specifically, nine monthly reconciliations were completed three to 149 days late, and three monthly reconciliations lacked documentary evidence to support the dates when the reconciliations were prepared, thus the timeliness of reconciliation could not be determined.
- The Department failed to perform monthly reconciliations of its internal records to the Comptroller's monthly Object Expense/Expenditures by Quarter Report (SA02) during Fiscal Year 2019 and Fiscal Year 2020.
- The Department did not perform monthly reconciliations of its contractual records to the Agency Contract Report (SC14) or the Obligation Activity Report (SC15) for 11 of 12 (92%) SC14 and SC15 forms tested. In addition, 1 of 12 (8%) SC14 and SC15 forms tested lacked documentary evidence to support the date when the reconciliation was prepared, thus timeliness of the reconciliation could not be determined.

The Statewide Accounting Management System (SAMS) (Procedure 07.30.20) states the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that ensures these requirements are being satisfied. This reconciliation must be completed within 60 days of the month end. SAMS establishes processes for a monthly reconciliation of the Comptroller's SB01 (SAMS Procedure 11.40.10), SA02 (SAMS Procedure 07.30.21), SB05 (SAMS Procedure 09.40.10), and SC14 and SC15 (SAMS Procedure 15.30.30) reports.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, transfers of assets, resources, and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and

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reliable financial and statistical reports and to maintain accountability over the State's resources.

This finding was first reported during the period ended June 30, 2014. In the subsequent years, the Department has been unsuccessful in implementing adequate corrective action.

During the prior examination period, Department personnel indicated the issues noted were due to employee oversight and human error. During the current examination period, Department personnel indicated the issues noted on SB01 and SB05 reconciliations were due to human error as employees failed to properly document the original dates of reconciliations on the reconciliation sheets. Department personnel further stated they were unaware of all reconciliation requirements.

Failure to reconcile the Department's records to Comptroller's records represents noncompliance with SAMS and could result in incomplete or inaccurate financial information. (Finding Code No. 2020-006, 2018-005, 2016-009, 2014-006)

RECOMMENDATION

We recommend the Department ensure required reconciliations to the Comptroller's records are performed and reviewed timely as well as documented properly.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department submitted the monthly reconciliation on time, and then later, corrections were made to the reconciliation. The submission date of the corrected reconciliation was used for the purposes of this compliance examination rather than the original submission date.

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2020-007. **FINDING** (Inadequate Controls over Agency Fee Imposition Reports)

The Department of Military Affairs (Department) Agency Fee Imposition Reports filed with the Office of Comptroller did not reconcile to the Department's receipt records.

During testing, we noted the following:

- Receipt amounts reported on the Fiscal Year 2019 and Fiscal Year 2020 Agency Fee Imposition Reports did not agree to the Department's records for the Illinois National Guard Billeting Fund (Fund 076). The report was overstated by \$14,821 and understated by \$46,606 in Fiscal Year 2019 and Fiscal Year 2020, respectively.
- Receipt amounts reported on the Fiscal Year 2019 and Fiscal Year 2020 Agency Fee Imposition Reports did not agree to the Department's records for the Military Affairs Trust Fund (Fund 043). The report was overstated by \$76 and understated by \$856 in Fiscal Year 2019 and Fiscal Year 2020, respectively.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001 (4)) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Additionally, the Statewide Accounting Management System (Procedure 33.16.20) requires the Department to submit an annual Agency Fee Imposition Report including all charges by the Department to citizens and private organizations on an annual basis.

During the prior examination period, Department personnel indicated the issues noted were due to employee oversight and error. During the current examination period, Department personnel indicated the Receipt Deposit Transmittal File spreadsheets used to complete the report were changed after the report was submitted; therefore, this resulted in the differences noted.

Failure to properly report receipts reduces the overall reliability of Statewide financial information. (Finding Code No. 2020-007, 2018-008)

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RECOMMENDATION

We recommend the Department implement procedures to ensure all fees collected and reported on the Agency Fee Imposition Reports are accurate.

DEPARTMENT REPOSE

The Department agrees with the finding. The supervisory position has been vacant; therefore, the consistency of the reports was not maintained. The Department is correcting this issue.

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2020-008. **FINDING** (Failure to File Required Reports)

The Department of Military Affairs (Department) did not fully comply with the reporting requirements within the Illinois Administrative Code (Code).

During testing, we noted the Department did not provide documentation to support the required submission for 24 of 24 (100%) monthly reports from the Adjutant General to the Office of the Lieutenant Governor during the examination period. Therefore, auditors were unable to determine if the Department submitted the reports or if the reports were submitted in a timely manner.

The Code (95 Ill. Admin. Code 200.90(a-b)) requires the Adjutant General to provide the Offices of the Governor, Lieutenant Governor, and the Office of Comptroller a monthly report detailing the funds required and processed as well as the amounts disbursed and donated to the fund. Additionally, good internal controls over compliance includes implementing internal fiscal and administrative controls to provide assurance required financial reports are timely prepared and submitted, as required by the Code. Furthermore, the State Records Act (5 ILCS 160/8) requires preservation of records to contain adequate and proper documentation of the Department's transactions to furnish information to protect the legal and financial rights of the State.

This finding was first reported during the period ended June 30, 2014. In the subsequent years, the Department has been unsuccessful in implementing corrective action.

During the prior examination period, Department management stated the errors were due to human error and employee oversight. During the current examination period, Department personnel indicated the issues noted were due to employee turnover.

Failure to prepare reports and maintain proper documentation of submission to the Lieutenant Governor lessens governmental oversight and accountability and represents noncompliance with the Code. (Finding Code No. 2020-008, 2018-009, 2016-010, 2014-007)

RECOMMENDATION

We recommend the Department submit the monthly reports to the appropriate parties as required and maintain documentation of the report submissions.

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DEPARTMENT REPOSE

The Department agrees with the finding. The Department submitted reports on a monthly basis to the Office of the Governor, et. al., however, moving forward, the Office of the Lieutenant Governor will be included as well. The monthly donations have been included in the reports since receiving the results of the Fiscal Year 2017 to 2018 Compliance Examination.

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2020-009. **FINDING** (Failure to Develop a Formal Fraud Risk Assessment Program)

The Department of Military Affairs (Department) did not have a formal, adequate fraud risk assessment program in place.

The Department relied on current internal controls and various other informal activities that had been implemented to prevent and detect fraud, but did not have a formal, comprehensive, written fraud risk assessment policy in place.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Additionally, it is management's responsibility to prevent and detect fraud.

This finding was first reported during the period ended June 30, 2016. In the subsequent years, the Department has been unsuccessful in implementing all required fraud risk assessment procedures.

During the previous examination, the Department indicated a program was not in place due to no formal internal audit function during the examination period. During the current year examination, the Department indicated a formal fraud risk assessment program was unable to be developed due to competing priorities.

The Department managed expenditures of \$54 and \$59 million in Fiscal Year 2019 and Fiscal Year 2020, respectively. Without an adequate program to identify and address the specific risks associated with fraud, fraudulent activities may go undetected and could result in misstatements in the Department's financial reporting to the State or misappropriation of Department assets. (Finding Code No. 2020-009, 2018-010, 2016-011)

RECOMMENDATION

We recommend Department management continue to work to establish a continuous fraud prevention and detection program. We specifically recommend the Department implement a formal, written policy regarding the evaluation of fraud risk and a system of controls to help prevent and detect potential fraudulent activity within its organization. The Department should ensure the fraud program includes evaluating whether appropriate internal controls have been implemented in any areas identified as posing a higher risk of fraudulent activity, as well as controls over the financial reporting process.

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DEPARTMENT RESPONSE

The Department agrees with the finding. A formal fraud risk assessment was developed for Fiscal Year 2021 to 2022.

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2020-010. **FINDING** (Noncompliance with Vehicle Requirements)

The Department of Military Affairs (Department) did not follow State laws and regulations regarding the operation of its automobiles. As of June 30, 2020, the Department had 36 vehicles.

During testing, we noted the following:

- The Department's Vehicle Use Policy was submitted to the Department of Central Management Services (CMS); however, we noted the Department's policy was not included on CMS's website as required. The State Vehicle Use Act (Act) (30 ILCS 617/10(b)) requires the Department to draft and submit a Vehicle Use Policy to the Division of Vehicles within CMS to be included on the official CMS website.
- During testing of the vehicle maintenance records for eight vehicles, three (38%) did not have the annual inspection. In addition, seven (88%) vehicles did not receive adequate tire rotations and oil changes during the fiscal years tested. The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.400) requires the Department to ensure all State-owned or leased vehicles undergo regular service and/or repair in order to maintain the vehicles in a road worthy, safe, operating condition. In addition, the Code (44 Ill Admin, Code 5040.410) requires the Department ensure all State-owned vehicles are inspected by CMS or an authorized vendor at least once per year or as required by law.
- During testing of vehicle accident reports, we noted one of two (50%) vehicle accidents tested was reported 149 days late. The Code (44 Ill. Admin. Code 5040.520) requires a driver of any vehicle that is involved in an accident of any type within the scope or course of the employment to report such accident to the appropriate law enforcement agency and to CMS Auto Liability Unit by completing the Illinois Motorist Report (Form SR-1). In all cases, the completed Form SR-1 must be received by CMS no later than seven calendar days following the accident or the driver and agency risk forfeiture of coverage under the State's auto liability plan.

Department personnel stated the errors were due to oversight and inconsistent controls in place.

