MCHENRY COUNTY · IL
OFFICE OF THE COUNTY AUDITOR

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County Auditor

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The Auditor's Office has completed a risk and controls meeting with the Veterans Assistance Commission (VAC) Department. The purpose of our meeting was to discuss the department's objectives, risks and mitigating internal controls and then create documentation of these areas in the County's audit software. Management is responsible for their department's controls and having the controls documented will benefit management when making informed decisions, working to increase operational efficiency, and preserving of institutional knowledge when there is a change in management. This documentation will also be available for the external auditors and may be used in the County Auditor's annual risk assessment to determine the areas of greatest risk within the county.

Identifying Risks
Every organization faces a variety of risks from external and internal sources that impact the achievement of the organization's objectives. Not all risks are equal so cost factors should be considered in relation to expected benefits. More resources are allocated to areas of higher risk, however, management must also consider that fraud can occur in any area of an organization. Mechanisms are put in place by management to identify, analyze, and respond to changes in risks. This is necessary because conditions impacting the organization and the environment it operates in are continually changing. Ultimately, the risk and change responses become internal controls that management places in operation.

What are Internal Controls?
The term "internal controls" is used to describe policies and procedures put in place by the County, management, or others to provide consistent and efficient operations, including reasonable assurance that funds will be properly safeguarded. Each department should consider its mission, strategic goals and objectives when formulating a plan to achieve them. Internal controls provide an organizational framework of checks and balances where compliance and ethical behavior are more likely to thrive.

Nate Johnson, VAC Superintendent, has reviewed the attached documentation and made corrections to ensure accuracy. We appreciate the Superintendent's cooperation and assistance throughout this process.

Due to the confidential nature, please refrain from distributing the attached documentation.

Respectfully submitted,

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County Auditor

Stephanie L. Etten, CPA
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McHenry County, IL
22 - Veterans Assistance Commission (VAC)
Department Functions, Risks, and Controls

Function: 01 - Financial Assistance (Mandatory)

A mandatory function of the Commission is to provide financial assistance to needy veterans, the needy surviving spouse of a veteran, and the minor children of a veteran not in the veteran's custody.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
VAC. Risk.008	More assistance may be given out than what is budgeted for the VAC in a fiscal year.	VAC. Ctrl.009	The Office Coordinator prepares a monthly financial assistance report (from RedMane) to show how much was used by needy veterans, not necessarily what was paid by the County. Annual RedMane report shows all the payments for the year vs how much was used by the veterans.	To analyze how much financial assistance is still available	Nathaniel Johnson
VAC. Risk.009	A recession may increase economic issues and the need for financial assistance. The risk for fraudulent filing may also increase as the need for assistance increases.	VAC. Ctrl.010	The VAC has a layered process so multiple individuals are involved in the process of submitting each claim. A lower level employee (staff) fills out the information that is needed from the veteran and sends the form up to the next level (supervisor) for review. The final review is performed by the Superintendent. The commission of appeals will hear cases by the clients if the clients don't agree with the VAC office's decision. The Public Aid Committee meets if there is an appeal at the townships or at the VAC office as a whole.	To ensure each financial assistance request is reviewed/approved by multiple individuals.	Nathaniel Johnson
VAC. Risk.010	Client files may be submitted fraudulently. The VAC can advise a client against submitting fraudulent documents but ultimately the client may still submit the docs individually.	VAC. Ctrl.011	Each claim must be medically sound. Only accredited service officers are able to file claims. The County currently has 5 accredited service officers who can help with filings. The VAC can't knowingly submit fraudulent documents. VSOs have extensive knowledge on what military discharges are supposed to look like and if there are inconsistencies, they will file a records request to NPRC to verify client eligibility. The VAC won't submit documents if there is a concern that the docs could be fraudulent. Medical documents are more difficult to verify but the Department of Veteran Affairs is rolling out a program in the next year utilizing AI that could potentially reduce fraudulent medical opinions and overall fraud in the disability process.	To prevent fraudulent documents from being filed for clients	Nathaniel Johnson

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Department Functions, Risks, and Controls

Function: 02 - Claims Filing (Mandatory as of 1/1/23)

