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Office of the County Auditor

Mary Modelski

Cook County Auditor

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October 8, 2020

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Veterans Assistance Commission of Cook County (VACCC) in accordance with the [Cook County Auditor Ordinance](#).

The overall objective of our audit was to evaluate if adequate financial internal controls were in place and operating as intended. Our audit was also designed to assess the overall completeness and accuracy of the VACCC's quarterly reports submitted to Cook County Board of Commissioners.

Please refer to the following audit report for the results of the audit. The audit report contains five audit recommendations. Management has responded to our recommendations in the attached memo, found at the end of our report. The Executive Summary provides an overview of the audit and recommendations.

We express our appreciation for the cooperation the VACCC staff extended to Mark Wehren during our audit. We have discussed our recommendations with the staff of the Veteran's Assistance Commission of Cook County and would be pleased to discuss our recommendations in greater detail in order to assist the VACCC with their implementation of our recommendations.

Respectfully Submitted,

Mary Modelski
Cook County Auditor

cc: Tayna Anthony, Bureau Chief, Bureau of Administration
Bill Browne, Director, Cook County Veterans Affairs Bureau of Administration
Dr. Willie Mack, Interim Superintendent, Veterans Assistance Commission of Cook County



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Veterans Assistance Commission of Cook County

Internal Audit Report

Report Date:
October 2020

Issued By:
Mary Modelski, County Auditor

Audit Conducted By:
Mark Wehren, Field Auditor V
Julie Stack, Audit Supervisor
William J. Carroll, Deputy County Auditor

EXECUTIVE SUMMARY

We have completed our review of the accounting records and financial internal controls at the Veterans Assistance Commission of Cook County (VACCC). Our review concentrated on evaluating the accounting records and related financial internal controls at the VACCC during Fiscal Year 2018 and Fiscal Year 2019. Our field work was conducted from June through October 2019.

The scope and objectives for this audit were designed to evaluate if adequate financial internal controls were in place and operating as intended, operations were efficient, as well as to assess the overall completeness and accuracy of the VACCC's quarterly reports.

We noted the following recommendations regarding the financial internal control structure. The VACCC needs to:

- Perform monthly reconciliations of its bank accounts and resolve outstanding checks.
- Ensure that reported amounts on quarterly reports are accurate.
- Reconcile its transportation passes, grocery gift certificates and ACH transactions daily.
- Enforce policies and ensure proper documentation is in place to support benefits provided to eligible veterans.
- Expand their policy and procedures manual to include processes not previously included.

The recommendations noted were presented to the VACCC and the Bureau of Administration. Please refer to the Recommendations section for more details on the recommendations and the attachment for management responses and corrective action plans.

BACKGROUND

The VACCC's mission is to provide services to eligible veterans and their families. Assistance is provided with meeting basic living expenses and/or advocacy services, according to their adopted written standards.

The VACCC is mandated by the Illinois Military Veterans Assistance Act - 330 ILCS 45. The VACCC was a department of Cook County, but effective December 1, 2013 became an independent entity that receives funding from Cook County. In Fiscal Year 2019, the VACCC received \$635,000 from Cook County which was an increase from \$525,000 in Fiscal Year 2018. Of this amount, \$351,000 was budgeted for veterans' benefits, with the remaining amount for salaries, administration and other operating expenses.

The VACCC provides financial assistance in an emergency to qualified honorably discharged veterans meeting low income requirements. In addition, the VACCC provides veterans referrals and information to municipal, county, state and federal veteran programs. The types and amounts of financial assistance currently provided by the VACCC, on a one-time basis, are as follows:

- Rent/Mortgage –up to \$650
- Utilities – up to \$325 per utility (gas, water, electric)
- Transportation (primarily CTA and Pace passes) - based on need and support, for doctor visits, physical therapy sessions, job interviews
- Food certificates - \$100 per eligible family member
- Work clothing and shoes– depending on circumstances

The veteran must provide a copy of the “Certificate of Release or Discharge from Active Duty” (DD214) showing an honorable discharge and six months of active service. It is the responsibility of the veteran seeking assistance to provide the DD214 before financial assistance can be granted.

