STATE OF ILLINOIS

DEPARTMENT OF LABOR

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2019

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

West & Company, LLC
Certified Public Accountants

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019

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STATE OF ILLINOIS
DEPARTMENT OF LABOR
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AGENCY OFFICIALS

Director (06/01/19 to Present)	Mr. Michael D. Kleinik
Acting Director (01/22/19 to 05/31/19)	Mr. Michael D. Kleinik
Director (07/01/17 to 01/21/19)	Mr. Joseph Beyer
Acting Assistant Director (09/01/19 to Present)	Mr. Jason Keller
Assistant Director (03/22/19 to 08/31/19)	Vacant
Assistant Director (05/28/18 to 03/21/19)	Mr. Chris Wieneke
Acting Assistant Director (08/07/17 to 05/27/18)	Mr. Chris Wieneke
Assistant Director (07/01/17 to 08/06/17)	Vacant
General Counsel (06/16/19 to Present)	Ms. Yolanda Carrillo
General Counsel (07/01/17 to 06/15/19)	Mr. Benno Weisberg
Chief of Staff (11/16/19 to Present)	Ms. Glenda Franklin
Chief of Staff (04/16/19 to 11/15/19)	Vacant
Chief of Staff (07/01/17 to 04/15/19)	Ms. Laura Kotelman
Chief Financial Officer (04/16/19 to Present)	Ms. Sarah Robinson
Chief Financial Officer (03/01/19 to 04/15/19)	Vacant
Chief Financial Officer (07/01/17 to 02/28/19)	Ms. Jill Mazrim

DEPARTMENT OFFICES

The Department's primary administrative offices are located at:

900 South Spring Street
Springfield, Illinois 62704

Michael A. Bilandic Building
160 North LaSalle – 13th Floor
Chicago, Illinois 60601

Regional Office Building
2309 West Main Street
Marion, Illinois 62959

ILLINOIS DEPARTMENT OF LABOR

JB Pritzker
Governor

Michael D. Kleinik
Director

May 22, 2020

West & Company, LLC
Certified Public Accountants
919 E. Harris Avenue
Greenville, IL 62246

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 Labor. 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 State of Illinois, Department of Labor's compliance with the following specified requirements during the two-year period ended June 30, 2019. Based on this evaluation, we assert that during the years ended June 30, 2018, and June 30, 2019, the State of Illinois, Department of Labor has materially complied with the specified requirements listed below.

A. The State of Illinois, Department of Labor 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 State of Illinois, Department of Labor 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 State of Illinois, Department of Labor 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 State of Illinois, Department of Labor 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 State of Illinois, Department of Labor on behalf of the State or held in trust by the State of Illinois, Department of Labor have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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Yours truly,

Department of Labor

SIGNED ORIGINAL ON FILE

Michael D. Kleinik, Director

SIGNED ORIGINAL ON FILE

Sarah Robinson, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Yolanda Carrillo, General Counsel

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with 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 an adverse opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	14	14
Repeated findings	12	12
Prior recommendations implemented or not repeated	2	2

SCHEDULE OF FINDINGS

Item No.	Page	Last Reported	Description	Finding Type
			FINDINGS (STATE COMPLIANCE)	
2019-001	11	2017	Inadequate control over receipts	Material Weakness and Material Noncompliance
2019-002	14	2017	Inadequate control over accounts receivable	Material Weakness and Material Noncompliance
2019-003	18	2017	Failure to establish and maintain adequate internal control over the Special State Trust Fund	Material Weakness and Material Noncompliance
2019-004	22	2017	Inadequate and inaccurate reconciliations	Material Weakness and Material Noncompliance

SCHEDULE OF FINDINGS (Continued)

Item No.	Page	Last Reported	Description	Finding Type
			FINDINGS (STATE COMPLIANCE)	
2019-005	26	2017	State property control weaknesses	Material Weakness and Material Noncompliance
2019-006	30	2017	Inadequate control over personal services	Material Weakness and Material Noncompliance
2019-007	35	2017	Noncompliance with the Employee Classification Act	Material Weakness and Material Noncompliance
2019-008	39	2017	Improper disposal of State records and noncompliance with the Private Employment Agency Act	Material Weakness and Material Noncompliance
2019-009	41	2017	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
2019-010	44	NEW	Noncompliance with statutorily mandated responsibilities	Significant Deficiency and Noncompliance
2019-011	46	2017	Reporting procedural deficiencies	Significant Deficiency and Noncompliance
2019-012	50	2017	Inadequate control over voucher processing	Significant Deficiency and Noncompliance
2019-013	52	NEW	Weaknesses regarding the security and control of confidential information and cybersecurity	Significant Deficiency and Noncompliance
2019-014	54	2017	Lack of disaster contingency planning or testing to ensure the recovery of computer systems	Significant Deficiency and Noncompliance
			PRIOR FINDINGS NOT REPEATED	
A	56		Inadequate control over travel expenditures	
B	56		Inaccurate financial reporting of federal grant activity	

EXIT CONFERENCE

The Agency waived an exit conference in a correspondence from Sarah Robinson, Chief Financial Officer, on May 14, 2020. The responses to the recommendations were provided by Sarah Robinson, Chief Financial Officer, in a correspondence dated May 22, 2020.

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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 Labor (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, 2019. 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 specified requirements during the two years ended June 30, 2019. As described in items 2019-001 through 2019-014 in the accompanying Schedule of Findings, the Department did not comply with the specified requirements. Items 2019-001 through 2019-008 are each considered to represent material deviations with the specified requirements. As described in the accompanying Schedule of Findings as items 2019-001 and 2019-003 through 2019-005, 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. As described in the accompanying Schedule of Findings as items 2019-001 through 2019-008, 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. As described in the accompanying Schedule of Findings as items 2019-001 through 2019-004, the Department had not ensured the State revenues and receipts collected by the Department were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law. As described in the accompanying Schedule of Findings as items 2019-001 through 2019-004, money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department had not been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law. Items 2019-009 through 2019-014 individually would have been regarded as significant noncompliance with the specified requirements; however, when aggregated, we determined these items constitute material deviations with the specified requirements.

In our opinion, because of the significance and pervasiveness of the material deviations from the specified requirements described in the preceding paragraph, the Department did not comply with the specified requirements during the two years ended June 30, 2019, in all material respects.

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 them.

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* 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 2019-001 through 2019-008 to be material weaknesses.

A *significant deficiency* 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 2019-009 through 2019-014 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 them.

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, 2018, 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. Because of the significance of the matters described in the accompanying Schedule of

Findings as items 2019-001 through 2019-014, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

SIGNED ORIGINAL ON FILE

Greenville, Illinois
May 22, 2020

2019-001 **FINDING** (Inadequate control over receipts)

The Department of Labor (Department) did not exercise adequate control over its cash receipts and related reporting. According to the State Comptroller's records, the Department remitted $6,620,900 to the State Treasury during the examination period.

During testing, we noted for Fiscal Year 2018, the Department was unable to provide individual receipt records for the General Revenue Fund (Fund 001), Amusement Ride and Patron Safety Fund (Fund 051), Department of Labor Special State Trust Fund (Fund 251), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), and Wage Theft Enforcement Fund (Fund 885) which reconciled to the *Monthly Revenue Status Report* (SB04) from the Office of the State Comptroller.