Assist veterans and their family members in the filing of claims for various programs authorized by the United States Government and maintained by the US Department of Veterans Affairs and Social Security Administration. These programs include Disability Compensation, Pension, Dependents Indemnity Compensation, Headstones and College Programs.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
VAC. Risk.004	Client information may be incorrect and the client may receive support he/she is not eligible for.	VAC. Ctrl.005	Only a veterans service officer or a social service aid can interview a client for financial assistance.	To ensure clients receive the correct level of financial assistance based on their eligibility	Nathaniel Johnson
VAC. Risk.005	Client may receive support he/she is not eligible for.	VAC. Ctrl.006	Required documents have to be uploaded into RedMane software and sent electronically to the Superintendent for approval.	To provide an extra level of review before providing financial assistance	Nathaniel Johnson
VAC. Risk.018	VAC clients may present fraudulent military documents when filing a claim.	VAC. Ctrl.020	VAC staff goes through extensive training on military documents to make sure that clients coming in to file paperwork or filing a claim are not committing fraud. Clients must be eligible for assistance and the documents must be accurate. If there is ever a doubt that documentation is fraudulent, they can require that a veteran sign a memorandum of understanding (MOU) with the VAC would get official records from the National Personnel Records Center which would verify eligibility from an official source. The VAC has partners at the federal level that can help us verify service and other eligibility criteria but they do not have access to the official platforms at this point in time. They do have access to the Veterans Benefits Management System which allows us access to a veterans disability claims file, but this is not generally used as a source to verify service. If a client is suspected of fraud, this will be presented to the State's Attorney who will consider if the County will prosecute the client.	To prevent fraudulent documents from being filed	Nathaniel Johnson

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Department Functions, Risks, and Controls

Function: 03 - Transporting Veterans (Discretionary)

Operation of five motor vehicles for transporting veterans to North Chicago VA Medical Center and the McHenry County VA Outpatient Clinic. Volunteers and cab services are used to transport vets to the outpatient clinic and designated pick-up points for service to North Chicago VAMC. The majority of veterans transported are senior citizens or disabled.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
VAC. Risk.011	Traffic accidents may happen at any time regardless of how carefully the driver is driving. This puts the driver and other riders at risk of physical harm.	VAC. Ctrl.012	VAC drivers are required to take traffic safety courses at MCC. In case of an emergency, drivers are instructed to stop the vehicle and call 9-1-1.	To provide VAC drivers with the defensive driving skills needed to drive safely	Nathaniel Johnson
VAC. Risk.012	Veterans may have a medical emergency or mental health crisis while getting a ride on a VAC vehicle. This puts the driver and other riders at risk of physical harm.	VAC. Ctrl.013	In case of an emergency, drivers are instructed to stop the vehicle and call 9-1-1. Clients are required to sign an agreement for appropriate behavior for riding on the bus or they will be removed. (12/27/25 - The Superintendent is going to look into possibly requiring CPR & First Aid as well as training for mental health first aid.)	To prepare VAC drivers in case of medical or mental health emergencies	Nathaniel Johnson

Function: 04 - Indigent Veterans Burial (Discretionary)

The Superintendent administers the Indigent Veterans Burial program for the County Government.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
VAC. Risk.013	The deceased veteran may have money or assets but the family has taken everything of value so there may be no money left to pay for the veteran's burial.	VAC. Ctrl.014	The VAC will do everything possible to make sure families pay for the decedent's burial if they have funds available.	To prevent paying for the burial of a decedent who has money available to pay for burial	Nathaniel Johnson
VAC. Risk.013	The deceased veteran may have money or assets but the family has taken everything of value so there may be no money left to pay for the veteran's burial.	VAC. Ctrl.015	County Administration can make the final decision regarding if the VAC will pay for burial. VAC administers for County Administration because the VAC knows what they are looking for and what is needed. Unclaimed bodies are provided by the Coroner's Office. The VAC just needs to provide transportation to the Federal cemetery in Joliet.	To assist County Administration in making a burial decision and protect the burial funds from fraudulent requests	Nathaniel Johnson
VAC. Risk.014	The funeral home may apply for federal grant money to pay for the funeral/burial expenses and may also request the County to pay for the services, resulting in the funeral home receiving double payment.	VAC. Ctrl.015	County Administration can make the final decision regarding if the VAC will pay for burial. VAC administers for County Administration because the VAC knows what they are looking for and what is needed. Unclaimed bodies are provided by the Coroner's Office. The VAC just needs to provide transportation to the Federal cemetery in Joliet.	To assist County Administration in making a burial decision and protect the burial funds from fraudulent requests	Nathaniel Johnson