Failure to ensure the Vehicle Use Policy was posted on the CMS website is noncompliance with the Act. Failure to perform regular maintenance and have annual inspections performed on State vehicles could result in more significant expenditures related to the repair or replacement of the vehicles. Further, the

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failure to report automobile accidents to CMS in a timely manner could result in additional liabilities for the Department and results in noncompliance with the Code. (Finding Code No. 2020-010)

RECOMMENDATION

We recommend the Department strengthen its internal controls to ensure compliance with State laws and regulations applicable to operation of its automobiles.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has contacted CMS to post the Vehicle Use Policy on the CMS website. Additional controls have been implemented by the Vehicle Coordinator, to include quarterly inspections of all Department vehicles. The Vehicle Coordinator will provide CMS with the updated policy, once complete.

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2020-011. **FINDING** (Completion and Retention of Employment Eligibility Verification Form)

The Department of Military Affairs (Department) did not ensure the completion and retention of the Employment Eligibility Verification (I-9) forms.

During our review of 40 employees' (current and terminated during the year) personnel records, we noted the following:

- I-9 forms for two (5%) employees could not be located and provided for inspection. Both employees are active employees with hire dates of March 1990 and October 2011.
- I-9 forms for two (5%) employees did not have Section 1 properly completed. Of the two, I-9 form for one employee was not signed and dated and I-9 form for another employee was not dated.
- I-9 forms for three (8%) employees did not have Section 2 properly completed by the Department's personnel. All three I-9 forms for three employees were not dated by the Department's personnel. Upon notification by the auditors, the Department's personnel affixed the missing dates to the three I-9 forms.

Federal law (8 USC § 1324a) requires an employer to complete and maintain an I-9 form to verify an individual's eligibility for employment in the United States.

Federal Immigration Law (8 USC § 1324a) (Act) requires a hiring entity to attest it has verified an individual it employs is a citizen or otherwise authorized to work in the United States by (a) ensuring the individuals it hires properly complete Section 1 of Form I-9 at the time of hire, and (b) sign Section 2 of Form I-9 within three business days of hire (8 CFR §274a.2). A paper (with original handwritten signatures), electronic, original paper scanned into an electronic format, or a combination of paper and electronic, or microfilm or microfiche copy of the original signed version of the Form I-9 must be retained by an employer for three years after the date of hire or one year after the date of the individuals' employment is terminated, whichever is later (8 CFR § 274a2(b)(1)(iii)).

Department personnel stated they believed the I-9s tested by the auditors that were completed before the examination period should not have to be provided. Department personnel stated they may be at the agencies where the employees started State employment. Department personnel further stated the other I-9 issues were due to oversight.

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Failure to maintain Form I-9 within personnel files results in noncompliance with the Code of Federal Regulations. (Finding Code No. 2020-011)

RECOMMENDATION

We recommend the Department enhance their controls over employee verifications to ensure timely completion and proper retention of I-9 forms.

DEPARTMENT RESPONSE

The Department agrees with the finding and will ensure current employee records are accurate and complete.

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2020-012. **FINDING** (Noncompliance with the Military Code of Illinois)

The Department of Military Affairs (Department) failed to fully comply with the requirements of the Military Code of Illinois (Code).

During testing, we noted the Department did not submit its annual report to the Governor detailing transactions including receipts and expenditures of all appropriated funds on or before the first day of November as required. The Department instead filed a biennial report covering fiscal years 2019 and 2020. We were also unable to determine the timeliness of the submission.

The Code (20 ILCS 1805/26) requires the Adjutant General make a full and detailed report to the Governor of all the transactions of the Department, including receipts and expenditures of all appropriated funds, and submit to the General Assembly on or before the first day of November next preceding the regular session of the General Assembly.

During the prior examination period, Department personnel indicated the reports were not completed due to the Budget Impasse. During the current examination period, Department personnel indicated the report was distributed to the General Assembly and the Governor's office in hard copy format while following the COVID-19 protocols in effect at the State Capitol. The Department did not receive or ask for a stamped or electronic receipt to support the timeliness of the submission.

Failure to prepare and submit annual reports to the Governor on a timely basis represents noncompliance with the Code and limits oversight of the General Assembly. (Finding Code No. 2020-012, 2018-014)

RECOMMENDATION

We recommend the Department ensure compliance with the Code by timely submitting the required annual report to the Governor. We further recommend the Department maintain documentation to substantiate the timely submission of the reports.

DEPARTMENT RESPONSE

The Department agrees with the finding. The Department has altered the previously completed Biennial Report to an Annual Report to the Office of the Governor. The Department will also retain adequate submission documentation.

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2020-013. **FINDING** (Inadequate Controls over Voucher Processing)

The Department of Military Affairs (Department) did not exercise adequate controls over voucher processing.

During our review of 288 expenditure vouchers, totaling \$16,734,538, we noted the following:

- Six (2%) vouchers tested, totaling \$660,305, included travel, repairs and maintenance, and professional services expenditures totaling \$332,366 that were recognized as expenses in the wrong fiscal year. The State Finance Act (30 ILCS 105/25) requires all appropriations to be available for expenditure for the fiscal year or for a lesser period if the Act making that appropriation so specifies.
- Thirty-five (12%) vouchers tested, totaling \$1,229,510, were approved from 4 to 200 days late.
- Two (1%) vouchers tested, totaling \$29,019, lacked documentary evidence to support approval of the invoices and therefore, we were unable to determine whether the approvals were timely.
- For 16 (6%) vouchers tested, totaling \$492,030, the Department failed to maintain supporting documentation showing the date invoices were received.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70) requires the Department review a bill and either deny the bill in whole or in part, ask for more information necessary to review the bill, or approve the bill in whole or in part within 30 days after physically receiving the bills. The Code (74 Ill. Adm. Code 900.30) further requires the Department to maintain written or electronic records reflecting the date on which the goods were received and accepted, or the services were rendered, the proper bill was received, and approval was given. In addition, the State Records Act (5 ILCS 160/8) requires the head of the Department preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

During the prior and current examination periods, Department personnel indicated the issues noted were due to employee and system errors.

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Paying expenditures from the incorrect fiscal year appropriation is a violation of the State Finance Act requirements. Failure to timely approve vouchers and maintain documentation to support the timely and appropriate approvals could lead to the misuse of State funds, and inaccurate and incomplete expenditure records. (Finding Code No. 2020-013; 2018-016)

RECOMMENDATION

We recommend the Department strengthen its internal controls to ensure expenditures are adequately supported, posted to the correct fiscal year, properly approved, paid timely, and properly documented.

DEPARTMENT RESPONSE

The Department agrees with the finding. Vouchers paid by either Non-Appropriated Funds and those in which prior year funding authority is specified in the budget bill will be annotated accordingly and the documentation will be readily available. The Department will also ensure all incoming vouchers are stamped with a date received and approved prior to submitting for payment.

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2020-014. **FINDING** (Inaccurate Accounts Receivable Reporting)

The Department of Military Affairs (Department) did not accurately report accounts receivable balances to the Office of Comptroller.

On a quarterly basis, the Department submits accounts receivable reports to the Office of Comptroller to report accounts receivables activity, aging of receivable balances, estimates of uncollectible receivables, and collection activity. These reports include the Quarterly Summary of Accounts Receivable - Accounts Receivable Activity (Form C-97), Quarterly Summary of Accounts Receivable - Aging of Total Gross Receivables (Form C-98) and Quarterly Summary of Accounts Receivable - External Collections Activity for Accounts over 180 Days Past Due (Form C-99). The net balance of accounts receivable totaled \$6,576, and \$1,996 as of June 30, 2019 and June 30, 2020, respectively.

During our review of accounts receivable reports, we noted the following (amounts in thousands):

- The Department did not properly report the receivable activities and number of accounts in Form C-97 for eight funds tested. Specifically, the Department could not provide sufficient documentation to support the accuracy of “accounts receivable this quarter” reported for six (75%) funds tested, totaling \$20,720 and the number of accounts reported for seven (88%) funds tested, totaling \$272, for the quarters ended December 31, 2018, June 30, 2019, December 31, 2019, and June 30, 2020. In addition, the number of accounts reported in Form C-97 for one (13%) fund tested was reported as zero for the quarter ended June 30, 2020, however, gross receivable at end of quarter was reported as \$37.
- The Department did not properly report the aging of the receivables in Form C-98 for eight funds tested. Specifically, the Department could not provide sufficient documentation to support that: (1) receivables for six (75%) funds tested, totaling \$673 and \$6,576, were not past due as of December 31, 2018 and June 30, 2019, respectively; (2) receivables for one (13%) fund tested, totaling \$79, was not past due as of December 31, 2019 and receivables for another fund (13%) fund tested, totaling \$2,921, was one to 30 days past due as of December 31, 2019; (3) receivables for two (25%) funds tested, totaling to \$37 and \$1, were not past due as of June 30, 2020 and receivables for one (13%) fund tested, amounting to \$1, was one to 30 days past due as of June 30, 2020.
- The Department did not provide adequate documentation to support the total

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amount and number of accounts over 90 days past due and greater than \$1,000 reported on Form C-98 for the quarter ended June 30, 2020 for two out of eight (25%) funds tested, totaling \$141 and \$5, respectively.

- The Department did not provide adequate documentation to support the number of accounts and related amounts reported on Form C-99 for the quarters ended December 31, 2018, June 30, 2019, December 31, 2019, and June 30, 2020.

The State Records Act (5 ILCS 160/8) requires the head of the Department to preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities. In addition, the Statewide Accounting Management System (SAMS) (Procedure 26.30.10) requires the Department to report receivable information to the Comptroller on a quarterly basis. The summary information should include: (1) receivable activity by fund and major revenue source; (2) aging of receivables by fund and major source; and (3) external collection activity of accounts over 180 days past due by agency.

