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February 11, 2014

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). We conducted our audit in accordance with the Cook County Auditor Ordinance.

Our scope and objectives for this examination were to assess the accounting, record keeping and internal control procedures of the Veterans Assistance Commission of Cook County (VACCC) for the period ending November 30, 2013.

Please refer to the following audit report for the results of the audit. The audit report contains 10 audit findings. The Executive Summary provides an overview of the audit with the finding statements.

We express our appreciation for the cooperation the VACCC Superintendent and staff extended to our Office during the course of the audit. We have discussed our findings with the VACCC Superintendent 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,

Shelly Banks

Shelly Banks, CPA
Cook County Auditor

cc: Abundio Zaragoza, VACCC Superintendent
Carl Byrd, Chief Administrative Officer

COOK COUNTY GOVERNMENT

OFFICE OF THE COUNTY AUDITOR

Veterans Assistance Commission of Cook County

Internal Audit Report

Report Date: February 11, 2014

Issued By:
Shelly Banks, County Auditor

Audit Conducted By:
Mark Wehren, Field Auditor IV
William Carroll, Audit Supervisor

EXECUTIVE SUMMARY

We have examined the accounting records of the Veterans Assistance Commission of Cook County (VACCC) for the period ended November 30, 2013.

The scope and objectives of the VACCC Audit were designed to assess the accounting, record keeping, and internal control procedures of the VACCC.

We noted the following findings in regards to the internal control structure:

- The VACCC does not have up to date written policies and procedures.
- Supporting documentation (e.g. income, employer verification, lease/rental agreement, mortgage, marriage license, and birth certificates) did not always exist to support that the veteran was eligible to receive assistance as well as support the financial assistance requested by the applicant and provided by the VACCC.
- The policies for income determination for veterans to qualify for financial assistance are not clearly defined or consistently applied.
- The types of financial assistance available and provided are not clearly defined in the policy, application and benefits eligibility sheet, thereby causing inconsistencies in the types of financial assistance provided.
- Controls over the Payless Cards were not sufficient to ensure that payments are made according to VACCC policies.
- The VACCC does not track each veteran who seeks any type of assistance and the final result.
- The VACCC maintains an excessive petty cash fund.
- The VACCC is paying staff as independent contractors without ensuring that the proper contractual relationship is in place.
- It appears that the VACCC may not be effectively marketing its programs and the assistance available to the veterans of Cook County.
- According to the Cook County Bureau of Administration, the VACCC has not been working with them to ensure that proper oversight is provided over the distribution of funds to the VACCC.

The findings noted were presented to the Veterans Assistance Commission of Cook County (VACCC). Please refer to the Findings section for more detail on the findings with the management responses.

BACKGROUND

The Veterans Assistance Commission of Cook County's mission is to provide needed services to eligible veterans and families of veterans who are in need of assistance with meeting basic living expenses and/or advocacy services according to written standards adopted and applied consistently by the Veterans Assistance Commission of Cook County (VACCC).

The VACCC is mandated by the Illinois Military Veterans Assistance Act - 330 ILCS 45. Funding for the VACCC is provided by Cook County, but the VACCC operates as a separate entity.

The VACCC provides financial assistance to qualified honorably discharged veterans meeting low income requirements. The type of financial assistance provided includes temporary or emergency assistance with mortgage or rent payments, utility bills, transportation, food, work clothing, and equipment for new employment. 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 are as follows:

- Rent/Mortgage–one time assistance up to $600
- Utilities –one time assistance up to $300 per utility (gas, water, electric)
- Transportation (primarily CTA passes) - based on need and support, i.e. doctor visits, physical therapy sessions, job interviews
- Food certificates - $50 per eligible family member
- Work shoes up to $40 at Payless
- Work clothing – no limit depending on circumstances
- Work tools- no limit depending on circumstances

AUDIT SCOPE AND OBJECTIVES

Our objectives were designed to assess the accounting, record keeping and internal control procedures of the Veterans Assistance Commission of Cook County (VACCC). Our objectives included:

1. Determining that policies and procedures exist and are being adhered to by the VACCC
2. Confirming that assistance is only being provided to qualified veterans
3. Verifying proper supporting documentation exists to support financial assistance provided
4. Verifying that allowable expenditures are defined and adhered to by the VACCC
5. Determining that a proper application process is in place to verify eligibility
6. Verifying that books and records are properly maintained to support and reconcile expenditures
7. Verifying that proper accounting and reporting methods are in place

While our conclusions regarding the audit objectives resulted in recommendations for strengthening the overall control environment at the VACCC, we did note that a few key controls have been implemented at the VACCC. The VACCC maintains various spreadsheets to track and reconcile expenditures in a timely manner and monthly bank reconciliations are now being completed. During our review we utilized the spreadsheets to determine the total financial assistance provided and to analyze specific expenditures for the CTA, food certificates and uniform assistance.