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Function: 05 - Selective Service Administration (Discretionary)

Federal law requires nearly all male U.S. citizens and male immigrants to register at age 18. The VAC will assist young men with registering with the Selective Service Administration. This doesn't happen very often but they will help anyone who comes in and requests help.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
N/A					

Function: 06 - Dental & Medical Assistance (Discretionary)

The Dental and Medical Assistance Program assists with the Restorative Dental Program for low-income uninsured veterans. Medical assistance is generally for eyeglasses. No dental or medical services provided for years. The Commission has approved this assistance if the VAC is awarded a grant to cover the costs of this program and can work with MCHD and have MCHD administer the program.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
N/A					

Function: 07 - General Operations

Assess Risks & Changes in Regulations - Proactive, multi-layered process which involves identifying potential hazards, evaluating their impact, and adapting to shifting legal requirements designed to protect the public interest and ensure organizational compliance.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
VAC. Risk.001	Federal VA rules change and the McHenry County VAC may not be aware of the change, resulting in noncompliance and jeopardizing the ability to help McHenry County veterans. Violations with the Federal VA have a hefty fine (up to $25k+ or jail time).	VAC. Ctrl.001	The US Federal Gov't restricts what information can be released regarding assistance to veterans. Each Veterans Service Officer (VSO) is required by the Office of General Council to complete 16 hours of training annually and be accredited through the US government. VSOs must take annual training on Federal Tax Information, Personal Identifiable Information, and Protected Health Information. In almost all situations veterans information is restricted to the veteran themselves. Unless a veteran has a signed Release of Information (ROI) in the file, we can not and will not release any information pertinent to the veteran's service, healthcare or financial status. We do require all veterans and family members that are on financial assistance to sign an ROI and MOU that allows us to talk to other social service agencies to determine other assistance being received.	To ensure VAC employees comply with US Federal regulations	Nathaniel Johnson
VAC. Risk.002	Employees may access or release confidential veterans information in desktop or online software without proper authorization.	VAC. Ctrl.002	The VAC Superintendent and Assistant Superintendent complete Open Meetings Training & FOIA Training annually. VAC annual training also includes what Federal tax information can and can't be disclosed, HIPAA, computer security, and County phishing training. Generally VACs do not get FOIA'd very often unless they are struggling financially. McHenry County's VAC is a financially healthy agency and does not receive many FOIA requests.	To keep private client information confidential	Nathaniel Johnson

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Department Functions, Risks, and Controls

Function: 07 - General Operations - cont.

Assess Conflicts of Interest or Ethical Issues - Process of identifying, analyzing, and resolving situations where a public employee's private interests could compromise their duty to the public.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
VAC. Risk.20	Conflict of interest may be present without the knowledge of the VAC Commissioner or the Board of VAC.	VAC. Ctrl.22	Staff are required to go through the County's ethics training. Also, staff should be filling out an economic interest form if there is a potential conflict of interest.	To ensure the VAC remains an ethical workplace	Nathaniel (Nate) Johnson

Technology Access Controls - Security measures used to ensure only authorized personnel can view or handle sensitive data and systems.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
VAC. Risk.003	Employee passwords may be compromised or software may not be restricted in areas the employee doesn't need for their position and someone may be able to access information they are not authorized to access.	VAC. Ctrl.003	Computer software all requires passwords and can only be accessed through unique user IDs and multi-authentication. The VAC has 3 systems (VBMS, Vetraspec, & Redmane) that they access on a daily basis that are pertinent to the success of their jobs. There is no formal process or audit of individuals accessing these programs because these are need to complete the basic daily requirements of the positions. Access to all programs will be terminated immediately upon termination.	To protect client information through software access restriction and multi-authentication	Nathaniel Johnson
VAC. Risk.003	Employee passwords may be compromised or software may not be restricted in areas the employee doesn't need for their position and someone may be able to access information they are not authorized to access.	VAC. Ctrl.004	Access within software is only what is needed by each specific employee based on the employee's job description or position. VBMS - Accreditation is specific for each individual, not per VAC office and is managed by the Federal Gov't. The Fed VA provides the access for the software with controls so that higher ranking officials' information can not be accessed unless someone has higher security clearance.	To protect client information through restricted software access	Nathaniel Johnson