Department personnel indicated the errors were due to employee oversight.

Failure to accurately report accounts receivable and maintain adequate supporting documentation leads to incorrect financial records and noncompliance with SAMS procedures and could result in the delay of collection or loss of revenue to the State. (Finding Code No. 2020-014)

RECOMMENDATION

We recommend the Department ensure quarterly accounts receivable reports are adequately supported and accurately prepared prior to submission to the Comptroller.

DEPARTMENT RESPONSE

The Department agrees with the finding. Improved procedures have been implemented.

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2020-015. **FINDING** (Inadequate Computer Security Controls)

The Department of Military Affairs (Department) had not established adequate computer security controls.

The Department utilizes various applications offered by the Enterprise Business Applications group of the Department of Innovation and Technology (DoIT) to process their financial transactions (including inventory and payroll) and maintain their asset records. These applications include the Enterprise Resource Planning (ERP) System - General, Invoices/Vouchers, and Asset Accounting Modules, Accounting Information System (AIS), Central Inventory System (CIS), and Central Payroll System (CPS).

We obtained the various security reports and user listing report for these applications to determine if access was appropriate. During our testing, we noted the following weaknesses:

- User access rights were not periodically reviewed,
- User access to the applications were not timely deactivated after termination from the Department, and
- The CPS Security Report could not be provided, thus we were unable to determine if the Department was in compliance with user access controls for this application.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and to maintain accountability over the State's resources.

Generally accepted information technology guidance endorses the development of well-designed, well-managed controls to protect computer systems and data. Effective computer security controls provide for safeguarding, securing, and controlling access to hardware, software, and the information stored in the computer system.

Department personnel indicated the issues noted were due to the transition of the Department to DoIT services business processes and support structure, and lack of information technology (IT) staff.

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Failure to implement adequate security controls increases the risk of unauthorized individuals gaining access to computing resources. (Finding Code No. 2020-015)

RECOMMENDATION

We recommend the Department review and update its security reports to ensure only authorized individuals have access to their application and data and ensure access is timely deactivated and obtain the CPS Security Reports.

DEPARTMENT RESPONSE

The Department agrees with the finding. Reviews were conducted periodically. The Department will sign and date stamp each review as it is conducted.

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2020-016. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Department of Military Affairs (Department) had not implemented adequate internal controls related to its cybersecurity programs and practices.

As a result of Department's function to maintain military personnel records and active duty service reports, the Department maintains computer systems which contain large volumes of confidential or personal information such as names, addresses, and Social Security numbers.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Department's cybersecurity program and practices, we noted the Department:

- Had not classified its data to identify and ensure adequate protection of information (i.e., confidential or personal information) most susceptible to attack.
- Had not evaluated and implemented appropriate controls to reduce the risk of attack.
- Had not ensured all staff members completed cybersecurity training upon employment and annually thereafter.
- Had not developed a formal, comprehensive, adequate, and communicated security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.

The Data Security on State Computers Act (20 ILCS 450/25) requires every employee to annually undergo training by the Department of Innovation and Technology concerning cybersecurity.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Furthermore, generally accepted information technology guidance, including the National Institute of Standards and Technology, endorses the development of well-designed and well managed controls to protect computer systems and data.

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Department personnel indicated the issues noted were due to a lack of information technology (IT) staff. Department personnel also indicated their only IT staff retired, and they are currently working on hiring an IT staff who will establish and communicate a security program for the Department as well as identify risks, identify and classify data, and monitor the completion of the annual cybersecurity training.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2020-016)

RECOMMENDATION

The Department has the ultimate responsibility for ensuring confidential information is protected from accidental or unauthorized disclosure. Specifically, we recommend the Department:

- Evaluate identified risks and implement appropriate controls to reduce the risk.
- Ensure all staff members annually complete cybersecurity training as outlined in the Data Security on State Computers Act.
- Establish and communicate the Department's security program (formal and comprehensive policies, procedures and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.

DEPARTMENT RESPONSE

The Department agrees with the finding.

All data maintained by the Department has been classified and was assessed most recently with the migration of information to the State's servers. The Department will continue to classify its data but moving forward DMA will implement an agency wide data classification and protection policy.

Controls will be implemented and routinely evaluated to reduce the risk of attack.

The cybersecurity training program was implemented when the Department transitioned to the State's information management network. Prior to this transition, the Federal network required annual cybersecurity training, for all

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users. The Department is now aware of the annual requirement to complete the State's cybersecurity training for all employees, regardless of their use of the network. The training will be tracked to ensure compliance annually.

The Department is a customer of both the State's information management network and the Federal's information management network, thus the Department will adopt the security programs of the networks used, as applicable.

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For the Two Years Ended June 30, 2020

2020-017. **FINDING** (Weaknesses with Payment Card Industry Data Security Standards)

The Department of Military Affairs (Department) did not complete all requirements to demonstrate full compliance with the Payment Card Industry Data Security Standards (PCI DSS).

The Department accepted credit card payments for its billeting operations (lodging operations), including but not limited to Marseilles Training Center, Camp Lincoln and any other training sites where military billeting operations may be established. The Department's credit card transactions for Fiscal Year 2020 and Fiscal Year 2019 totaled \$275,342 and \$227,883, respectively.

Upon review of the Department's efforts to ensure compliance with PCI DSS, we noted the Department had not:

- Formally assessed each program accepting credit card payments, the methods in which payments could be made, matched these methods to the appropriate Self-Assessment Questionnaire (SAQ), and contacted service providers and obtained relevant information and guidance as deemed appropriate;
- Completed an SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data; and
- Maintained agreements with service providers or obtained and reviewed documentation supporting the providers' PCI compliance.

PCI DSS was developed to detail security requirements for entities that store, process or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder.

To assist merchants in the assessments of their environment, the PCI Council has established SAQs for validating compliance with PCI's core requirements. At a minimum, PCI DSS required completion of SAQ A, which highlights specific requirements to restrict access to paper and electronic media containing cardholder data, destruction of such media when it is no longer needed, and requirements for managing service providers. As additional elements, such as face-to-face acceptance of credit cards and point-of-sale solutions are introduced into the credit card environment being assessed, additional PCI DSS requirements apply.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and

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administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Department personnel indicated the issues noted were due to high federal employee turnover.

Failure to establish and maintain adequate procedures to handle and protect confidential and personally identifiable information could result in identity theft or other unintended use. (Finding Code No. 2020-017)

RECOMMENDATION

We recommend the Department:

- At least annually, assess each program accepting credit card payments and match the payment method to the appropriate SAQ.
- Complete the appropriate SAQ(s) for its environment and maintain documentation supporting its validation efforts.
- Maintain contact with service providers to ensure sufficient knowledge and awareness of PCI Compliance status, issues, and guidance.

DEPARTMENT RESPONSE

The Department agrees with the finding. The requirements are maintained and available within the Department, however, the information and requirements were not effectively communicated during the examination due to a position vacancy.

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For the Two Years Ended June 30, 2020

2020-018. **FINDING** (Failure to Demonstrate the Completeness and Accuracy of the Report Components)

The Department of Military Affairs (Department) did not have adequate internal controls to demonstrate the schedules and components (report components) within the Department's *Compliance Examination Report* were complete and accurate.

Due to changes in independence requirements effective June 30, 2020, the Office of the Auditor General (OAG) now requires auditees, without auditor assistance, to prepare the report components comprising the Supplementary Information for State Compliance Purposes usually found within the OAG's compliance reports. To help facilitate this change, the OAG published guidance on its website for auditees to follow in preparing these report components. While we do not express an opinion, a conclusion, or provide any assurance on these report components, we read them to identify potential errors based on our knowledge of the auditee and, where possible, compare or reconcile the information to the auditee's records examined during the compliance examination. If we identify any potential errors, we bring the matter to the attention of the auditee's management to, ideally, either correct the error or demonstrate why the disclosure is complete and accurate.

During the course of this examination, we noted the Department's internal controls were inadequate to both (1) prepare the report components and (2) demonstrate the report components Department management prepared were complete and accurate. Specifically, we noted the following:

- The *Comparative Schedule of Net Expenditures by Major Activity* and *Schedule of Changes in State Property* were unable to be prepared by the Department from their own records.
- The *Analysis of Operations* prepared by the Department appeared to omit disclosures, including (1) management's analysis of the meaning of certain key financial, program, and statistical elements, including the prioritized goals and priorities that were to have been reviewed and analyzed during each fiscal year and reported to the Office of Comptroller for preparation of the Public Accountability Report as required by the Civil Administrative Code of Illinois (State Budget Law) (15 ILCS 20/50-25), and (2) significant operational challenges that existed at the end of the examination period, including backlogs, and management's plan to address the problem.

As a result of these deficiencies, these report components were excluded from the Department's *Compliance Examination Report*.

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Good internal controls over compliance facilitate the preparation of complete and accurate report components and allow for the resolution, where necessary, of any potential errors presented to management by independent accountants examining the Department.

Department personnel indicated the deficiencies in the report components were the result of a lack of monthly Object Expense/Expenditures by Quarter (SA02) report reconciliations, inaccurate and incomplete State property records, competing priorities, and a lack of communication between Department personnel.