AUDIT SCOPE AND OBJECTIVES

Our objectives were designed to evaluate if financial internal controls were in place to ensure efficient operations, reliable accounting records, and accuracy and completeness of the VACCC’s quarterly reports prepared for Cook County.

Our objectives were designed to determine whether:

1. Policies and procedures existed and were being adhered to by the VACCC.
2. Assistance was only provided to qualified veterans.
3. Proper supporting documentation existed for financial assistance provided.
4. Petty cash was properly maintained, and records were present to support expenditures.
5. Proper internal controls were in place for grocery gift cards and transportation passes.
6. Bank reconciliations were prepared on a timely basis.
7. Quarterly reports were prepared, checked for accuracy and sent to Cook County on a timely basis.
8. A budget was in place and no unusual expenses or large variances occurred.
9. There was a current intergovernmental agreement between Cook County and the VACCC.

AUDIT RESULTS

Based on our analysis and evaluation of the financial internal controls and the operations of the VACCC, we noted five recommendations as detailed in the Recommendations section. Our review determined the following conclusions regarding compliance:

- The VACCC does have policies in place, although they have not been formally adopted.
- Petty cash fund was in balance and expenses had supporting documentation.
- The VACCC does have a budget and no unusual expenses or large variances were noted.
- There is a current intergovernmental agreement between Cook County and the VACCC.

RECOMMENDATIONS

Recommendation #1:

The VACCC maintains two bank accounts. One bank account is used to issue payroll checks to employees. The other bank account is used to issue checks for veteran assistance and other VACCC expenses. Our review of the two bank accounts indicated that the VACCC does not perform monthly bank reconciliations and does not update the bank balance in their checkbooks on a timely basis. Bank reconciliations are an essential internal control and are necessary in preventing and detecting fraud. They also help identify accounting and bank errors by providing explanations of the differences between the accounting record's cash balances and the bank balance position per the bank statement.

We recommend that the VACCC develop policies and procedures over the process of reconciling their bank accounts and maintaining their checkbook balance on a timely basis. The policy and procedures should cover performing monthly bank reconciliations; developing and maintaining a current outstanding check list; and a process for reviewing all miscellaneous items on the bank statement, specifically debit transactions, to ensure they are investigated in a timely manner. The policies and procedures should also include a process to analyze any banking fees charged to determine the reason for the fee and how the fee was determined as well as a process to analyze any check that remains outstanding more than one bank statement. When a check remains outstanding more than one bank statement, the VACCC should follow-up with the Payee to determine why the check is still outstanding.

Our testing included creation of a list of outstanding checks and questioning the reasons why they were still outstanding. The follow-up on the outstanding checks indicated the following:

- One veteran indicated that the checks were stolen.
- One check had cleared per the VACCC staff, but we could not confirm it cleared on the bank statements.
- Twenty of twenty-two outstanding checks were claimed not to be received by the payee or the payee did not respond to whether the check was received or not.

We also reviewed the electronic debits (transactions) found on the bank statements. We asked the VACCC to research the origin of these transactions. Seventeen of 18 transactions referenced utilities (ComEd or Nicor, People Gas and City of Chicago) and there may have also been a small fee ranging from \$1.75 to \$3.50 (one fee could not be traced to a specific utility). However, the subsequent follow-up did indicate eight transactions and one fee, totaling \$1,479.83, was determined to be fraud. It is the VACCC's belief that a Veteran obtained the VACCC's bank account information and routing number from a check issued to his landlord and used that information to pay additional utility bills.

We recommend that the VACCC reconcile daily ACH transactions and immediately investigate any transactions the VACCC did not initiate. Monthly, the VACCC should perform bank reconciliations to ensure checks that have cleared match the amount authorized, and any outstanding checks are followed up upon. After a predetermined timeframe, outstanding checks should be cancelled to ensure stolen checks are not cashed by unauthorized parties.

We recommend the written policy be updated to include VACCC checks are to be sent directly to the payee on behalf of the veteran and not to be given to the veteran, as well as, educating staff no checks are to be given directly to the veteran. In addition, update current policies to notify the proper authorities and financial institutions in cases where there is inappropriate use of funds taking place.