FINDINGS

Finding #1:

The VACCC does not have up to date formal written policies and procedures. The most recent policies and procedures manual was enacted in 1991 and last amended in 1996. The policy and procedure manual does not cover the current practices of the VACCC. Instituting a written policies and procedures manual will establish the internal controls, ensure a clear understanding of the duties and responsibilities and ensure that operations are being conducted in a consistent and fair manner.

Recommendation

The VACCC should develop a written policies and procedures manual that would cover the benefits offered, amounts of assistance, supporting documentation required as well as procedures to be followed by the VACCC regarding the administration and operations of the VACCC. When finalized, the policy and procedure manual should be provided to the Cook County Department of Veteran's Affairs.

Management Response

As discussed at the audit exit conference January 2014 meeting the VAC is in the process of meeting with our Veterans Assistance Commission Executive Board to jointly review, develop and update any changes needed to our current policy and procedures manual guided by Military Veterans Assistance Act 330, Illinois Compiled Statues. Working within the parameters of the law the VACCC will expand the language covering all VACCC benefits offered, amounts of assistance and supporting documentation required included in the updated procedures manual this year.

Finding #2:

Supporting documentation (e.g. income, employer verification, lease/rental agreement, mortgage, marriage license, and birth certificates) did not always exist to support that the veteran was eligible to receive assistance as well as support the financial assistance requested by the applicant and provided by the VACCC. In order to receive financial assistance, the VACCC requires certain criteria to be met by the applicant. In some cases, assistance was provided and the file did not contain the documentation to support that the required criteria was met.

Recommendation

We recommend that the VACCC establish a checklist listing all types of documentation required to receive financial assistance. The checklist should be a part of every file to ensure the proper support is obtained prior to providing financial assistance. In addition, the checklist should be signed off by the Superintendent to provide verification that the documentation has been received and reviewed.

Management Response

As discussed at the audit exit conference January 2014 meeting the VAC is in the process of meeting with our Veterans Assistance Commission Executive Board to review, develop and update any changes needed to our current policy and procedures manual. The VACCC will ensure that all supporting documentation be included and reviewed through a newly developed checklist included in each Veteran file. This will be updated this year.

Finding #3

The policies for income determination for veterans to qualify for financial assistance are not clearly defined or consistently applied. Veterans requesting assistance are required to provide in the application monthly income amounts as well as amounts for other assistance received. The VACCC has an Eligibility Worksheet that indicates that veterans may not be eligible if they receive HUD VASH, CHA Section 8 Housing, Subsidized utilities LIHEAP, travel pay from VA, or IDHS SNAP benefits. We were informed that the total household income to be entered on the worksheet should be the applicant's total monthly income received. The actual calculations used to determine eligibility varied as to what is included in income and the time period used (i.e. weekly, biweekly, monthly). Miscalculations or unclear policies can lead to providing financial assistance to those who are actually ineligible or not providing financial assistance to those who are eligible.

Recommendation

We recommend the VACCC establish specific policies on income determination and ensure that these policies are applied consistently to all applicants. In addition, documentation should be requested and maintained to support all income that the veteran indicated they received on the application.

Management Response

As discussed at the audit exit conference January 2014 meeting the VAC is in the process of meeting with our Veterans Assistance Commission Executive Board to jointly review, develop and update any changes needed to our current policy and procedures manual. The VACCC will update the income determination and calculations to ensure they are consistently applied. This will be accomplished this fiscal year after the Superintendent meets with the Veterans Assistance Commission Executive Board to establish the specific policy.

Finding #4

The types of financial assistance available and provided are not clearly defined in the policy, application and benefits eligibility sheet, thereby causing inconsistencies in the types of financial assistance provided.

In some cases, additional benefits were provided to veterans (i.e. clothes/uniforms, shoes, and tools) that were not listed on the application or on the benefits eligibility sheet.

In addition, at least 20 veterans received financial assistance for utilities (water, gas, electric) and/or mortgage/rent and would therefore appear eligible to receive food certificates, yet did not receive this assistance. The VACCC still had funding available so it is unclear as to why a veteran would not be provided with all the financial assistance for which they qualify.

Recommendation

We recommend that the VACCC modify the application and the benefit eligibility sheet to reflect all financial assistance benefits available to veterans as established by the VACCC policy. We also recommend the VACCC indicate in the review of the application all assistance for which the applicant qualifies, the assistance provided and any explanations as to why assistance for which the veteran qualified may not have been provided.