Compliance examinations stress the fundamentals of governmental accountability, including providing transparency about the Department's fiscal and administrative controls and whether the Department's resource utilization was efficient, effective, and in compliance with applicable law. Failure to prepare accurate and complete report components hinders the ability of users of the Department's *Compliance Examination Report* to obtain additional analysis of the Department's operations. (Finding Code No. 2020-018)

RECOMMENDATION

We recommend the Department implement controls to ensure report components are accurately and completely prepared in future compliance examinations.

DEPARTMENT RESPONSE

The Department agrees with the finding. Procedures are in development to ensure completeness and accuracy of all schedules, as applicable.

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SCHEDULE OF FINDINGS**

For the Two Years Ended June 30, 2020

Prior Findings Not Repeated

A. **FINDING** (Lack of Documentation for Testing)

During the prior examination, the Department of Military Affairs (Department) did not provide adequate documentation or support for testing in multiple areas. (Finding Code No. 2018-003)

During the current examination, the Department was able to provide auditors with requested documentation in a satisfactory time frame.

B. **FINDING** (Inadequate Controls over Receipts and Refunds)

During the prior examination, the Department did not maintain adequate controls over its receipts and refunds. Proper documentation was not maintained, and refunds were submitting using the incorrect form. (Finding Code No. 2018-006, 2016-005, 2014-002)

During the current examination, our sample testing showed the Department provided sufficient and adequate documentation to support the receipts and refunds tested.

C. **FINDING** (Lack of Documentation for Lincoln's Challenge Cadets)

During the prior examination, the Lincoln's Challenge Academy (LCA) within the Department did not maintain documentation to support compliance with the National Guard Challenge Program's Cooperative Agreement (Agreement). (Finding Code No. 2018-007, 2016-006, 2014-008, 12-5)

During the current examination, the LCA maintained documentation to support compliance with the Agreement; however, we noted certain immaterial conditions of noncompliance as further described in the Department's *Independent Accountant's Report of Immaterial Findings* as Finding Code No. IM2020-002.

D. **FINDING** (Inadequate Controls over Employee Records)

During the prior examination, the Department did not maintain adequate controls over employee records. The Department did not complete a performance evaluation, personnel documents were not provided, and employee payroll deductions were inaccurately calculated. (Finding Code No. 2018-012)

During the current examination, our sample testing showed performance evaluations were conducted and employee records were adequately maintained, and payroll deductions were accurately calculated.

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SCHEDULE OF FINDINGS**

For the Two Years Ended June 30, 2020

Prior Findings Not Repeated (Continued)

E. **FINDING** (Inadequate Control over Payroll Vouchers)

During the prior examination, the Department did not maintain controls over the processing of payroll vouchers. Specifically, the Department's payroll vouchers did contain authorization signature and were not properly maintained. (Finding Code No. 2018-013)

During the current examination, our sample testing resulted in no exceptions related to our review of payroll vouchers.

STATE OF ILLINOIS
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SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

SCHEDULE 1

For the Fifteen Months Ended Septemebr 30, 2020

Expenditure Authority for Fiscal Year 2020

Public Act 101-0007 and Public Act 101-0029	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2020	Lapse Period Expenditures July 1 to September 30, 2020	Total Expenditures 15 Months Ended September 30, 2020	Balances Lapsed September 30, 2020
FISCAL YEAR 2020					
<u>APPROPRIATED FUNDS</u>					
General Revenue Fund - 001					
<i>Office of the Adjutant General:</i>					
Operational Expenses	\$ 15,081,200	\$ 11,675,817	\$ 988,717	\$ 12,664,534	\$ 2,416,666
State Officers' Candidate School	1,500	859	308	1,167	333
Lincoln's Challenge	2,265,200	1,721,750	117,314	1,839,064	426,136
Care/Preservation of Historical Artifacts	10,000	1,583	-	1,583	8,417
Deposit into Federal Support Agreement Revolving Fund	850,000	850,000	-	850,000	-
Deposit into Illinois National Guard State Active Duty Fund	5,000,000	5,000,000	-	5,000,000	-
Subtotal, Fund 001	\$ 23,207,900	\$ 19,250,009	\$ 1,106,339	\$ 20,356,348	\$ 2,851,552
Military Affairs Trust Fund - 043					
<i>Office of the Adjutant General:</i>					
Youth Programs and Other Programs	\$ 1,000,000	\$ 70,990	\$ 13,603	\$ 84,593	\$ 915,407
Subtotal, Fund 043	\$ 1,000,000	\$ 70,990	\$ 13,603	\$ 84,593	\$ 915,407
Capital Development Fund - 141					
<i>Facilities Operations</i>					
Illinois National Guard Facilities	\$ 18,563,140	\$ 6,210,631	\$ -	\$ 6,210,631	\$ 12,352,509
Capital Improvement at Illinois National Guard Facilities	16,000,000	-	-	-	16,000,000
Subtotal, Fund 141	\$ 34,563,140	\$ 6,210,631	\$ -	\$ 6,210,631	\$ 28,352,509
Federal Support Agreement Revolving Fund - 333					
<i>Office of the Adjutant General:</i>					
Lincoln's Challenge	\$ 8,600,000	\$ 3,724,811	\$ 537,451	\$ 4,262,262	\$ 4,337,738
Lincoln's Challenge Allowances	1,200,000	92,040	41,680	133,720	1,066,280
Subtotal, Office of the Adjutant General	9,800,000	3,816,851	579,131	4,395,982	5,404,018
<i>Facilities Operations</i>					
Army/Air Reimbursable Positions	14,610,700	9,875,383	15,687	9,891,070	4,719,630
Expenses Related to Army National Guard Facilities Operations & Maintenance	16,000,000	9,654,750	1,537,971	11,192,721	4,807,279
Subtotal, Facilities Operations	30,610,700	19,530,133	1,553,658	21,083,791	9,526,909
Subtotal, Fund 333	\$ 40,410,700	\$ 23,346,984	\$ 2,132,789	\$ 25,479,773	\$ 14,930,927

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

SCHEDULE 1
(CONTINUED)

For the Fifteen Months Ended Septemebr 30, 2020

Expenditure Authority for Fiscal Year 2020

Public Act 101-0007 and Public Act 101-0029	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2020	Lapse Period Expenditures July 1 to September 30, 2020	Total Expenditures 15 Months Ended September 30, 2020	Balances Lapsed September 30, 2020
FISCAL YEAR 2020					
<u>APPROPRIATED FUNDS</u> (CONTINUED)					
State Military Justice Fund - 500					
<i>Office of the Adjutant General:</i>					
Military Justice Expenses	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Subtotal, Fund 500	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Illinois Military Family Relief Fund - 725					
<i>Office of the Adjutant General:</i>					
Awards and Grants	\$ 5,000,000	\$ 529,000	\$ 74,000	\$ 603,000	\$ 4,397,000
Subtotal, Fund 725	\$ 5,000,000	\$ 529,000	\$ 74,000	\$ 603,000	\$ 4,397,000
Illinois National Guard Armory Construction Fund - 927					
<i>Facilities Operations</i>					
Illinois National Guard Facilities	\$ 50,471,774	\$ -	\$ -	\$ -	\$ 50,471,774
Land Acquisition and Parking at Armory	66,823	-	-	-	-
Subtotal, Fund 927	\$ 50,471,774	\$ -	\$ -	\$ -	\$ 50,471,774
Subtotal - Appropriated Funds	\$ 154,753,514	\$ 49,407,614	\$ 3,326,731	\$ 52,734,345	\$ 102,019,169
<u>NONAPPROPRIATED FUNDS</u>					
Illinois National Guard Billeting Fund - 076					
<i>Facilities Operations</i>					
Billeting		\$ 319,671	\$ 81,907	\$ 401,577	
Subtotal, Fund 076		\$ 319,671	\$ 81,907	\$ 401,577	
Illinois National Guard State Active Duty Fund - 730					
<i>Office of the Adjutant General:</i>					
Illinois National Guard State Active Duty		\$ 4,814,431	\$ 1,480,285	\$ 6,294,715	
Subtotal, Fund 730		\$ 4,814,431	\$ 1,480,285	\$ 6,294,715	
Subtotal - Nonappropriated Funds		\$ 5,134,102	\$ 1,562,192	\$ 6,696,292	
GRAND TOTAL - ALL FUNDS		\$ 54,541,716	\$ 4,888,923	\$ 59,430,637	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Department's records and have been reconciled to the Office of Comptroller's records as of September 30, 2020.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the Office of Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