We noted this condition was primarily due to the computer program used by the Department in Fiscal Year 2018 to process receipts, which was outdated and not fully functional. As such, it was difficult for Department staff to track receipts after entry, produce reports of receipts collected, or sort data stored within the system.

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 receipts. In addition, due to these limitations, we were unable to conclude the Department's Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller on pages 69-72 were complete and accurate.

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, we performed the following tests:

Controls over Receipt Processing

- Three of 60 (5%) receipts tested, totaling $15,568, were deposited between 3 to 8 days late, even after allowing for the Department's 10-day deposit extension granted by the State Comptroller and State Treasurer.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires the Department to deposit receipts collected into the State Treasury within a specific number of business days, depending on the value of cash receipts on hand.

2019-001 **FINDING** (Inadequate control over receipts) (Continued)

- State Treasurer's drafts for 2 of 60 (3%) receipts tested, totaling $5,500, were remitted to the State Comptroller via a Form C-64 between 182 and 297 days after the Department received the State Treasurer's draft.

The Statewide Accounting Management System (SAMS) (Procedure 25.20.10) requires the Department to prepare a Form C-64 with either a State Treasurer's draft or other acceptable remittance to order moneys deposited into the State Treasury. Good cash management controls include expediting the deposit of cash receipts into the State Treasury to speed the payment of State obligations.

Controls over Non-Sufficient Funds (NSF) Checks

- One of 6 (17%) NSF checks tested for $889, lacked supporting documentation to substantiate a demand letter for payment was sent by the Department, the payment was eventually collected, appropriate collection activity was pursued, and the vendor's licenses/permits were cancelled or revoked for nonpayment.

SAMS (Procedure 26.40.10) requires the Department to maintain complete and accurate records of all collection efforts related to each past due account and recommends debts be reaffirmed with a letter and telephone call during the first 60 days after an account becomes past due. In addition, SAMS (Procedure 26.20.10) requires the Department to recognize receivables when an entity owes an amount to the State and the transaction is completed to the extent that payment is the only unconsummated act.

Agency Fee Imposition Report (Report)

- Four of 13 (31%) fees on the Department's Fiscal Year 2018 Report did not trace to the Department's records, with a net over-reported difference of $1,387.

SAMS (Procedure 33.16.20) requires the Department to report the amount of cash receipts realized from each fee on each fiscal year's applicable report for all fees imposed or collected.

In addition to the foregoing, 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 revenues and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

2019-001 **FINDING** (Inadequate control over receipts) (Continued)

During the current and prior examinations, Department officials indicated fiscal staff turnover and a lack of transition documentation limited the Department's ability to comply with applicable State laws, rules, and regulations.

Failure to establish and maintain internal control over receipts and related reporting increases the risk that errors or other irregularities could occur and not be found within the normal course of operations, delays the recognition of available cash within the State Treasury and could delay the payment of State obligations, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2019-001, 2017-001, 2015-001, 2013-001, 11-1, 09-1, 07-1, 05-3, 05-5)

RECOMMENDATION

We recommend the Department develop and maintain internal controls over its receipts to ensure the timely collection of revenues and adequate documentation be maintained and readily available for all transactions. In addition, the Department should ensure its accounting records reside within a system capable of generating reports, providing detailed records and balances, and producing transaction listings, which are timely reconciled to the State Comptroller's records. As a part of this reconciliation, any discrepancies should be investigated. Further, the Department should timely establish receivables and initiate collection for NSF checks. Finally, the Department should ensure its annual Report is accurately prepared.

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The Department will review its internal controls over receipts and develop a process to ensure adequate receipt and receivables documentation is maintained and accurate reconciliations are prepared.

2019-002 **FINDING** (Inadequate control over accounts receivable)

The Department of Labor (Department) did not exercise adequate control over its accounts receivable and related reporting.

During testing, we noted the following:

- The Department was unable to provide detailed individual accounts receivable records for the General Revenue Fund (Fund 001), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), and Wage Theft Enforcement Fund (Fund 885).

- During analytical reviews, we noted the following:

  - The Department's *Aging of Total Gross Receivables* (Form C-98) reported total gross receivables of $2.158 million at June 30, 2017, $263 thousand at June 30, 2018, and $1.444 million at June 30, 2019.

  - For Fund 885, the Department reported the same outstanding accounts receivable balance for 7 of 8 (88%) quarters during Fiscal Year 2018 and Fiscal Year 2019 with no adjustments, additions, or collections.

  - The Department's *Accounts Receivable Activity* (Form C-97) did not report any amounts considered to be uncollectible and did not report any write-offs during Fiscal Year 2018 and Fiscal Year 2019.

- The Department was unable to provide an aging schedule to support its Form C-98s.

- The Department was unable to provide current policies or procedures for handling and reporting its accounts receivable, tracking and monitoring complaints received, posting delinquent accounts receivable into the Comptroller's Illinois Debt Recovery Offset Portal system or pursuing other debt collection procedures, and writing off uncollectible receivables. In discussing this matter with Department officials, they indicated some divisions have adopted its own collection procedures that have not been formally approved by the Department.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/3) states that it is the "public policy of this State to aggressively pursue the collection of accounts or claims due and payable to the State of Illinois through all reasonable means." The Statewide Accounting Management System (SAMS) (Procedure 26.20.10) requires the Department recognize receivables when an entity owes an amount to the State and the transaction is completed to the extent that payment is the only unconsummated act. In addition, SAMS (Procedure 26.40.10) requires the Department to maintain complete and accurate records

2019-002 **FINDING** (Inadequate control over accounts receivable) (Continued)

of all collection efforts related to each past due account and recommends debts be reaffirmed with a letter and telephone call during the first 60 days after an account becomes past due. Under SAMS (Procedure 26.40.10), these records should, at a minimum, include a listing of accounts receivable, detail transaction histories for each account, collection attempt history, referrals to the Comptroller's Offset System, the Department of Revenue's Debt Collection Bureau, and/or the Attorney General's Office, and any write-off transactions with required approvals.

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 accounts receivable. In addition, due to these limitations, we were unable to conclude the Department's Analysis of Accounts Receivable on pages 83-84 was complete and accurate.

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, we performed the following tests:

- Twelve of 16 (75%) Form C-97 reports filed by the Department were incomplete, as the major revenue source codes for each type of accounts receivable were omitted. Also, 10 of 16 (63%) Form C-98 reports were incomplete, as the major revenue source codes for each type of accounts receivable were omitted. Additionally, 1 of 16 (6%) Form C-98 reports tested contained an invalid major revenue source code.

- One of 16 (6%) Form C-98 reports tested was not mathematically accurate, with a misstatement of $53,000.

- The beginning gross receivables on one quarter did not agree with the prior quarter's ending gross receivables for 10 of 32 (31%) Form C-97 reports tested, with total differences between $(1,015,000) and $1,045,000.

- Three of 32 (9%) Form C-97 reports tested reported adjustment corrections to the prior quarter's ending gross receivables in amounts between $148,000 and $900,000.