Recommendation #2:

In the third quarter of 2017, the VACCC made changes to their quarterly reporting process to improve disclosure of all expenditures made by the VACCC. Prior to this date, only benefits paid to veterans were reported. Starting that period, the quarterly reports included operating expenses such as payroll, office supplies and expenses, and other miscellaneous operating expenses.

However, our testing of the VACCC quarterly reports submitted to Cook County during Fiscal Year 2018 and Fiscal Year 2019 found errors had occurred in the reporting process of operating expenditures. Errors noted on the quarterly reports included: amounts not reported, incorrect amount reported, and the same amount reported twice in different categories.

Vendor/Expense	# of Monthly Exceptions	(Over)/Under Reported Amount
Salary	1	(\$2,164.66)
Bank Fees	5	\$315.98 (a)
Minuteman Press	1	\$95.00 (b)
Quench	1	(\$43.55)
Payless	1	\$35.71 (b)
Totals	9	(\$1,761.52)

- (a) Net amount, includes \$255.64 not reported for two of the months.
- (b) No amount reported for month.

In addition, petty cash funds were distributed to veterans when the applicable transportation pass was not available for two months in Fiscal Year 2019. The amounts were \$202.50 in January and \$29.50 in May. Since these expenditures were veteran benefits, they should have been included in the quarterly report as veteran benefits. The amount reported as petty cash should have been reduced by these amounts. We observed that the quarterly reports were prepared by the same person each month and were not reviewed for accuracy prior to being submitted.

In order to improve the reporting process, we recommend that the VACCC expand written policies and procedures over the preparation of the quarterly reports. The procedures should provide detailed steps on how to prepare the quarterly reports. It should include examples of where the amounts are pulled from and how they are categorized. Well written policies and procedures help ensure reports are prepared consistently and accurately from quarter to quarter. Additionally, in order to enhance the reporting process, the VACCC should include on the report a year-to date cumulative total with the second and third quarter. Currently the cumulative is only reported at year-end. This would enable the Commissioners to easily obtain year-to-date operating expenditures and benefits paid to veterans. In addition, a secondary review of the quarterly reports should be completed by a knowledgeable party to ensure accuracy prior to submission.

Recommendation #3:

The VACCC does not consistently perform daily counts of the transportation passes, grocery gift certificates or perform a daily reconciliation of the counts on hand to the daily activity log, to ensure there are no discrepancies. The lack of internal controls over this process could lead to errors or missing transportation passes or grocery gifts certificates going undetected. The VACCC should develop and implement policies and procedures that require counts of both the transportation passes and grocery gift certificates daily. The daily count should then be reconciled to the number on hand per the log sheet. A policy should be drafted as to how and whom will be notified of unreconciled cash equivalents and how such discrepancies will be handled.

Recommendation #4:

We reviewed a sample of Veteran files from Fiscal Years 2018 and 2019 to verify completeness of the required documentation and the accuracy of assistance awarded. Our review indicated that the overall process improved over the time period reviewed, specifically starting in June 2019. Staff provided a checklist of required documentation used, but a copy of the checklist is not kept in the file as assurance that the file was properly reviewed and that all required documentation were present.

Our review of the Veteran files uncovered the following types of exceptions:

- Documentation for benefits was missing or incomplete for six veterans. They received benefits totaling \$2,600 for mortgage/rent and \$228.75 for utilities.
- Documentation was missing for income verification for three veterans. They received \$1,835.22 in various utility benefits, \$600 for mortgage, \$250 in grocery gift certificates and \$28.50 in transportation passes. In addition, one veteran exceeded the income limit, but no reason was given for allowing the exception. The benefits were \$743.07 in various utilities, \$600 in mortgage, and \$225 in the grocery certificates.
- A veteran's widow was given multiple benefits several years after the veteran's death. This included \$300 each for water and gas utilities, \$277.56 in electric utility, and \$600 for the mortgage. Only the veteran is entitled to receive benefits. The only exception being funds for funeral expenses for the veteran.
- Documentation such as birth certificates to support dependent children were missing or insufficient to support the grocery gift certificates received for three veterans totaling \$600.
- One veteran received rent payments twice for \$600 each and another veteran received both utilities and grocery gift certificates twice. This was \$900 for the gas, water, and electric utilities and \$100 for grocery gift certificate. Veterans are entitled to one-time assistance for these benefits.
- No explanation as to the reason for the transportation passes disbursed for one veteran for \$28.50.
- Utility bill was paid for the maximum \$325.00, but the amount owed was only \$202.83.