SCHEDULE 2

For the Sixteen Months Ended October 31, 2019

Expenditure Authority for Fiscal Year 2019

Public Act 100-0586 and Public Act 101-0007	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2019	Lapse Period Expenditures July 1 to October 31, 2019	Total Expenditures 16 Months Ended October 31, 2019	Balances Lapsed October 31, 2019
FISCAL YEAR 2019					
<u>APPROPRIATED FUNDS</u>					
General Revenue Fund - 001					
<i>Office of the Adjutant General:</i>					
Operational Expenses	\$ 13,723,300	\$ 11,081,635	\$ 1,822,355	\$ 12,903,990	\$ 819,310
State Officers' Candidate School	1,500	1,463	32	1,495	5
Lincoln's Challenge	2,165,200	1,730,763	74,740	1,805,503	359,697
Care/Preservation of Historical Artifacts	10,000	676	7,217	7,893	2,107
Unpaid Wage Increase	659,700	-	648,510	648,510	11,190
Deposit into Federal Support Agreement Revolving Fund	850,000	850,000	-	850,000	-
Deposit into Illinois Military Family Relief Fund	1,800,000	1,800,000	-	1,800,000	-
Deposit into State Military Justice Fund	80,000	80,000	-	80,000	-
Deposit into Illinois National Guard State Active Duty Fund	3,000,000	3,000,000	-	3,000,000	-
Subtotal, Fund 001	\$ 22,289,700	\$ 18,544,537	\$ 2,552,854	\$ 21,097,391	\$ 1,192,309
Military Affairs Trust Fund - 043					
<i>Office of the Adjutant General:</i>					
Youth Programs and Other Programs	\$ 1,000,000	\$ 38,170	\$ -	\$ 38,170	\$ 961,830
Subtotal, Fund 043	\$ 1,000,000	\$ 38,170	\$ -	\$ 38,170	\$ 961,830
Capital Development Fund - 141					
<i>Facilities Operations</i>					
Illinois National Guard Facilities	\$ 5,000,000	\$ 1,436,861	\$ -	\$ 1,436,861	\$ 3,563,139
Subtotal, Fund 141	\$ 5,000,000	\$ 1,436,861	\$ -	\$ 1,436,861	\$ 3,563,139
Federal Support Agreement Revolving Fund - 333					
<i>Office of the Adjutant General:</i>					
Lincoln's Challenge	\$ 8,600,000	\$ 3,865,496	\$ 689,173	\$ 4,554,669	\$ 4,045,331
Lincoln's Challenge Allowances	1,200,000	151,362	33,280	184,642	1,015,358
Subtotal, Office of the Adjutant General	9,800,000	4,016,858	722,453	4,739,311	5,060,689
<i>Facilities Operations</i>					
Army/Air Reimbursable Positions	13,110,700	9,566,152	15,371	9,581,523	3,529,177
Expenses Related to Army National Guard Facilities Operations & Maintenance	17,500,000	13,206,909	1,671,650	14,878,559	2,621,441
Subtotal, Facilities Operations	30,610,700	22,773,061	1,687,021	24,460,082	6,150,618
Subtotal, Fund 333	\$ 40,410,700	\$ 26,789,919	\$ 2,409,474	\$ 29,199,393	\$ 11,211,307

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

SCHEDULE 2
(CONTINUED)

For the Sixteen Months Ended October 31, 2019

Expenditure Authority for Fiscal Year 2019

Public Act 100-0586 and Public Act 101-0007	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2019	Lapse Period Expenditures July 1 to October 31, 2019	Total Expenditures 16 Months Ended October 31, 2019	Balances Lapsed October 31, 2019
FISCAL YEAR 2019					
<u>APPROPRIATED FUNDS (CONTINUED)</u>					
State Military Justice Fund - 500					
<i>Office of the Adjutant General:</i>					
Military Justice Expenses	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Subtotal, Fund 500	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Illinois Military Family Relief Fund - 725					
<i>Office of the Adjutant General:</i>					
Awards and Grants	\$ 5,000,000	\$ 258,500	\$ 8,500	\$ 267,000	\$ 4,733,000
Subtotal, Fund 725	\$ 5,000,000	\$ 258,500	\$ 8,500	\$ 267,000	\$ 4,733,000
Illinois National Guard Armory Construction Fund - 927					
<i>Facilities Operations</i>					
Illinois National Guard Facilities	\$ 50,471,774	\$ -	\$ -	\$ -	\$ 50,471,774
Land Acquisition and Parking at Armory	66,823	-	-	-	-
Subtotal, Fund 927	\$ 50,471,774	\$ -	\$ -	\$ -	\$ 50,471,774
Subtotal - Appropriated Funds	\$ 124,272,174	\$ 47,067,987	\$ 4,970,828	\$ 52,038,815	\$ 72,233,359
<u>NONAPPROPRIATED FUNDS</u>					
Illinois National Guard Billeting Fund - 076					
<i>Facilities Operations</i>					
Billeting		\$ 260,638	\$ 136,994	\$ 397,632	
Subtotal, Fund 076		\$ 260,638	\$ 136,994	\$ 397,632	
Illinois National Guard State Active Duty Fund - 730					
<i>Office of the Adjutant General:</i>					
Illinois National Guard State Active Duty		\$ 1,473,935	\$ 255,724	\$ 1,729,659	
Subtotal, Fund 730		\$ 1,473,935	\$ 255,724	\$ 1,729,659	
Subtotal - Nonappropriated Funds		\$ 1,734,573	\$ 392,718	\$ 2,127,291	
GRAND TOTAL - ALL FUNDS		\$ 48,802,560	\$ 5,363,546	\$ 54,166,106	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Department's records and have been reconciled to the Office of Comptroller's records as of October 31, 2019.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the Office of Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30,

SCHEDULE 3

	2020	2019	2018
APPROPRIATED FUNDS			
General Revenue Fund - 001			
Expenditure Authority (Net of Transfers)	\$ 23,207,900	\$ 22,289,700	\$ 20,178,850
Expenditures:			
<i>Office of the Adjutant General:</i>			
Operational Expenses	\$ 12,664,534	\$ 12,903,990	\$ 11,146,766
State Officers' Candidate School	1,167	1,495	96
Lincoln's Challenge	1,839,064	1,805,503	2,237,816
Care Preservation of Historical Artifacts	1,583	7,893	8,712
Ordinary and Continent Expenses	-	-	3,141,381
Unpaid Wage Increase	-	648,510	-
Deposit into Federal Support Agreement Revolving Fund	850,000	850,000	1,350,000
Deposit into Illinois Military Family Relief Fund	-	1,800,000	-
Deposit into Illinois Military Justice Fund	-	80,000	-
Deposit into Illinois National Guard State Active Duty Fund	5,000,000	3,000,000	-
Total Expenditures	\$ 20,356,348	\$ 21,097,391	\$ 17,884,771
Balances Lapsed	\$ 2,851,552	\$ 1,192,309	\$ 2,294,079
Military Affairs Trust Fund - 043			
Expenditure Authority (Net of Transfers)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Expenditures:			
<i>Office of the Adjutant General:</i>			
Youth Programs and Other Programs	\$ 84,593	\$ 38,170	\$ 117,544
Total Expenditures	\$ 84,593	\$ 38,170	\$ 117,544
Balances Lapsed	\$ 915,407	\$ 961,830	\$ 882,456
Capital Development Fund - 141			
Expenditure Authority (Net of Transfers)	\$ 34,563,140	\$ 5,000,000	\$ -
Expenditures:			
<i>Facilities Operations:</i>			
Illinois National Guard Facilities	\$ 6,210,631	\$ 1,436,861	\$ -
Total Expenditures	\$ 6,210,631	\$ 1,436,861	\$ -
Balances Lapsed	\$ 28,352,509	\$ 3,563,139	\$ -
Federal Support Agreement Revolving Fund - 333			
Expenditure Authority (Net of Transfers)	\$ 40,410,700	\$ 40,410,700	\$ 40,410,700
Expenditures:			
<i>Office of the Adjutant General:</i>			
Lincoln's Challenge	\$ 4,262,262	\$ 4,554,669	\$ 4,010,841
Lincoln's Challenge Allowances	133,720	184,642	248,790
Subtotal, Office of the Adjutant General	4,395,982	4,739,311	4,259,631
<i>Facilities Operations</i>			
Army/Air Reimbursable Positions	9,891,070	9,581,523	9,044,129
Expenses Related to Army National Guard Facilities Operations & Maintenance	11,192,721	14,878,559	10,763,999
Subtotal, Facilities Operations	21,083,791	24,460,082	19,808,128
Total Expenditures	\$ 25,479,773	\$ 29,199,393	\$ 24,067,759
Balances Lapsed	\$ 14,930,927	\$ 11,211,307	\$ 16,342,941

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30,

SCHEDULE 3
(CONTINUED)

	2020	2019	2018
<u>APPROPRIATED FUNDS (CONTINUED)</u>			
U.S.S. Illinois Commissioning Fund - 395			
Expenditure Authority (Net of Transfers)	\$ -	\$ -	\$ 100,000
Expenditures:			
<i>Office of the Adjutant General:</i>			
Grants to U.S.S. Illinois Commissioning Committee	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -
Balances Lapsed	\$ -	\$ -	\$ 100,000
State Military Justice Fund - 500			
Expenditure Authority (Net of Transfers)	\$ 100,000	\$ 100,000	\$ -
Expenditures:			
<i>Office of the Adjutant General:</i>			
Military Justice Expenses	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -
Balances Lapsed	\$ 100,000	\$ 100,000	\$ -
Illinois Military Family Relief Fund - 725			
Expenditure Authority (Net of Transfers)	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Expenditures:			
<i>Office of the Adjutant General:</i>			
Awards and Grants	\$ 603,000	\$ 267,000	\$ 403,500
Total Expenditures	\$ 603,000	\$ 267,000	\$ 403,500
Balances Lapsed	\$ 4,397,000	\$ 4,733,000	\$ 4,596,500
<u>TOTAL APPROPRIATED FUNDS</u>			
Expenditure Authority (Net of Transfers)	\$ 104,281,740	\$ 73,800,400	\$ 66,589,550
Expenditures	\$ 52,734,345	\$ 52,038,815	\$ 42,473,574
Balances Lapsed	\$ 51,547,395	\$ 21,761,585	\$ 24,115,976
<u>NONAPPROPRIATED FUNDS</u>			
Illinois National Guard Billeting Fund - 076			
Expenditures:			
<i>Office of the Adjutant General:</i>			
Billeting	\$ 401,577	\$ 397,632	\$ 452,077
Total Expenditures	\$ 401,577	\$ 397,632	\$ 452,077
Illinois National Guard State Active Duty Fund - 730			
Expenditures:			
<i>Office of the Adjutant General:</i>			
Illinois National Guard State Active Duty	\$ 6,294,715	\$ 1,729,659	\$ 718,792
Total Expenditures	\$ 6,294,715	\$ 1,729,659	\$ 718,792
<u>TOTAL NONAPPROPRIATED FUNDS</u>			
Expenditures	\$ 6,696,292	\$ 2,127,291	\$ 1,170,869
<u>GRAND TOTAL - ALL FUNDS</u>			
Expenditures	\$ 59,430,637	\$ 54,166,106	\$ 43,644,443