- For 6 of 16 (38%) Form C-98 reports tested, the total gross receivables amount did not agree with the same quarter's total gross receivables on the Form C-97, with misstatements between $2,000 and $1,159,000.

SAMS (Procedure 26.20.10) requires the Department to record and maintain detailed information related to each receivable and to maintain documentation of all collection

2019-002 **FINDING** (Inadequate control over accounts receivable) (Continued)

efforts. Further, SAMS (Procedure 26.40.10) states these records should, at a minimum, include a listing of accounts receivable, detail transaction histories for each account, collection attempt history, referrals to the Comptroller's Offset System, the Department of Revenue's Debt Collection Bureau, and/or the Attorney General's Office, and any write-off transactions with required approvals. Additionally, SAMS (Procedure 26.20.20) requires the Department to examine the collection history for each type of receivable that it recognizes in order to establish guidelines for estimating the amount of the debt that will be uncollectible. Finally, SAMS (Procedure 26.20.20) requires each outstanding receivable due to the State to be aged relative to its formal due date and reported based upon standard aging periods.

- The Department was unable to provide supporting documentation for additions, collections, or adjustments reported on Form C-97 reports during Fiscal Years 2018 and 2019.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve adequate and proper documentation of the Department's essential transactions designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

In addition to the foregoing, 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 revenues and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

During the previous examination, Department officials stated fiscal staff turnover and a lack of transition documentation limited the Department's ability to comply with applicable State laws, rules, and regulations. During the current examination, Department officials stated inadequate historical recordkeeping, unfamiliarity with statutory requirements, and turnover have hindered the Department's ability to comply with applicable State laws, rules, and regulations.

Failure to exercise adequate controls over accounts receivable led to reporting errors, reducing the reliability of Statewide financial information, and could result in delays in collecting cash from outstanding accounts receivable. In addition, failure to establish and maintain internal controls over accounts receivable increases the risk that errors or irregularities could occur and not be found in the normal course of operations and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2019-002, 2017-002, 2015-002, 2013-002, 11-2, 09-2, 07-2, 05-4)

2019-002 **FINDING** (Inadequate control over accounts receivable) (Continued)

RECOMMENDATION

We recommend the Department take action to ensure its accounts receivable are properly recorded, collection efforts are made, and accounts receivable reports are properly prepared in accordance with all applicable laws, rules, and regulations.

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The Department will review its internal controls over accounts receivables and develop a process to ensure the proper recording, collection process and recordkeeping responsibilities are maintained.

2019-003 **FINDING** (Failure to establish and maintain adequate internal control over the Special State Trust Fund)

The Department of Labor (Department) failed to establish and maintain adequate control over its Special State Trust Fund (Fund 251), which holds unpaid wages due to employees. As of June 30, 2019, Fund 251 had $1,508,743 in cash.

Pursuant to the Illinois Wage Payment and Collection Act (WPCA) (820 ILCS 115/11.5(a)), the Department collects, when necessary, an employee's wages or final compensation due and holds these moneys until the employee (now, claimant) can be located by the Department and properly paid. Additionally, pursuant to the Minimum Wage Law (MWL) (820 ILCS 105/12(b)), the Department collects, when necessary, unpaid minimum wages and overtime due to employees and holds these moneys until the employee (now, claimant) can be located by the Department and properly paid. Finally, the Statewide Accounting Management System (SAMS) (Procedure 05.50.01) notes fiduciary funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, and SAMS (Exhibit 27.50.10-A) notes Fund 251 is an agency type of fiduciary fund.

During our testing, we noted the following:

- Twenty-one of 60 (35%) claimant payment requests tested, totaling $97,993, were approved for payment between 15 to 103 days after the claimant filed their claim with the Department.

The WPCA (820 ILCS 115/11.5(b)) requires the Department to pay valid claims upon request from the claimant. As the Department has not adopted administrative rules regarding the amount of time needed to reasonably process a claim as allowed by the WPCA (820 ILCS115/11.5(c)), we considered the WPCA's requirement for all wages due to employees be paid within 13 days of the end of a payroll period under the WPCA (820 ILCS 115/4) to be a reasonable period of time to process these claims and present a voucher for payment to the Office of the State Comptroller (Comptroller).

- We were unable to reconcile the Department's ledger of claimants to Fund 251's cash balance from the *Monthly Cash Report* (SB05) prepared by the Comptroller. We noted unreconciled differences of $605,789 and $526,628 at June 30, 2018, and June 30, 2019, respectively.

SAMS (Procedure 07.30.20) notes "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 insures these requirements are being satisfied."

2019-003 **FINDING** (Failure to establish and maintain adequate internal control over the Special State Trust Fund) (Continued)

Further, SAMS (Procedure 05.50.01) notes an agency's fund assets must equal its liabilities; therefore, the available cash within Fund 251 should reconcile to the Department's listing of amounts collected on behalf of, and now due to, claimants.

Additionally, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve adequate and proper documentation of the functions, procedures, and essential transactions of the Department to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

- At June 30, 2019, the Department is holding claimant balances related to as far back as Calendar Year 2003 activity. Each of these balances require a proper disposition by the Department.

For wages collected pursuant to the MWL, the MWL (820 ILCS 105/12(b)) requires any sum unable to be paid to an employee within one year after its recovery shall be transferred into the General Revenue Fund. For wages collected pursuant to the WPCA, as no direct statutory disposition has been established under the WPCA, these amounts represent property held by a government. Through December 31, 2017, the Uniform Disposition of Unclaimed Property Act (UDUPA) (765 ILCS 1025/8.1(a)) noted property held by a government shall be presumed abandoned after five years. Further, the UDUPA (765 ILCS 1025/11(a)) required the Department to annually report property presumed abandoned under the UDUPA as of June 30 to the State Treasurer, along with a report with information about the owner of the property and the history of the transaction, by November 1. On and after January 1, 2018, the Revised Uniform Unclaimed Property Act (RUUPA) (765 ILCS 1026/15-201) notes property held by a government shall be presumed abandoned after three years. Further, the RUUPA (765 ILCS 1026/15-403(a)) requires the Department to annually report property presumed abandoned under the RUUPA as of June 30 to the State Treasurer for in-State addresses and to other state authorities for out-of-State addresses, along with a report with information about the owner of the property and the history of the transaction, by November 1.

In addition to the foregoing, 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 funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources. Good internal controls over compliance include establishing a control environment that allows the Department to carry out its assigned duties and responsibilities in accordance with State laws, rules, and regulations as written.

2019-003 **FINDING** (Failure to establish and maintain adequate internal control over the Special State Trust Fund) (Continued)

During the prior examination, Department officials indicated fiscal staff turnover and a lack of transition documentation limited the Department's ability to comply with applicable State laws, rules, and regulations. During the current examination, Department officials indicated fiscal staff turnover and inadequate record-keeping systems have limited the Department's ability to comply with applicable State laws, rules, and regulations.