Management Response

As discussed at the audit exit conference January 2014 meeting the VACCC is in the process of meeting with our Veterans Assistance Commission Executive Board to jointly review, develop and update any changes needed to our current policy and procedures manual. In many instances the Veteran comes to VACCC office with one or two specific requests or referral from a VA social worker, community based organization, Veteran organization or just a walk in seeking information. It is only after the initial qualifying interview screening process of the Veteran's request that together we explore the qualifying needs and proper supporting documentation required to fulfill the claim request for assistance. With the volume of requests, this requires adequate funding to hire full time Veteran Service Officer trained staff to case manage the Veteran's claim for assistance and successfully meet his or her request provided by the VACCC or a community, state or federal agency Veteran service. The application will be modified and expand the boxes currently used in the application request process this year.

Finding #5

The Payless Card Program does not have strong controls in place to ensure payments are made according to the VACCC policies. The Payless Card program provides up to $40 for work shoes based on the applicant submitting the required supporting documentation and redeeming a Payless gift card within a three day timeframe. Our review revealed a duplicate payment and the redemption of a gift card several months past the required three day timeframe.

Recommendation

We recommend that the VACCC work with Payless to strengthen the controls over the Payless Card Program. The additional controls should include: keeping a list of all Payless expenses by applicant, invoice, card number and check number; verifying prior to payment of an invoice that the payment is not a duplicate payment and establishing an agreement with Payless regarding the payment process and timeframe.

Management Response

As discussed at the audit exit conference January 2014 meeting the VACCC is in the process of meeting with our Veterans Assistance Commission Executive Board to jointly review, develop and update any changes needed to our current policy and procedures manual. The Payless ShoeSource Gold Value Program provides maximum flexibility and options to purchase work shoes at approximately 200 plus stores, throughout Cook County. Although this was an isolated oversight where we received two invoices with two different invoice numbers and paid both. The honest oversight was discovered and corrected upon our monthly reconciliation of bills, and our account was credited. We will contact the Payless ShoeSource Gold Value program and develop an improved method for the Veteran to redeem the gift card in a timely manner this fiscal year.

Finding #6

The VACCC does not track all applications, whether financial or nonfinancial assistance has been provided or denied and the referral basis of the applicant. Without a complete list of veterans who request assistance, it cannot be determined the total number of veterans who receive assistance, the type of assistance provided whether financial or nonfinancial and the number of veterans who are turned away due to lack of funding or ineligibility. In addition, without tracking the referrals it cannot be determined if veterans are being referred to the VACCC from other organizations.

Recommendation

We recommend that the VACCC track all applicants who seek assistance along with the basis of referral. Maintaining this list would enable the VACCC to provide better statistics to support the value of the VACCC as well as to provide support for additional funding and increased manpower requests. The applicants could be tracked through utilizing the database previously developed by the County.

Management Response

The VACCC currently tracks and documents all Veterans who receive financial assistance from the VACCC once the Veteran signs the payout card receipt that has a serial number used for disbursement accounting purposes. We ask that each Veteran referral from the Veterans Administration, community based organization or agency forward a referral to the VACCC on a form we developed or on their agency letterhead listing the assistance the Veteran is seeking. This referral form is used as supporting documentation and the serial numbered disbursement is stapled onto the referral from the agency requesting assistance and kept in the Veterans file. There are several Veterans who walk in with no referral as well seeking information or assistance. We do track all financial assistance provided and will expand our tracking to include a list of referrals out and the basis of the referral.

Finding #7

The VACCC maintains an excessive petty cash fund. The petty cash fund was $1,399.35 at the start of FY2013 and was reduced through expenditures to $646.37 as of October 31, 2013. The largest monthly expenditures were $158.88 in January 2013. Petty cash was used for paying for certified mail, financial assistance for transportation and state ID's. Maintaining an excessive petty cash fund, subjects the fund to theft or fraud.

Recommendation

We recommend reducing the amount of petty cash to $200. Maintaining a petty cash fund of $200 should suffice in meeting the needs of the VACCC while strengthening controls over the petty cash fund. In addition, we recommend the VACCC develop procedures for administering the petty cash fund.

Management Response

The amount of petty cash on hand was anticipated because of the previous year's FY 2012 disbursement of $3,097.00 on Gas and ID's. Due to a significant decline in funds in FY 2013 and an aggressive diligence in providing other options and reviewing, qualifying eligible Veterans, we seen a drop in cash requests for ID's and gas assistance. We will review the procedures to maintain the adequate petty cash amount anticipated and develop clear procedures for administering the petty cash fund this year.

Finding #8

The VACCC is paying staff as independent contractors without ensuring that the proper contractual relationship is in place. The VACCC is responsible for paying for its own staff, but does not have the proper procedures set up to determine if staff should be classified as employees or independent contractors. The staff members were originally paid as employees of the County and are now being paid as independent contractors. In order for staff to qualify as independent contractors versus employees certain criteria needs to be met. Misclassification of an individual as an independent contractor may have a number of costly legal consequences. In addition, proper classification helps employers clarify working relationships and prevent confusion pertaining to accountability, tax liability, compensation and benefits.