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30,

SCHEDULE 3
(CONTINUED)

	2020	2019	2018
STATE OFFICERS' SALARIES			
General Revenue Fund - 001			
Expenditures:			
<i>Office of the Adjutant General:</i>			
Adjutant General	\$ 136,200	\$ 115,700	\$ 115,613
Two Chief Assistant to the Adjutant General	232,100	197,100	197,086
Total Expenditures	<u>\$ 368,300</u>	<u>\$ 312,800</u>	<u>\$ 312,699</u>

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Department's records and have been reconciled to the Office of Comptroller's records as of September 30, 2020 and October 31, 2019.
- Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the Office of Comptroller for payment to the vendor.
- Note 3: The Department received appropriations during Fiscal Year 2020 from Public Act 101-0007 and Public Act 101-0029. In addition, the Department received appropriations during Fiscal Year 2019 from Public Act 100-0586 and Public Act 101-007.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND DEPOSITS INTO THE STATE TREASURY
For the Fiscal Year Ended June 30,

SCHEDULE 4

	2020	2019	2018
<u>STATE TREASURY FUNDS</u>			
General Revenue Fund - 001			
Receipt sources:			
Miscellaneous receipts	\$ 146,970	\$ 326	\$ 385
Prior year refund	-	1,842	273
Prior year expenditure transfer	-	19,388	-
Current year expenditure transfer	-	2,860	-
Federal government	-	454,343	-
Department of Defense	885,213	2,160,858	1,365,649
Total receipts, per the Department records	<u>\$ 1,032,183</u>	<u>\$ 2,639,617</u>	<u>\$ 1,366,307</u>
Receipts, per the Department's records	\$ 1,032,183	\$ 2,639,617	\$ 1,366,307
Deposit in transit, beginning of the fiscal year	-	-	-
Deposit in transit, end of the fiscal year	-	-	-
Deposits, recorded by the Office of Comptroller	<u>\$ 1,032,183</u>	<u>\$ 2,639,617</u>	<u>\$ 1,366,307</u>
Military Affairs Trust Fund - 043			
Receipt sources:			
U.S. Customs Service	\$ 81	\$ 12,890	\$ -
Private organizations or individuals	1,700	43	1,072
Other charges for services	-	57	-
Recycled scrap metal	7,777	12,176	8,325
Property rental	122,196	63,014	55,760
Total receipts, per the Department records	<u>\$ 131,754</u>	<u>\$ 88,180</u>	<u>\$ 65,157</u>
Receipts, per the Department's records	\$ 131,754	\$ 88,180	\$ 65,157
Deposit in transit, beginning of the fiscal year	-	-	-
Deposit in transit, end of the fiscal year	-	-	-
Deposits, recorded by the Office of Comptroller	<u>\$ 131,754</u>	<u>\$ 88,180</u>	<u>\$ 65,157</u>
Illinois National Guard Billeting Fund - 076			
Receipt sources:			
Billeting operation proceeds	\$ 329,668	\$ 292,676	\$ 316,971
Prior year expenditure transfer	33,247	(19,388)	-
Total receipts, per the Department records	<u>\$ 362,915</u>	<u>\$ 273,288</u>	<u>\$ 316,971</u>
Receipts, per the Department's records	\$ 362,915	\$ 273,288	\$ 316,971
Deposit in transit, beginning of the fiscal year	-	-	-
Deposit in transit, end of the fiscal year	-	-	-
Deposits, recorded by the Office of Comptroller	<u>\$ 362,915</u>	<u>\$ 273,288</u>	<u>\$ 316,971</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS

SCHEDULE 4
(CONTINUED)

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND DEPOSITS INTO THE STATE TREASURY
For the Fiscal Year Ended June 30,

	2020	2019	2018
Federal Support Agreement Revolving Fund - 333			
Receipt sources:			
Lincoln's Challenge program	\$ 4,658,294	\$ 4,445,901	\$ 4,361,780
Department of Defense	19,427,237	23,066,942	20,564,102
Reimbursements/Jury duty and recoveries	901,960	917,531	1,434,863
Prior year refunds	6,413	-	1,823
Prior year expenditure transfers	(13,470)	-	-
Prior year warrant voids	-	-	540
Federal government	-	(182,804)	-
Other revenues	-	(271,539)	-
Total receipts, per the Department records	<u>\$ 24,980,434</u>	<u>\$ 27,976,031</u>	<u>\$ 26,363,108</u>
Receipts, per the Department's records	\$ 24,980,434	\$ 27,976,031	\$ 26,363,108
Deposit in transit, beginning of the fiscal year	1,315,757	948,899	509,473
Deposit in transit, end of the fiscal year	(98,087)	(1,315,757)	(948,899)
Deposits, recorded by the Office of Comptroller	<u>\$ 26,198,104</u>	<u>\$ 27,609,173</u>	<u>\$ 25,923,682</u>
State Military Justice Fund - 500			
Receipt sources:			
Miscellaneous receipts	\$ -	\$ 80,000	\$ -
Total receipts, per the Department records	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ -</u>
Receipts, per the Department's records	\$ -	\$ 80,000	\$ -
Deposit in transit, beginning of the fiscal year	-	-	-
Deposit in transit, end of the fiscal year	-	-	-
Deposits, recorded by the Office of Comptroller	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ -</u>
Budget Stabilization Fund - 686			
Receipt sources:			
Prior year refund	\$ -	\$ -	\$ 321
Total receipts, per the Department records	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321</u>
Receipts, per the Department's records	\$ -	\$ -	\$ 321
Deposit in transit, beginning of the fiscal year	-	-	-
Deposit in transit, end of the fiscal year	-	-	-
Deposits, recorded by the Office of Comptroller	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 642</u>
Illinois Military Family Relief Fund - 725			
Receipt sources:			
Donations - private organizations or individuals	\$ 13,100	\$ 1,805,565	\$ 21,822
Other revenues	-	(57)	-
Total receipts, per the Department records	<u>\$ 13,100</u>	<u>\$ 1,805,508</u>	<u>\$ 21,822</u>
Receipts, per the Department's records	\$ 13,100	\$ 1,805,508	\$ 21,822
Deposit in transit, beginning of the fiscal year	-	-	-
Deposit in transit, end of the fiscal year	-	-	-
Deposits, recorded by the Office of Comptroller	<u>\$ 13,100</u>	<u>\$ 1,805,508</u>	<u>\$ 21,822</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS

SCHEDULE 4
(CONTINUED)

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND DEPOSITS INTO THE STATE TREASURY
For the Fiscal Year Ended June 30,

	2020	2019	2018
Illinois National Guard State Active Duty Fund - 730			
Receipt sources:			
State agencies	\$ 10,099,914	\$ 2,028,697	\$ -
PY expenditure transfer	(19,778)	-	-
Total receipts, per the Department records	<u>\$ 10,080,136</u>	<u>\$ 2,028,697</u>	<u>\$ -</u>
Receipts, per the Department's records	10,080,136	2,028,697	-
Deposit in transit, beginning of the fiscal year	-	-	-
Deposit in transit, end of the fiscal year	-	-	-
Deposits, recorded by the Office of Comptroller	<u>\$ 10,080,136</u>	<u>\$ 2,028,697</u>	<u>\$ -</u>
Illinois National Guard Armory Construction Fund - 927			
Receipt sources:			
Construction reimbursement	\$ 5,642,268	\$ -	\$ -
Sale of land and structures	-	1,022,290	27,351
Total cash receipts per Department records	<u>\$ 5,642,268</u>	<u>\$ 1,022,290</u>	<u>\$ 27,351</u>
Receipts, per the Department's records	\$ 5,642,268	\$ 1,022,290	\$ 27,351
Deposit in transit, beginning of the fiscal year	454,950	-	-
Deposit in transit, end of the fiscal year	-	(454,950)	-
Deposits, recorded by the Office of Comptroller	<u>\$ 6,097,218</u>	<u>\$ 567,340</u>	<u>\$ 27,351</u>
<u>GRAND TOTAL - ALL FUNDS</u>			
Receipts, per the Department's records	\$ 42,242,790	\$ 35,913,611	\$ 28,161,037
Deposit in transit, beginning of the fiscal year	1,770,707	948,899	509,473
Deposit in transit, end of the fiscal year	(98,087)	(1,770,707)	(948,899)
Deposits, recorded by the Office of Comptroller	<u>\$ 43,915,410</u>	<u>\$ 35,091,803</u>	<u>\$ 27,721,611</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
SCHEDULE OF LOCALLY-HELD FUND RECEIPTS AND DISBURSEMENTS
For the Fiscal Year Ended June 30,

SCHEDULE 5

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>LOCALLY HELD FUNDS</u>			
Lincoln's Challenge Stipend Fund			
Balance, Beginning of the Fiscal Year	\$ 500	\$ 1,667	\$ 1,217
Receipts	65,760	76,710	96,130
Disbursements	(64,330)	(77,877)	(95,680)
Balance, End of the Fiscal Year	<u>\$ 1,930</u>	<u>\$ 500</u>	<u>\$ 1,667</u>

Note 1: These balances were obtained from the Department's records and have been reconciled to the Department's Report of Receipts and Disbursements for Locally Held Funds for each locally held fund submitted to the Office of Comptroller as of June 30, 2020 and June 30, 2019.