Failure to establish and maintain adequate control over Fund 251 resulted in delays in paying collected back wages due to claimants, hinders the reliability of Statewide financial reporting, delays the payment of State obligations from the General Revenue Fund, delays claimants from identifying unclaimed property through the State Treasurer's unclaimed property program and/or other states' unclaimed property programs, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2019-003, 2017-003, 2015-003, 2013-004, 11-4, 09-4, 07-4)

RECOMMENDATION

We recommend the Department take action to ensure:

- supporting documentation is obtained and preserved, along with the posting of proper accounting entries, when receipts for unclaimed wages are collected and remitted into Fund 251;
- a notation within the Department's records is made to indicate amounts collected pursuant to the WPCA or the MWL when receipts are collected and remitted into Fund 251;
- claimant claims are promptly processed and paid, along with the posting of proper accounting entries, when distributed from Fund 251;
- reconciliations of the total amount due to claimants at the end of each month to the SB05 report are performed and any unreconciled discrepancies are investigated and properly resolved;
- amounts due to claimants older than one year under the MWL are promptly transferred to the General Revenue Fund, with the timely posting of proper accounting entries; and,
- amounts due to claimants under the WPCA are properly handled under the relevant provisions of the RUUPA, with the timely posting of proper accounting entries.

2019-003 **FINDING** (Failure to establish and maintain adequate internal control over the Special State Trust Fund) (Continued)

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The Department has initiated an audit of all Special State Trust Fund receipts and is working to identify all unpaid claimants. Additionally, the Department is developing a process to reconcile its ledger of unpaid claimants to the monthly cash report and has met with the State Treasurer's office to review the process of transferring unclaimed property due to claimants under the WPCA in accordance with the RUUPA. Future transfers of amounts due to claimants under the MWL will be transferred to the General Revenue Fund in accordance with the MWL.

2019-004 **FINDING** (Inadequate and inaccurate reconciliations)

The Department of Labor (Department) did not perform adequate and accurate reconciliations during the examination period.

Monthly Appropriations Status Report (SB01)

The Department had expenditure transactions within eight funds within the State Treasury: the General Revenue Fund (Fund 001), Amusement Ride and Patron Safety Fund (Fund 051), Department of Labor Special State Trust Fund (Fund 251), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), Department of Labor Federal Trust Fund (Fund 724), Federal Industrial Services Fund (Fund 726), and Wage Theft Enforcement Fund (Fund 885). During testing, we found the Department prepared SB01 reconciliations, but failed to properly update the Department's records for the reconciling differences identified in the Department's SB01 reconciliations.

When performing a comparison of the Fiscal Year 2018 Comptroller's expenditure records to the Department's Fiscal Year 2018 expenditure records, we noted the following:

- One salary refund, totaling $1,910, was recorded within the Comptroller's records, but was not recorded in the Department's records.
- One expenditure refund, totaling $894, was recorded within the Comptroller's records, but was not recorded in the Department's records.
- One voucher, totaling $119, was recorded in the Comptroller's records, but was incorrectly recorded within the Department's records. The error noted totaled $2.
- Two vouchers, totaling $198, were recorded on the Department's records, but were not recorded on the Comptroller's records.

When performing a comparison of the Fiscal Year 2019 Comptroller's expenditure records to the Department's Fiscal Year 2019 expenditure records, we noted the following:

- One salary refund, totaling $3,334, was recorded within the Comptroller's records, but was not recorded in the Department's records.
- Four expenditure transfers, totaling $32,182, were recorded within the Comptroller's records, but were not recorded in the Department's records.

2019-004 **FINDING** (Inadequate and inaccurate reconciliations) (Continued)

- One voucher, totaling $15,394, was recorded within the Comptroller's records, but was duplicated within the Department's records.

- One voucher, totaling $356,903, was revised in the Comptroller's records, but was not revised in the Department's records. The error noted totaled $533.

- One voucher, totaling $66,708, was recorded in the Comptroller's records, but was incorrectly recorded within the Department's records. The error noted totaled $3,367.

Non-Shared Funds *Monthly Cash Report* (SB05) Reconciliations
The Department had seven non-shared funds, including Fund 051, Fund 251, Fund 357, Fund 446, Fund 724, Fund 726, and Fund 885. During testing, we noted:

- Nine of 42 (21%) SB05 reconciliations tested were not prepared by the Department. The reconciliations not prepared included one month for Fund 051, one month for Fund 251, one month for Fund 357, three months for Fund 724, and three months for Fund 726. The combined cash balance of those funds, according to the Comptroller's records, was $3,051,837 and $3,148,616 at June 30, 2018, and June 30, 2019, respectively.

- 2 of 42 (5%) SB05 reconciliations tested did not have documentation of the date the preparer and reviewer completed the reconciliation.

Agency Contract Report (SC14) and *Obligation Activity Report* (SC15)
During Fiscal Year 2018, the Department had expenditure transactions within eight funds within the State Treasury: Fund 001, Fund 051, Fund 251, Fund 357, Fund 446, Fund 724, Fund 726, and Fund 885. During testing, we noted the Department did not perform any Fiscal Year 2018 reconciliations between the Department's records and the SC14 and SC15 reports prepared by the State Comptroller during Fiscal Year 2018. The Comptroller's records show the Department had $126,296 in activity during Fiscal Year 2018.

The Statewide Accounting Management System (SAMS) (Procedure 07.30.20) notes "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 insures these requirements are being satisfied." As such, SAMS (Procedures 11.40.20, 09.40.30, 15.30.30, and 15.30.30) establish processes for a reconciliation of the SB01, SB05, SC14, and SC15 reports generated by the Comptroller within 60 days after month end.

2019-004 **FINDING** (Inadequate and inaccurate reconciliations) (Continued)

Further, the State Records Act (5 ILCS 160/8) requires the Department to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and 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 Department's activities.

In addition to the foregoing, 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 expenditures, revenues, and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

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 expenditures. In addition, due to these limitations, we were unable to conclude the Department's *Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2019* on pages 57-59, *Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2018* on pages 60-63, and *Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances* on pages 64-68 were complete and accurate.

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, we performed tests of the Department's expenditures and noted the matters described in Finding 2019-012.

During the prior examination, Department officials indicated fiscal staff turnover and a lack of staff limited the Department's ability to comply with applicable State laws, rules, and regulations. During the current examination, Department officials indicated fiscal staff turnover and lack of staff training were the causes of the identified issues.

Failure to promptly prepare adequate and accurate reconciliations and promptly correct identified errors between the Department's records and the Comptroller's records led to unidentified errors, reduced the overall reliability of Statewide financial information, and could result in overpayments and underpayments to vendors. (Finding Code No. 2019-004, 2017-004, 2015-004, 2013-006, 11-7, 09-5, 07-6)

2019-004 **FINDING** (Inadequate and inaccurate reconciliations) (Continued)

RECOMMENDATION

We recommend the Department take action to ensure it timely prepares adequate and accurate reconciliations of its accounting records to the Comptroller's records each month and investigates and resolves all discrepancies.

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The Department has ensured that all reconciliations are completed accurately and timely since the auditors noted the deficiency during testing.

2019-005 **FINDING** (State property control weaknesses)

The Department of Labor (Department) did not exercise adequate control over the accuracy, completeness, and timeliness of its State property records and related reporting.

During testing, we noted the Department did not maintain detailed documentation of the Department's June 30, 2018 property records and Fiscal Year 2018 and Fiscal Year 2019 records of additions, deletions, and transfers. As a result, we were unable to determine the population of additions, deletions, and transfers, as well as the completeness and accuracy of the Department's property records.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of its organization, functions, policies, decisions, procedures, and essential transactions designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

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 controls over State property and equipment. In addition, due to these limitations, we were unable to conclude the Department's Schedule of Changes in State Property on page 73 was complete and accurate.