A subsequent review of ten additional veteran files from July through September 2019 revealed that all paperwork was present, the correct benefit paid, and that all veterans were properly qualified for the benefits that they received. Staff again indicated a checklist is used, but a copy of the checklist was not kept in the file. The completed checklist will provide assurance that the file was reviewed, and all required documentation was received and was present. We recommend that the VACC keep a copy of the completed checklist in each veteran's file as assurance that all steps of the verification process were completed.

Recommendation #5:

Written policies and procedures are an essential part of an organization and provide directions for day-to-day operations for both management and staff. They help ensure compliance with laws and regulations, as well as give guidance for decision-making and streamline internal processes. Written policies and procedures also help ensure a smooth transition when there is staff turnover.

During our audit we reviewed the draft policies and procedures manual developed by the VACCC. Below is a list of additional policies and procedures we recommend be included in the final Policy and Procedures Manual. Specific written policies and procedures should be established for the following:

1. Preparation of Quarterly Reports, including: (Recommendation 1)
 - Detailed steps on how to prepare the quarterly reports
 - Information on where the amounts are pulled from and how they are categorized.
2. Bank Account Reconciliations, including: (Recommendation 2)
 - Follow-up process on outstanding checks
 - Follow-up process when check amount and amount check cleared differ
 - Review process of any miscellaneous debits/credits on the bank statement, including potentially fraudulent items
 - Timing and review process of checkbook and bank statement
 - Completion date of monthly bank reconciliations.
3. Petty Cash, including:
 - Types of expenditures and amounts permitted
 - Approval process
 - Documentation of expenses
 - Verification of cash balance
 - Amount of replenishment and threshold amount to replenish petty cash.
4. Payroll
 - Procedures for establishment of salary/wages for VACCC positions.
 - Procedures for reporting employee payroll hours to ADP (Automatic Data Processing).
 - Review accuracy of checks and payroll information from ADP.
5. Segregation of Duties
 - Procedures for establishing segregation of duties
 - Identifying areas that require segregations of duties
 - Procedures for establishing which positions will perform the segregated duties



Veterans Assistance Commission of Cook County



Cook County Juvenile Center
1100 S. Hamilton, CO11 (Lower Level)
Chicago, Illinois 60612

Office: (312) 433-6010 / Fax: (312) 433-6015

October 5, 2020

Office of the County Auditor
Mary Modelski
County Auditor
69 W. Washington Street, Suite 840
Chicago, Illinois 60602

Dear Mary Modelski,

We like to outline the steps that the Office of the Veterans Assistance Commission of Cook County [VACCC] has made or is making to comply with the recommendations made by the Office of the County Auditor. The new Interim Superintendent took over in January 2020.

Recommendations #1

By maintaining a written list of outstanding checks, the VACCC reconciles the bank accounts in a timely manner. We keep track of when checks are issued and when checks are cashed. We maintain two reports that identify the key information. The reports identify: a) outstanding checks issued, for example, in a certain month (e.g. April), but not cashed by the end of that month, b) checks issued in previous months before the immediate preceding quarter, but cashed during the month (e.g. April), and c) checks issued in previous months before earlier quarters, but not cashed during the month (e.g. April). The figures are taken from the bank statements and from the check book.

We reviewed last year's (2019) checks and found that two had not been cashed by mid-2020. We stopped payment on one and the original recipient cashed the other check. Our current procedures include a review of all checks so that we can detect whether unauthorized parties cashed checks; none have been reported to us. Veterans never receive a VACCC check; only the intended vendor received the checks. In order to reduce errors, staff members confer with recipient before the checks are mailed to them. We have not had any instances of bank transactions taking place that the VACCC did not originate. We make every effort to comply with the recommendations of the Office of the County Auditor.