Ethics Training and Preventing Fraud - Focuses on building a culture of integrity to protect public funds and maintain citizen trust.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
VAC. Risk.019	VAC employees may be committing fraud or may be aware of another employee committing fraud.	VAC. Ctrl.021	VAC staff are required to complete one hour of ethics, one hour of Personally Identifiable Information (PII), and one hour of Health Insurance Portability and Accountability Act (HIPAA) training per year. Employees are encouraged to report suspected fraud to the VAC Superintendent who will then report the suspected fraud to the Commission. Employees are also knowledgeable about their option to report fraud, waste or abuse to the County Auditor.	To provide VAC staff with training on what to do in case of fraud, waste or abuse	Nathaniel Johnson

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Department Functions, Risks, and Controls

Function: 07 - General Operations - cont.

Accounts Payable - Follow purchasing requirements explained in the county's Purchasing Ordinance. Once invoiced, confirm that the invoice details (price, quantity, and items) match what was actually ordered and received. Process the invoice in D365 and submit for Department Head approval and then Auditor's Office final approval.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
VAC. Risk.006	Information may be entered into the County's financial system (D365) and may not be reviewed before it is processed.	VAC. Ctrl.007	Invoices go to the Office Coordinator & the VAC Clerk and one of them will enter the information into the County's financial system (D365). Invoices are then routed to the Superintendent for final approval. The Superintendent opens up and reviews the invoice and all attached backup to make sure it is all correct in D365.	To provide an supervisory review before an invoice is processed for payment	Nathaniel Johnson
VAC. Risk.007	Client payments may get lost and be at a higher risk of being cashed or deposited fraudulently.	VAC. Ctrl.008	The Office Coordinator provides a weekly list of outstanding payments to the Superintendent. The invoice date is based on eligibility date which is the date of approval for benefits.	To reduce the risk of fraud on outstanding payments	Nathaniel Johnson

Payroll - Highly regulated cycle of calculating, verifying, and distributing compensation to public employees while strictly adhering to statutory laws, civil service rules, and budgetary constraints.

Risk ID	Risk Description	Control ID	Control Description	Control Objective	Control Owner
VAC. Risk.015	Employees' schedules, especially the 3 hourly employees, may not be entered correctly but are still sent to Payroll for processing.	VAC. Ctrl.016	The VAC has 3 employees who are hourly (front staff) and the remaining staff are salaried. The Office Coordinator (OC) puts everyone's schedules into Kronos. OC also keeps a paper document of everyone's hours worked. When an individual needs to take time off or is working outside of their schedule tour of duty, they notify both of us in an email for verification. At the end of each pay period, the Office Coordinator provides the Superintendent with the time report showing all employees' time. He verifies the time report with the staff schedule and the time off emails he received. The Superintendent provides final approval and then the report is sent to Payroll for processing.	To ensure employees' hours are correct on the payroll report before sending to Payroll	Nathaniel Johnson
VAC. Risk.016	VAC employees may be taking unapproved time off or taking time off but not having their work schedule in Kronos updated.	VAC. Ctrl.017	All payroll changes are emailed to the Superintendent for approval and then the Supt. emails the Office Coordinator to update the schedule.	To provide confirmation that all employees' time off is approved	Nathaniel Johnson
VAC. Risk.016	VAC employees may be taking unapproved time off or taking time off but not having their work schedule in Kronos updated.	VAC. Ctrl.018	If salaried employees work through lunch in order to leave early, they need to announce it ahead of time, not just leave early. They should add a document in Kronos and put an explanation for why they didn't take a lunch.	To ensure employees work the hours they are scheduled	Nathaniel Johnson
VAC. Risk.017	Multiple employees may take time off at the same time which may be disruptive to the services provided to the clients.	VAC. Ctrl.019	Upcoming time off is tracked in Vetrospect which includes a calendar with all employee info (updated by Office Coordinator).	To prepare for employee absences and ensure enough office coverage	Nathaniel Johnson