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, we performed the following tests*:*

- We reviewed the Department's property listing, and noted the following details were omitted on the 1,221 items listed:
  - the purchase date was not reported for 974 (80%) items;
  - a voucher number was not reported for 1,008 (83%) items;
  - the purchase price was not reported for 838 (69%) items.

The Code (44 Ill. Admin. Code 5010.230) requires the Department to include an identification number, date of purchase, purchase price, and voucher number for each item in its equipment records.

2019-005 **FINDING** (State property control weaknesses) (Continued)

- During review of the Department's September 1, 2017 Certification of Inventory and discrepancy listing, we noted the Department did not have adequate controls over lost or missing property. We noted 7 of 7 (100%) items listed as lost or missing could possibly have confidential information stored on them. Items included two digital cameras and five laptops. In addition, we found the Department did not have a policy in place that tracks items with confidential, sensitive, or personally-identifiable information from initial acquisition until disposal on both State-owned and State used media.

The State Property Control Act (30 ILCS 605/4 and 6.02) requires the Department to be accountable for the supervision, control, and inventory of all items under its jurisdiction and control. In addition, the Department had the responsibility to ensure confidential information was protected from disclosure and to ensure provisions in the Personal Information Protection Act (815 ILCS 530) were followed.

- During testing of the Department's quarterly *Agency Report of State Property* reports (Form C-15), we noted the following:

  - Documentation was not maintained to support the Form C-15s filed with the Office of the State Comptroller (State Comptroller). As a result, we were unable to determine the Form C-15s agreed to Department records or verify the completeness and accuracy of the Form C-15s.

  - The Form C-15s could not be reconciled to the State Comptroller's *Object Expense/Expenditures Report* (SA02), as personnel at the Department were unable to provide any documentation to support amounts reported on its Form C-15s. We noted unreconciled differences between the Form C-15s and the SA02s of $8,336 and ($17,182) during Fiscal Year 2018 and Fiscal Year 2019, respectively.

  - Nineteen of 19 (100%) Department vehicles, totaling $337,552, were not included on the June 30, 2019 Form C-15. The vehicles each had a value over $1,000.

The Statewide Accounting Management System (SAMS) (Procedure 29.10.30) states a Form C-15 should present the total cost of State property reflected on the Department's records as of the reported date and should reconcile to the ending balance of property. SAMS (Procedure 07.30.20) requires the Department to reconcile its records to the SA02 within 60 days of month end. SAMS (Procedure 29.10.30) states the Office of the Comptroller has determined that for purposes of quarterly State property reporting, all assets with an individual value of $1,000 or greater must be reported on the Form C-15.

2019-005 **FINDING** (State property control weaknesses) (Continued)

- During deletions testing, we noted the Department did not report the correct cost or acquisition date on 33 of 61 (54%) items on CMS Surplus Property Delivery Forms tested. In addition, the two *CMS Surplus Property Delivery Forms* did not document who prepared, reviewed, and received the equipment at CMS.

The *CMS Surplus Property Delivery Form* requires the Department to report the acquisition date and cost of equipment items delivered to CMS.

During the prior examination, Department officials indicated turnover within the fiscal staff and a lack of transition documentation limited their ability to comply with applicable law. During the current examination, Department officials indicated turnover, an unfamiliarity with statutory requirements, and a history of inadequate record-keeping limited the Department's ability to comply with applicable State laws, rules, and regulations.

Failure to exercise adequate control over property and to maintain accurate and complete property records increases the potential for fraud and loss of property by theft or misplacement and could expose the Department to a breach of confidential information. In addition, inaccurate reporting hinders the accuracy of, and delays preparation of, Statewide financial information and may result in unnecessary equipment expenditures by the State. Further, the absence of complete and accurate property records results in incorrect accounting records, inaccurate financial reporting, and noncompliance with State laws. (Finding Code No. 2019-005, 2017-005, 2015-005, 2013-003, 11-3, 09-3, 07-3, 05-7, 03-6)

RECOMMENDATION

We recommend the Department strengthen its controls over the recording and reporting of State property by reviewing its inventory and recordkeeping practices to ensure compliance with State law. In addition, the Department should maintain documentation of any equipment additions, deletions, and transfers. Finally, the Department should thoroughly review all reports prepared from its records for accuracy and completeness prior to submitting the reports to external parties.

2019-005 **FINDING** (State property control weaknesses) (Continued)

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. In accordance with the Code, the Department has added appropriate coding on inventory records to account for unreported purchase dates, unreported voucher numbers and unreported purchase prices for which the data is no longer available. The Department is reviewing its internal controls over State property to ensure appropriate recordkeeping and reporting requirements are met, and to ensure accurate balances are reported to the Illinois Comptroller. The Department has also developed separate schedules for additions, deletions and transfers and completed an agency-wide inventory to ensure accurate inventory counts moving forward.

2019-006 **FINDING** (Inadequate control over personal services)

The Department of Labor (Department) failed to maintain proper controls over its personal services functions.

During testing, we noted the following:

- We tested performance evaluations for 25 employees in Fiscal Year 2018 and 2019 and noted:

  - Performance evaluations were not performed timely and/or were not located for 13 (52%) employees tested. More specifically, evaluations could not be located for five employees, and evaluations were performed late for four employees. In addition, for four employees tested, an evaluation could not be located, and an evaluation was performed late.

  - Probationary performance evaluations were not performed timely and/or were not located for 4 of 6 (67%) employees tested and hired during the examination period. More specifically, two evaluations could not be located, and two evaluations were performed 7 and 63 days late.

The *Illinois Department of Labor Policy Manual* (Manual) requires certified employees to be evaluated once per year. Further, the Manual requires employees serving a six-month probationary period to be evaluated at the end of their third month and again at the end of 5½ months of employment. Further, the Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270(d)) requires the Department to prepare an evaluation of its employees not less often than annually.

- We tested employee personnel files for Employment Eligibility Verification (Form I-9) forms for 25 employees and noted:

  - Incomplete I-9 forms were on file for 8 (32%) employees tested. In each instance, Section 2 of the I-9 form was not completed by the employer.

  - I-9 forms could not be located for 4 (16%) employees selected for testing.

The Immigration Reform and Control Act of 1986 (8 U.S.C. § 1324a) (Act) requires an entity hiring an individual for employment in the United States to attest, under penalty of perjury and on a form designated or established by the Attorney General by regulation, that it has verified that the individual is not an unauthorized alien. Such attestation is required to be made by completing Form I-9, in which the employee is required to complete Section 1 by the employee's first day of employment and the entity is required to complete Section 2 within 3 business days of the employee's first day of employment. The Act further requires completed I-9 forms to be retained for a period beginning on the

2019-006 **FINDING** (Inadequate control over personal services) (Continued)

date of the hiring, recruiting, or referral of the individual and ending three years after the date of hiring or one year after the individual is terminated, whichever is later. Additionally, the State Records Act (5 ILCS 160/8) requires the Department to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and 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 Department's activities.