Our new bank reconciliation policy will cover the following sections: purpose and scope, policy statement, definitions, examples, related resources, and contact information.

Recommendations # 2

The VAC Fiscal Year 2018 and 2019 had minor errors in the reporting process for Operating Expenditures. Errors noted in the Audit Report were by the previous coordinator, who left the VAC in June 2019. The reporting process was turned over to the current coordinator without procedures. It was a short on-the-job training period with handwritten notes. Several changes have taken place in the second half of 2019 to make the report reflect accurately. Written procedures for daily tracking and reporting have been initiated, starting with Veteran Expenditures, District Breakdown and Gender/Race reports. The Operating procedure is expected to be complete by the end of October 2020.

The petty cash funds used to supplement Transportation cards for two months, in the amount of \$232.00, should no longer be an issue. Sufficient amount of Transportation Bus Cards are on hand and inventory is tracked daily by the Administrative Assistant.

The VAC coordinator and tracker has created written procedures for preparation of quarterly reports. Detail steps with examples are provided on how to prepare daily reports, which are then used to roll up the monthly, quarterly and year end reports. Additionally, a section was added to the second and third quarter reports to reflect year-to-date. The monthly report will be reviewed by the Superintendent for accuracy and distribution.

Recommendations # 3

The VACCC consistently perform daily counts of the CTA Bus Cards and Aldi Gift Cards. We perform a daily reconciliation of the counts on hand to the daily activity log sheet.

Recommendations # 4

A Comment/Checklist Log was updated and added to all New Veterans File Folder's. Any current file folder is upgraded with the new Comment/Checklist for veterans receiving additional assistance. The Coordinator or Assistance Coordinator reviews the folder for required documents and initials the Comment/Checklist Log.

In May 2019, a daily Quality check was initiated of veteran file folder for any services received, to ensure all required documents are present and that no double payments are issued. There may be exceptions for some cases which can be approved by the Superintendent. At which case the Comment/Checklist Log is noted.

Recommendations # 5 (1)

(Refer to Recommendation #2)

The Quarterly Report is a combination of Monthly reports. Detail steps are provided for the Daily report, which make up the Quarterly report and Year-End report. The final steps are being written and are expected to be completed by the end of October 2020. The Superintendent requested from the BOA a Line item report that describes what each line item contains in the budget process so that the expenses can be tracked accordingly. For the remaining year, the current process will be used. As the process changes, the procedure will be updated.

Recommendations # 5(2)

We review the checkbook and the bank statement in a timely manner. From these documents, we compare the figures and develop a written list of outstanding checks. The list contains dates when checks are issued and when checks are cashed. We identify: a) outstanding checks issued, for example, in a certain month (e.g. May) , but not cashed by the end of that month, b) checks issued in previous months before the immediate preceding quarter, but cashed during the month (e.g. May), and c) checks issued in previous months before earlier quarters, but not cashed during the month (e.g. May).

Recommendations # 5 (3)

In our Policies and Procedures Manual we added Petty Cash. It includes the types of expenditures and amounts permitted, the approval process, documentation of expense, the verification process and the replenishment guidelines.

Recommendations # 5 (4)

Now, (October 2020) the VACCC does not have recognized and established salary guidelines. Therefore, we need to confer with Cook County to develop and utilize fair compensation and benefits for VACCC employees. It has been emphasized by the Illinois courts that VACCC employees are not civil service and are not county employees.

The VACCC utilizes ADP Payroll Summary Report which identifies the following: check date, VACCC employee name, hours, total paid, tax withheld, deductions, net pay, check number, employer liability and the total expense. The Employee report identifies the following: relevant employee information, earnings year to date, hours, taxes, and deductions. The financial personnel can review this information to see if there are any discrepancies.

Thank you for your attention to this matter. If you have any questions or require more information, please don't hesitate to call.

Sincerely,



Willie Mack
Interim-Superintendent VACCC