Note 2: This schedule is presented on the cash basis of accounting.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (NOT EXAMINED)
For the Two Years Ended June 30, 2020

Fiscal Year 2020 Compared to Fiscal Year 2019

General Revenue Fund - 001

Unpaid Wage Increase

The decrease was due to a one-time expenditure totaling \$648,510 paid in Fiscal Year 2019 for back pay of step increases resulting from the budget impasse in previous fiscal years.

Deposit into Illinois Military Family Relief Fund

The decrease was due to a one-time transfer totaling \$1,800,000 from the General Revenue Fund to the Illinois Military Relief Fund in Fiscal Year 2019. The transfer was made due to high activity in the Illinois Military Relief Fund. Funds are requested to be transferred from the General Revenue Fund when activities are anticipated to be high. This was not the case in Fiscal Year 2020.

Deposit into Illinois National Guard State Active Duty Fund

The increase was due to increased State active duty missions in Fiscal Year 2020 which required additional funding.

Capital Development Fund - 141

Permanent Improvements

The increase was due to expenditures incurred on construction projects in progress, and additional construction projects started for the Illinois National Guard facilities during Fiscal Year 2020.

Federal Support Agreement Revolving Fund - 333

Expenses Related to Army National Guard Facilities Operations and Maintenance

The decrease was due to the COVID-19 pandemic restrictions.

Illinois Military Family Relief Fund - 725

Awards and Grants

The increase was due to more deployment numbers and longer State active duty missions.

Illinois National Guard State Active Duty Fund - 730

Illinois National Guard State Active Duty

The increase was due to increased State active duty missions during Fiscal Year 2020 brought about by the COVID-19 pandemic, civil disturbance, and election support.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (NOT EXAMINED)
(CONTINUED)
For the Two Years Ended June 30, 2020

Fiscal Year 2019 Compared to Fiscal Year 2018

General Revenue Fund - 001

Ordinary and Contingent Expenses

The decrease was due to the one-time supplemental expenditure totaling \$3,141,381 paid in Fiscal Year 2018 for step increases and interest payments.

Unpaid Wage Increase

The increase was due to the one-time expenditure totaling \$648,510 paid in Fiscal Year 2019 for back pay of step increases resulting from budget impasse in previous fiscal years.

Deposit into Illinois Military Family Relief Fund

The increase was due to the one-time transfer totaling \$1,800,000 from the General Revenue Fund to the Illinois Military Relief Fund in Fiscal Year 2019. The transfer was made due to high activity in the Illinois Military Relief Fund. Funds are requested to be transferred from the General Revenue Fund when activities are anticipated to be high. This was not the case in Fiscal Year 2018.

Deposit into Illinois National Guard State Active Duty Fund

The increase was due to increased State active duty missions in Fiscal Year 2019 which required additional funding.

Capital Development Fund - 141

Illinois National Guard Facilities

The increase was due to costs associated with capital improvements at the Illinois National Guard facilities incurred in Fiscal Year 2019. This was the initial year that the Department received appropriated funds from the Capital Development Fund.

Federal Support Agreement Revolving Fund - 333

Expenses Related to Army National Guard Facilities Operations and Maintenance

The increase was due to an increased number of operations and maintenance projects addressed in Fiscal Year 2019.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (NOT EXAMINED)
(CONTINUED)**

For the Two Years Ended June 30, 2020

Fiscal Year 2019 Compared to Fiscal Year 2018 (Continued)

Illinois Military Family Relief Fund - 725

Awards and Grants

This fund is for grants paid to soldiers on State active duty. Expenditures are based on demand and length of mission. The decrease was due to decreased demand/activity during Fiscal Year 2019.

Illinois National Guard State Active Duty Fund - 730

Illinois National Guard State Active Duty

The increase was due to increased State active duty missions during Fiscal Year 2019.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS (NOT EXAMINED)
For the Two Years Ended June 30, 2020

Fiscal Year 2020 Compared to Fiscal Year 2019

General Revenue Fund - 001

Miscellaneous Receipts

The increase was due to error in depositing receipts totaling \$136,593 in Fiscal Year 2020 which should have been made to the Department of Defense (DoD) revenue code. As in the past, since the receipts will be moved into the same fund and would not change the balance of the fund, this was not corrected.

Federal Government

The decrease was due to incorrect revenue source code used on receipts in Fiscal Year 2019. The Department requested the Office of Comptroller to correct the information, however, since the receipts will be moved into the same fund and would not change the balance of the fund, this was not corrected.

Department of Defense

The activity in this account varies based on State money spent, and related reimbursements made by the DoD. The decrease in DoD receipts was due to fewer reimbursable expenditures in Fiscal Year 2020 brought about by the COVID-19 pandemic restrictions.

Federal Support Agreement Revolving Fund - 333

Federal Government

This relates to an adjustment made to move deposit erroneously recorded under Federal Support Agreement Revolving Fund - 333 to General Revenue Fund - 001 in Fiscal Year 2019. There was no such adjustment made in Fiscal Year 2020.

Other revenues

This relates to an adjustment made to move deposit erroneously recorded under Federal Support Agreement Revolving Fund - 333 to General Revenue Fund - 001 in Fiscal Year 2019. There was no such adjustment made in Fiscal Year 2020.

Illinois Military Family Relief Fund - 725

Donations - Private Organizations or Individuals

The decrease was due to the one-time transfer totaling \$1,800,000 from the General Revenue Fund to the Illinois Military Relief Fund in Fiscal Year 2019. The transfer was made due to high demand of activity out of the Illinois Military Relief Fund. Funds are requested to be

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS (NOT EXAMINED)
(CONTINUED)**

For the Two Years Ended June 30, 2020

Fiscal Year 2020 Compared to Fiscal Year 2019 (Continued)

Illinois Military Family Relief Fund - 725 (Continued)

Donations - Private Organizations or Individuals (Continued)

transferred from the General Revenue Fund when activities are anticipated to be high. This was not the case in Fiscal Year 2020.

Illinois National Guard State Active Duty Fund - 730

State Agencies

The increase was due to a large increase of State active-duty missions, receipts from prior-year missions totaling \$718,792, and a supplemental one-time receipt totaling \$5,000,000 during Fiscal Year 2020.

Illinois National Guard Armory Construction Fund - 927

Construction Reimbursement

The increase was due to construction reimbursements for the Illinois National Guard facilities during Fiscal Year 2020.

Sale of Land and Structures

The decrease was due to the Department using the "Construction Reimbursement" revenue source code to account for construction reimbursements in Fiscal Year 2020 in lieu of this revenue source code.

Fiscal Year 2019 Compared to Fiscal Year 2018

General Revenue Fund - 001

Federal Government

The increase was due to an incorrect revenue source code used on receipts in Fiscal Year 2019. The Department requested the Office of Comptroller to correct the information, however, since the receipts will be moved into the same fund and would not change the balance of the fund, this was not corrected by the Office of Comptroller.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS (NOT EXAMINED)
(CONTINUED)**

For the Two Years Ended June 30, 2020

Fiscal Year 2019 Compared to Fiscal Year 2018 (Continued)

Department of Defense

The activity in this account varies based on State money spent, and related reimbursements made by DoD. The increase in DoD receipts was due to reimbursable expenditures from the prior year received in Fiscal Year 2019.

Federal Support Agreement Revolving Fund - 333

Reimbursements/Jury Duty and Recoveries

The decrease was due to the General Assembly approved transfer of federal reimbursed funds from the General Revenue Fund to ease cash flow concerns by the Department in Fiscal Year 2018. This was not the case in Fiscal Year 2019.

Federal Government

This was an adjustment made to move deposit erroneously recorded under Federal Support Agreement Revolving Fund - 333 to General Revenue Fund - 001 in Fiscal Year 2019.

Other revenues

This was an adjustment made to move deposit erroneously recorded under Federal Support Agreement Revolving Fund - 333 to General Revenue Fund - 001 in Fiscal Year 2019.

Illinois Military Family Relief Fund - 725

Donations - Private Organizations or Individuals

The increase was due to the one-time transfer totaling \$1,800,000 from the General Revenue Fund to the Illinois Military Relief Fund in Fiscal Year 2019. The transfer was made due to high activity in the Illinois Military Relief Fund. Funds are requested to be transferred from the General Revenue Fund when activities are anticipated to be high.

Illinois National Guard State Active Duty Fund - 730

State Agencies

The increase was due to increased State active-duty missions in Fiscal Year 2019. In Fiscal Year 2018, the fund already had cash reserve and there were no State active duty missions during the year, thus, there was no need for receipts into the fund.

Illinois National Guard Armory Construction Fund - 927

Sale of Land and Structures

The increase was due to the construction of the Illinois National Guard facilities starting Fiscal Year 2019.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING (NOT EXAMINED)
For the Two Years Ended June 30, 2020**

Fiscal Year 2020

Illinois National Guard State Active Duty Fund - 730

Illinois National Guard State Active Duty

The significant lapse period spending was due to the invoices related to State active-duty missions completed in May and June 2020 not received and paid until after June 30, 2020.

Fiscal Year 2019

General Revenue Fund - 001

Unpaid Wage Increase

The significant lapse period spending was due to approval and funds from the Governor's Office and Department of Central Management Services to pay for these expenditures not received by the Department until after June 30, 2019.