- We tested attendance records for 25 employees and noted:

  - Eight (32%) employees tested failed to submit leave requests for approval in advance of time off taken. We noted 10 instances when leave time was requested and approved between 1 and 23 days after the leave had occurred. Leaves included vacation and personal time.

  - Nine (36%) employees tested failed to timely submit weekly timesheets in e-Time. We noted 17 instances where timesheets were submitted from 15 to 439 days late.

The Manual requires vacation and personal time to be approved in advance of the requested day off. The Code (80 Ill. Admin. Code 303.350) requires employees to provide advance notice of absences from work whenever possible. Further, the Manual requires employees to submit weekly eTime reports no later than the following Friday.

- Two of 6 (33%) employees tested with overtime submitted requests to work overtime between one and five days after the date the overtime was worked during the pay period.

The Manual requires employees to obtain written approval before working any overtime, including work performed prior to or after regular working hours and during lunch breaks.

- One (100%) contractual employee tested lacked a signed personal services contract on file for both Fiscal Year 2018 and Fiscal Year 2019. As a result we were unable to verify the employee's rate of pay.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to maintain a system of fiscal and administrative controls. Effective internal controls should include procedures to ensure the Department retains signed contractual agreements for its contractual employees. Such agreements should state the employees' terms of employment and rate of pay.

2019-006 **FINDING** (Inadequate control over personal services) (Continued)

- Personnel and payroll files for 9 of 25 (36%) employees tested were missing signed deduction authorizations, including:
  - State group insurance withholding authorizations;
  - deferred compensation withholding authorizations;
  - State Commuter Savings Program deduction authorizations;
  - credit union deduction authorizations;
  - union dues withholding authorizations; and,
  - other miscellaneous deduction authorizations.

The Statewide Accounting Management System (SAMS) (Procedure 23.20.30) requires the Department to retain all payroll deduction authorization forms.

- State and/or federal income taxes for 6 of 25 (24%) employees tested were withheld at an incorrect rate based upon the employees' *Federal/Illinois W-4 Employee's Withholding Allowance Certificate* (Form C-25) in each employee's personnel file. We noted differences between the data used to prepare the payroll compared to each employee's respective Form C-25, including:
  - additional amounts elected for deduction from each paycheck;
  - the number of allowances claimed; and,
  - the employee's withholding status.

SAMS (Procedure 23.20.05) requires the Department have on file a properly completed Form C-25 for all active employees.

- We tested training records for 25 employees and noted:
  - One of 6 (17%) employees hired during the examination period failed to complete the initial ethics training within 30 days of commencing employment. The training was completed 4 days late.
  - One of 25 (4%) employees tested failed to complete the annual ethics training for calendar year 2018.

2019-006 **FINDING** (Inadequate control over personal services) (Continued)

- o Ten of 25 (40%) employees tested failed to complete the annual sexual harassment training for calendar year 2018 and/or 2019.

The State Officials and Employee Ethics (Act) (5 ILCS 430/5-10) requires each officer, member, and employee to complete his or her initial ethics training within 30 days of commencing employment, and at least annually thereafter. The Act (5 ILCS 430/5-10.5) requires each officer, member, and employee to complete his or her initial sexual harassment training within 30 days of commencing employment, and at least annually thereafter.

During the prior examination, Department officials indicated both oversight by the responsible staff and unfamiliarity with personal services procedures to be the cause. During the current examination, Department officials indicated the deficiencies noted were due to competing priorities and staff oversight.

Failure to establish and maintain adequate fiscal and administrative controls over personal services represents noncompliance with laws, rules, and regulations, and could:

- undermine the ability of management to monitor employee development and communicate performance expectations;
- result in errors or other irregularities going undetected in employee benefit time allowances, potentially impacting the accuracy of financial reporting and potentially resulting in employees using benefit time they had not earned;
- result in excessive overtime costs;
- result in unnecessary legal risks due to inaccurate or incomplete withholding from an employee's pay; and,
- result in employees not being fully aware of their ethical obligations under the law. (Finding Code No. 2019-006, 2017-006, 2015-008, 2013-008)

RECOMMENDATION

We recommend the Department establish and maintain fiscal and administrative internal controls over its personal services functions, including:

- timely performing performance evaluations in accordance with the Manual and the Code;
- maintaining complete and accurate personnel files, including completed Form I-9, hiring agreements, correct Form C-25s, and authorizations for payroll deductions;

2019-006 **FINDING** (Inadequate control over personal services) (Continued)

- ensuring employees submit leave documentation in a timely manner;
- ensuring employees obtain approval prior to working overtime;
- ensuring all employees timely complete ethics training and complete the associated attendance verification for retention by the Department; and,
- ensuring payroll vouchers are prepared from and agree with all source documentation.

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The Department has reviewed evaluation and timekeeping responsibilities with senior staff and will work to enhance its internal controls over those processes.

2019-007 **FINDING** (Noncompliance with the Employee Classification Act)

The Department of Labor (Department) did not ensure it fully enforced applicable provisions of the Employee Classification Act (Act).

The Act (820 ILCS 185/3) was intended to address the practice of misclassifying employees as independent contractors. The Department has certain enforcement responsibilities under the Act to fulfill the General Assembly's intent.

Reporting Requirements

The Act (820 ILCS 185/43(a)) requires every contractor to report all payments made to individuals, sole proprietors, and partnerships performing construction services if the recipient is not classified as an employee to the Department during the prior tax year annually by April 30. The Act requires each report to be electronically submitted and to include:

1) the contractor's name, address, and business identification number;

2) the individual, sole proprietor, or partnership name, address, and federal employer identification number; and,

3) the total amount the contractor paid to the individual, sole proprietor, or partnership, including payments for services, materials, and equipment.

We selected 40 reports for testing and noted the following:

- Forty (100%) reports tested did not include the individual, sole proprietor, or partnership name, address and federal identification number.

- Forty (100%) reports tested did not include the total amount the contractor paid the individual, sole proprietor, or partnership for services, materials, and equipment.

- Three of the 40 (8%) reports tested did not include the contractor's federal identification number.

- Two of the 40 (5%) reports tested were filed 23 and 36 days late.

- Five of 40 (13%) reports tested were not processed for assessment of penalties or case hearings before an administrative law judge.

2019-007 **FINDING** (Noncompliance with the Employee Classification Act) (Continued)

The Act (820 ILCS 185/43(a)) required the Department to accept reports electronically, effective August 6, 2015. The Act (820 ILCS 185/43(c)) requires the Department, if it finds upon investigation that a contractor failed to file a report or filed an incomplete report in violation of § 43 of the Act shall notify the contractor in writing of the violation, assess a civil penalty under § 40 of the Act, and refer the case to an administrative law judge for the scheduling of a formal hearing in accordance with Article 10 of the Illinois Administrative Procedure Act. Further, the Illinois Administrative Code (56 Ill. Admin. Code 240.520(b)) provides that each violation of the Act, for each person and each day the violation continues, constitutes a separate and distinct violation. Lastly, the Act (820 ILCS 185/40(a)) imposes penalties of $1,000 for first-time violations and $2,000 for subsequent violations during the next five years.