Recommendation

We recommend that the VACCC work with Cook County for guidance and assistance with setting up the proper structure for paying staff, whether as employees or independent contractors. The VACCC should ensure that all relevant laws are complied with when establishing this structure.

Management Response

The Military Veterans Assistance Act 330 ILCS 45/10 defines the employees of the VACCC. The VACCC is a separate unit of government under the umbrella of county benefits. The Superintendent approached Cook County Human Resources last year inquiring about employee benefits after two VACCC staff positions were removed from our payroll. We were directed back to the BOA where we followed their guidance and advice to hire part time employees with no benefits. During FY 2013 and most recently on December 16, 2013 the Cook County Bureau of Administration and legal team took it upon themselves to terminate our status as Cook County employees, strip the VACCC of funding to adequately compensate staff with pension and benefits and now pay VACCC staff as outside vendors. We have complied with the required submittal of 1099 forms with the State of Illinois and forwarded the required federal documents to the IRS as required by federal law. We will return and seek additional guidance from Cook County as suggested to ensure the proper contractual relationship is in place this year.

Finding #9

It appears that the VACCC may not be effectively marketing its programs and the assistance available to the veterans of Cook County. In FY2013, the VACCC had received $206,404 from the County and as of October 2013 only $98,565 had been spent on financial assistance.

Recommendation

We recommend the VACCC improve its marketing and advertising of the program and assistance available. The VACCC should market the program by updating the website to include the services, benefits available, and eligibility requirements as well as application forms. In addition, the VACCC should work with other veteran assistance organizations and programs to help market the VACCC program.

Management Response

The VAC continuously conducts outreach promoting VAC services at all major Veterans events throughout Cook County. Yes, we were able to participate in 16 Veteran outreach events last year. My personal participation in Veterans affairs for over 30 years throughout the State of Illinois, with membership in 5 fraternal Veterans organizations, affords me the opportunity to network at various levels. The VACCC is in the arena network of Veteran services. Additionally, we will explore other marketing approaches and expand with social media outreach efforts by updating our website this year.

Finding #10

According to the Cook County Bureau of Administration (BOA), the VACCC has not been working with them to ensure that proper oversight is provided over the distribution of funds to the VACCC. BOA stated that several attempts have been made to obtain information from the VACCC in order to verify that County funds are being spent properly. Conversely, the VACCC stated that they have been providing information to BOA regarding how funds are being spent on a regular basis.

The breakout of the expenditures for FY'13 is as follows:

Expenditure	**Amount**
Rent/Mortgage Assistance	$59,829.00
Utility Assistance	$36,166.62
Food Certificates	$13,000.00
CTA/Transit Passes Purchased As of 12/31/13 $6,683.00 passes on hand	$33,450.00
Other Assistance (e.g. work clothing, tools, shoes)	$2,577.02
Payroll Superintendent paid by County in FY'13 ($71,259.87)	$43,351.31
Office Supplies/Postage	$7,455.63
Memberships and Training	$2,502.19
Holiday Veteran Meal – 38 guests	$2,034.33
Knit Caps and Shirts	$7,023.02
Totals	**$207,389.12**

The Military Veterans Assistance Act 330 ILCS 45/9 requires general oversight by a county officer. The Cook County Ordinance Sec. 2-471 incorporated the activities of the Veteran's Assistance Commission of Cook County into the County Bureau of Administration. As of FY'14, the VACCC will operate as a stand-alone entity, but it is still important for the County to maintain general oversight to ensure the proper spending of County funds.

Recommendation

We recommend that a written agreement be established between the VACCC and the County to clearly define the responsibilities and oversight between the County and the VACCC. The County Resolution 14-0182 requires the VACCC Superintendent to file a quarterly report with the County. The written agreement should clearly define the type of information required to be provided by the VACCC, and also require the VACCC to maintain and provide upon request supporting documentation and justification for any of the funding spent and assistance provided. The agreement will help define the oversight required to ensure that County funds are utilized in the most beneficial manner to support the veterans of Cook County.

Management Response

As discussed at the audit exit conference January 2014 meeting the VACCC is in the process of meeting with our Veterans Assistance Commission Executive Board to jointly review, develop and update any changes needed to our current policy and procedures manual. The Superintendent provides a thorough monthly report and quarterly report to the VACCC executive board as per our written by laws. In addition, the VAC has provided monthly and quarterly reports during the last two years to the Bureau of Administration Bureau Chiefs on a consistent basis. We've even provided the Cook County Auditor with bank reconciliations as well, upon your request.