Illinois National Guard Billeting Fund - 076

Billeting

The significant lapse period spending was due to a large percentage of invoices not received and paid until after June 30, 2019.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
NUMBER OF EMPLOYEES (NOT EXAMINED)
For the Two Years Ended June 30, 2020

	Fiscal Year		
	2020	2019	2018
<u>AVERAGE FULL-TIME EMPLOYEES</u>			
Executive Director	1	1	1
General Counsel	1	1	1
State Employees	225	226	225
Contractors	126	122	103
Total Full-Time Equivalent Employees	<u>353</u>	<u>350</u>	<u>330</u>

Note 1: This schedule presents the average number of employees, by function, at the Department.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
DISCLOSURE OF EMERGENCY PURCHASES (NOT EXAMINED)**

For the Two Years Ended June 30, 2020

Fiscal Year 2020

Prevent or Minimize Disruption to Critical State Services

The Department's contract for Security Guard Services had one renewal option left (October 1, 2019 through September 30, 2020). When the Department exercised the final option, it was discovered the legacy contract had not been properly loaded into BidBuy. The Department obtained a 90-day emergency contract with the incumbent vendor while a new invitation for bid (IFB) was prepared. The Department requires Security Guard services for: Camp Lincoln, Marseilles Training Area, Peoria, Midway, North Riverside and Decatur. Services are required to ensure the safety of employees and to protect the property of the State. Services include stationary assignments and patrol of buildings or properties during operating and after hours. The Department requires trained and qualified on-duty armed security officers 24/7 distributed among three shifts and six locations from the first day of performance through completion of this contract in support of post patrol, access control points, security enforcement, vehicular traffic flow, and vehicle inspections in accordance with federal, State, local, Department of Defense, and applicable force protection conditions to include random antiterrorism measures. In support of their duties, vendor security officers deter, detect, and detain, by use of necessary and reasonable force, trespassers or persons who illegally gain or attempt to gain access to the installation. Additionally, vendor security officers detect and detain persons suspected of committing other offenses such as operating a vehicle under the influence of alcohol or other drug, driving a motor vehicle with a suspended/revoked license, and illegal transport of drugs/explosive materials/weapons. In addition, federal funding will be lost if services are not procured by September 30, 2019, which would also make this eligible as an emergency in accordance with Illinois Administrative Code Title 44 Section 1.2030(c)(5). The Department ultimately paid its vendor, Global Security Services, \$536,787 during this 90-day period. While the Department continued to finalize a new IFB, an Emergency Purchase Extension was requested for December 28, 2019 to December 31, 2020. The Department ultimately paid its vendor, Global Security Services, \$2,312,025 during this period.

Immediate Repairs Need to Protect Against Loss or Further Destruction of Property

The Department originally awarded a small purchase for tuck-pointing at the Peoria Army Aviation Support Facility as several areas of brick were eroded and falling off the building. After starting the work, the contractor ran into unforeseen conditions as more of the brick started to fall apart. Once the sign was removed the failing brick began falling off the wall, requiring additional replacements to prevent water from getting into the building. The Department ultimately paid its vendor, CAD Construction Inc., \$89,174.

**STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
DISCLOSURE OF EMERGENCY PURCHASES (NOT EXAMINED) (CONTINUED)**
For the Two Years Ended June 30, 2020

Fiscal Year 2019

Threat to Public Health or Safety

The boiler at the Calumet Armory failed and was beyond repair. The Department of Military Affairs (Department) determined a new boiler was needed as soon as possible to protect the building and occupants. The installation of a L.E.S. HFR-70-XSB4 70 H.P Scotch Box Steam Boiler rated at 2,820,000 BTU input and 2,345,000 BTU output with an 83% efficiency rating was completed. The Department ultimately paid its vendor, South Town Refrigeration Corporation d/b/a Corrigan Company \$159,500 for this purchase.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
ANALYSIS OF OVERTIME AND COMPENSATORY TIME (NOT EXAMINED)
For the Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>OPERATIONAL DIVISION</u>			
Overtime Hours Paid	7,741	6,303	3,821
Compensatory Hours Granted	1,148	1,714	1,045
Total	<u>8,889</u>	<u>8,017</u>	<u>4,866</u>
Value of Overtime Hours Paid	\$ 320,915	\$ 179,187	\$ 64,196
Value of Compensatory Hours Granted	33,152	47,985	29,253
Total Costs	<u>\$ 354,067</u>	<u>\$ 227,172</u>	<u>\$ 93,449</u>

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
MAJOR CONSTRUCTION PROJECTS (NOT EXAMINED)
For the Two Years Ended June 30, 2020

CDB #546-070-026 - General Jones Upgrade Mechanical System - Chicago, Illinois

The Department of Military Affairs (Department) began an approximate \$3.7 million project to replace components of the existing HVAC system including control systems, air handling units, central steam heating systems, chilled water-cooling systems, exhaust units, ventilation units, boilers, chillers, and the associated electrical connections at the General Jones Readiness Center. The replacement of these systems was necessary due to the age and condition of the existing systems which were over 25 years old and at the end of their life cycle. The project began in October 2018 and the project is currently expected to be finished in May 2021.

CDB #546-115-035 - East St. Louis Replace Roof, Ext. Repair, Kitchen - East St. Louis, Illinois

The Department began an approximate \$1.7 million project to repair the existing roof of the East St. Louis Readiness Center with a new TPO roof and metal roof for the drill hall. The project includes tuck pointing, repairs to the stairs, replacement of exterior doors, entryway flooring, and remodel of the kitchen area. The replacement is due to the condition of the roof and kitchen being a life, health, and safety issue. Both were past their lifecycles and in need of major repairs. The project began in October 2019 and substantial completion was September 2020. It is just waiting on the final walk through with the Capital Development Board (CDB) for its final completion which is anticipated in April 2021.

CDB #546-235-021 - North Riverside Building 22 Roof and Parking - North Riverside, Illinois

The Department completed an approximate \$360,000 project to replace the roof and existing asphalt parking lot with concrete at the North Riverside United States Property and Fiscal Office warehouse. The replacement of the roof was needed because it was over 30 years old, and the existing parking lot had many large potholes with a condition rating of black. The project began in October 2019 and the project was completed August 2020.

CDB #546-250-019 - Paris Repair Roof and Kitchen - Paris, Illinois

The Department completed an approximate \$1.4 million (\$750,000 funded by CDB) project to replace the roof with a new TPO roof and metal roof for the drill hall at Paris Readiness Center. Project included tuck pointing, repairing of stairs and stair rails, replacing exterior doors, replacing entryway floorings, repairing/replacing the entryway sidewalks, and renovation of the kitchen area. The repair/replacement was due to the condition of the roof that was beyond repair and the kitchen was not usable in existing condition. This project addressed many life and health safety concerns. The project began in October 2019 and was completed in September 2020.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
MAJOR CONSTRUCTION PROJECTS (NOT EXAMINED) (CONTINUED)
For the Two Years Ended June 30, 2020

CDB #546-310-008 - Crestwood Mechanical & Exterior Rehab - Robbins, Illinois

The Department began an approximate \$2 million project to replace the existing HVAC and Domestic Hot Water System at the Crestwood Readiness Center. Replacement includes control system, HVAC systems, exhaust systems and dampers, the boilers and associated electrical systems. The replacement is due to the age and condition of the current systems which were in a failing state and beyond repair and normal life cycles. The project began in October 2018 and the project is currently expected to be finished in April 2021.

CDB #546-310-009 - Crestwood Electrical & Lighting System - Robbins, Illinois

The Department began an approximate \$1.2 million project to repair by replacement the electrical system including replacing switch gear, wiring and the lighting system and fixtures, and the addition of a new generator and transformers at the Crestwood Readiness Center. The replacement was necessary due to a lack of sustainment and the systems were over 35 years old which are well past the life cycle. The project began in September 2019 and the project is currently expected to be finished in April 2021.

CDB#546-345-014 - Sullivan Upgrade Plumbing Systems, Sullivan, Illinois

The Department began an approximate \$2 million project to replace and reconfigure the facility plumbing system and fixtures at the Sullivan Readiness Center. Work includes new fixtures for the restroom, showers, kitchen, new piping, new domestic water line, new sewer lines, hot water heaters and circulation pumps. The replacement was necessary because original piping has exceeded its service life and are corroding and leaking. The project began in February 2020 and the project is currently expected to be finished in April 2021.

CDB #546-385-038 - Marseilles Training Area Replace Hot Water Tanks - Marseilles, Illinois

The Department completed an approximate \$350,000 project to replace 30 hot water tanks that serve their Battalion Training Complex at Marseilles Training Area. The replacement was due to the existing tanks being beyond their service life. Existing tanks were rusting with presence of particles in the water and tanks were starting to leak. The project began in October 2019 and the project was finished in September 2020.

STATE OF ILLINOIS
DEPARTMENT OF MILITARY AFFAIRS
MAJOR CONSTRUCTION PROJECTS (NOT EXAMINED) (CONTINUED)
For the Two Years Ended June 30, 2020

CDB #546-385-039 - Marseilles Training Area Addition to Building 20 - Marseilles, Illinois

The Department completed an approximate \$1.1 million project to add an additional 3,000 square feet to the existing supply and headquarters building with accommodations for the Ammunition Supply Point administrative staff at Marseilles Training Area. The addition was necessary to provide the administrative staff a permanent space with the adequate supply and administrative space. The staff were utilizing semi-permanent trailers that was in a deteriorating state. The project began in October 2019 and was finished in October 2020.