Department officials indicated the electronic report format does not request all of the information required by the Act, and due to competing priorities, penalties have not been pursued. In the previous examination, Department officials indicated the cause to be due to oversight and error by responsible staff.

Notification of Complaints

The Department did not exercise adequate control over its handling of complaints filed by interested parties. During testing of 7 complaints, we noted the following:

- Five of 7 (71%) complaints tested did not include documentation of when the complaint was received to determine if timely processing by the Department occurred.

- Three of 7 (43%) subsequent notifications to employers tested could not be determined if they were timely issued by the Department due to lack of documentation for the complaint receipt date.

- One of 7 (14%) complaints tested lacked documentation to support the complaint and the Department's determination of dismissal.

The Act (820 ILCS 185/25(a)) requires, within 120 days from the filing of a complaint with the Department, the Department provide written notice of the complaint and provide the employer "the location and approximate date of the project or projects, affected contractors, and the nature of the allegations being investigated." Further, the State Records Act (5 ILCS 160/8) requires the Department's Director to make and preserve records containing adequate and proper documentation of the functions, procedures, decisions, and essential transactions of the Department designed to furnish information to

2019-007 **FINDING** (Noncompliance with the Employee Classification Act) (Continued)

protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

Department officials indicated due to competing priorities, the complaints are logged into their system with the date assigned rather than when received. In the previous examination, Department personnel stated these problems were due to oversight and error by responsible staff.

Administrative Rule Conflicts with Statute

The Department's rules adopted within the Illinois Administrative Code (56 Ill. Admin. Code 240.405(b)) have not been changed to reflect the passage of Public Act 099-0303, which was effective on August 6, 2015. We noted the rule still requires contractors report all payments made to individuals, sole proprietors, and partnerships performing construction services if the recipient is not classified as an employee to the Department during the prior tax year by January 31, rather than April 30, each year. Further, the Department's rule still indicates contractors may file their report electronically, while the statute requires electronic filing.

The Act (820 ILCS 185/65) authorizes the Department to adopt reasonable rules to implement and administer the Act. Good internal controls over compliance include monitoring previously adopted rules and regulations to ensure they are consistent with current law and, if needed, seeking appropriate remedies to ensure consistency with the law.

During the previous examination, Department officials indicated the inconsistencies with Department rules were due to oversight. During the current examination, Department officials indicated the reports are being electronically received and competing priorities limited the Department from addressing the inconsistences with the Department's rules.

Failure to enforce the Act's reporting requirements and penalty assessments could hinder the achievement of the Act's legislative intent to address the practice of misclassifying employees as independent contractors, affects the collection of penalties due to affected employees, and represents noncompliance with State law. Further, failure to provide notice to affected employers of a complaint does not allow for the due process afforded those entities as intended by the General Assembly and represents noncompliance with State law. In addition, failure to monitor previously adopted administrative rules to ensure they are consistent with current law leads to unharmonious provisions and could lead to confusion among the public about the actual requirements established by State law. (Finding Code No. 2019-007, 2017-007, 2015-011)

2019-007 **FINDING** (Noncompliance with the Employee Classification Act) (Continued)

RECOMMENDATION

We recommend the Department:

- review its duties and responsibilities under the Act;
- ensure its internal processes and procedures are designed to carry out the duties and responsibilities assigned to the Department under the Act, including ensuring untimely and/or incomplete reports are processed in accordance with the Act's provisions and affected employers receive a written notice of complaints filed; and,
- train all Department officials and employees involved in any element of carrying out the Department's duties and responsibilities under the Act on how to perform their specific function.

Further, the Department should review its administrative rules to ensure they are consistent with the Act.

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The Department will review its internal process and work to carry out its responsibilities under the Act.

2019-008 **FINDING** (Improper disposal of State records and noncompliance with the Private Employment Agency Act)

The Department of Labor (Department) lacked adequate internal control over its investigations pursuant to the Private Employment Agency Act (Act) and did not comply with the State Records Act.

During testing of 20 cases, we noted the following:

- Twenty (100%) investigation reports were not retained by the Department. As such, we were unable to test compliance with the requirements of the Act.

- Sixteen (80%) cases did not include the Private Employment Agency Affidavit Form (IL452PE07) and the Private Employment Agency Background Information Form (IL452PE06).

The Act (225 ILCS 515/1.5(b)) requires the Department to investigate the character, business integrity, and financial responsibility of an employment agency applicant and of those mentioned in the application, and, then, prepare a detailed written report of its investigation with the Department's action taken thereon signed by the investigator, which shall become a part of the Department's official records. The Act (225 ILCS 515/1.5(a)(1)) requires the Department to obtain from an applicant for a license an affidavit on a form (IL42PE07 and IL452PE06) provided by the Department. In addition, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the functions and decisions of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities. The State Records Act (5 ILCS 160/9) requires the Department to establish and maintain an efficient program for retaining records in a trustworthy manner as to ensure the Department's records are accessible and useable for the duration of the retention period.

During the previous engagement period, Department officials indicated the exceptions were due to oversight. During the current examination, Department officials indicated turnover, oversight, and unfamiliarity with records retention requirements were the cause of the exceptions.

Failure to properly preserve investigation reports hinders our ability to provide relevant feedback to the General Assembly about the Department's compliance with the Act, represents noncompliance with the State Records Act, and resulted in an improper disposal of the State's records. (Finding Code No. 2019-008, 2017-012)

2019-008 **FINDING** (Improper disposal of State records and noncompliance with the Private Employment Agency Act) (Continued)

RECOMMENDATION

We recommend the Department ensure its records are only disposed of after (1) the retention period has expired and (2) the Department obtains approval for the destruction from the Chair of the State Records Commission in accordance with the Illinois Administrative Code (44 Ill. Admin. Code 4400.40(c)). Additionally, the Department should ensure all cases include the Private Employment Agency Affidavit Form (IL452PE07) and the Private Employment Agency Background Information Form (IL452PE06).

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The Department has reviewed the records retention requirements with appropriate staff and has developed a process to ensure required forms are included with all Private Employment Agency files.

2019-009 **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Department of Labor (Department) failed to adhere to the provisions in the Fiscal Control and Internal Auditing Act (Act).

The Act requires each designated State agency to maintain a full-time program of internal auditing (30 ILCS 10/2001(a)). The Department, as a Department of State government created in the Civil Administrative Code (Code) (20 ILCS 5/5-15), is a designated State agency required to maintain a full-time program of internal auditing (30 ILCS 10/1003(a)). The Act also states "[a]gencies which do not have full-time internal audit programs may have internal audits performed by the Department of Central Management Services" (30 ILCS 10/2001 (b)).

The Act was originally a Legislative Audit Commission initiative designed to address deficiencies noted in a May 1988 management audit of Illinois' State Programs of Internal Auditing. The audit report's conclusions and recommendations and the legislation that became the Act (House Bill 2031 of the 86th General Assembly which was signed into law as P.A. 86-936) demonstrated an understanding that agencies which are not required to have their own full-time program on internal auditing could obtain internal auditing assistance from an agency such as the Department of Central Management Services (CMS). In other words, each designated State agency must have a full-time program on internal auditing and each State agency that is not so designated is not required to have a full-time program of internal auditing but may receive internal audit services from CMS.

In 2003, by Executive Order (2003-10) the Governor transferred the internal auditors from the various State agencies and consolidated them into the Illinois Office of Internal Audit at CMS. In 2009, the General Assembly unanimously rejected this consolidation of internal audit authority in CMS and directed that the internal auditors and their functions be returned to their respective designated State agencies (P.A. 96-795, effective July 1, 2010).

On November 1, 2017, the Department entered into an agreement with CMS' Bureau of Internal Audit to provide the Department with internal auditing services.

During testing, we noted the following:

- The Department's Director had not appointed a chief internal auditor during Fiscal Year 2018 and Fiscal Year 2019.

The Act (30 ILCS 10/2002(a)) requires the Director to appoint a chief internal auditor.

2019-009 **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act) (Continued)

- The Department and CMS did not obtain the Governor's approval for CMS to provide professional internal auditing services to the Department.

The Code (20 ILCS 405/405-293) states CMS may "with the approval of the Governor, provide additional services to or on behalf of State agencies." "Additional services" is not defined. However, the Attorney General ruled in a recent Opinion No. 19-001 (Opinion), issued August 9, 2019, page 15, that internal audit services specifically fall within the CMS' Law's definition of "professional services," and, therefore, cannot constitute "additional services." Additionally, the Opinion, page 18, also states that multiple designated State agencies may not appoint the same individual as their chief internal auditor through the execution of an intergovernmental agreement. Therefore, even if the Department and CMS had obtained the Governor's approval for CMS to provide professional internal auditing services to the Department, the Attorney General does not believe the Department, a designated State agency, would have been in compliance with the Code for maintaining a full-time program of internal auditing.

- Department management indicated CMS does not bill the Department for its internal audit services and related assistance. As opposed to direct billing for services performed, CMS charges costs for various Statewide services – such as labor relations, personnel, mail and messenger, procurement, and internal audit – to the Professional Services Fund. These costs are then allocated to each State agency based upon each agency's spend during the prior fiscal year and fund transfers are performed to move the cash from the State's various funds into the Professional Services Fund. Given this process, it does not appear the Department's specific costs for its professional internal audit services are being tracked. As a result, we were unable to audit the cost of the Department's internal audit function to ensure the Department is accurately reimbursing CMS.

The 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: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; and (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

During the previous examination, the Department did not have an internal audit function and Department officials indicated it was not established due to budget constraints. During the current examination, Department officials indicated they relied on the CMS internal audit program for compliance with the Act and were unaware that the CMS internal audit program did not satisfy the criteria in the Act.

2019-009 **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act) (Continued)

Failure to establish a full-time internal audit program in accordance with the requirements of the Act – where the chief internal auditor develops a deep understanding of the Department's functions and processes, oversees, and performs audits of the Department's major systems of internal accounting and administrative controls on a periodic basis, and oversees and reviews major new and modifications to information systems prior to implementation – weakens the Department's ability to assess its overall internal control environment and represents noncompliance with State law. Further, the establishment of the Department's internal audit function by interagency agreement hinders the operational autonomy intended by the General Assembly for internal auditors. Department management cannot terminate appointed chief internal auditor prior to the conclusion of their term without cause and a hearing before the Executive Ethics Commission, but management can terminate the interagency agreement with CMS at any time for any reason. Failure to obtain the approval of the Governor for expanding the professional services provided to the Department by CMS limits governmental oversight and represents noncompliance with the Code. Failure to adequately track internal audit costs and be able to provide the auditors with adequate cost support related to the Department's internal audit function results in the auditors being unable to determine the Department's compliance with the Act. (Finding Code No. 2019-009, 2017-008, 2015-006)

RECOMMENDATION

We recommend the Department establish an internal audit program headed by a chief internal auditor appointed by the Director in accordance with the Act.

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The Department will advertise a position for a Chief Internal Auditor to establish an internal audit program.

2019-010 **FINDING** (Noncompliance with statutorily mandated responsibilities)

The Department of Labor (Department) did not comply with certain provisions of statutory mandates.

During our testing, we noted the following:

- The Department failed to administer and enforce the Child Bereavement Leave Act (Act) by failing to adopt rules for the purpose of this Act. Additionally, procedures to assess and collect the penalties under the Act were not established by the Department.

The Act (820 ILCS 154/25) states the Department shall administer and enforce this Act and adopt rules under the Illinois Administrative Procedure Act for the purpose of this Act. The Department shall have the power to conduct investigations in connection with the administration and enforcement of this Act, including the power to conduct depositions and discovery and to issue subpoenas.

Department officials indicated competing priorities limited the Department's ability to comply with applicable State laws, rules, and regulations.

- The Department failed to appoint a member to the Illinois Council on Women and Girls (Council).

The Illinois Council on Women and Girls Act (20 ILCS 5130/20(e)), effective August 17, 2018, states the Director of the Department shall appoint an ex officio member to the Council.

Department officials indicated the appointment was made on September 13, 2019.

- The Department did not create an online employee misclassification referral system on its website as required by the Employee Misclassification Referral System Act (EMRSA) (820 ILCS 92).

- The Department website information in regards to the EMRSA did not include a link for filing complaints with the Internal Revenue Service and the Social Security Administration.

The EMRSA (820 ILCS 92/5) requires the Department to create an online employee misclassification referral system on its website that uses one form that contains all the necessary information required for misclassification complaints, and that refers complaints to the appropriate agencies based on the information supplied by the individual making the complaint. Additionally, the EMRSA requires the Department's

2019-010 **FINDING** (Noncompliance with statutorily mandated responsibilities) (Continued)

website to also include links for the filing of complaints with the Internal Revenue Service and the Social Security Administration. The EMRSA became effective on June 1, 2018.

Department officials indicated the online system was still in the testing stage.

Failure to perform mandated responsibilities represents noncompliance with the Illinois Compiled Statutes. Specifically, failure to administer and enforce the Act and failure to create on online employee misclassification referral system hinders public adherence to the laws. (Finding Code No. 2019-010)

RECOMMENDATION

We recommend the Department adopt necessary administrative rules and complete testing and implementation of the EMRSA online system to more fully comply with statutory requirements.

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The online Employee Misclassification Referral System has been created in accordance with the Act.

2019-011 **FINDING** (Reporting procedural deficiencies)

The Department of Labor (Department) did not comply with certain procedural requirements established by State laws, rules, and regulations.

Annual Agency Workforce Report

During testing, we noted the Department did not include complete and accurate information on its annual Agency Workforce Report for both Fiscal Year 2017 and Fiscal Year 2018, filed with the Office of the Governor (Governor) and the Office of the Secretary of State (Secretary) during Fiscal Year 2018 and Fiscal Year 2019, respectively. The errors we noted included the following:

- The Department's Fiscal Year 2017 report contained an inaccurate number of professional employees. Department records indicated there were approximately 35 professional employees; however, only 6 professional employees were reported.
- The Department's Fiscal Year 2018 contained the following inaccuracies:
    - three instances where amounts and/or percentages were not mathematically accurate;
    - four instances where percentages were not reported; and,
    - one instance where a contractual employee was excluded from the report.

The State Employment Records Act (Act) (5 ILCS 410/20) requires the Department to collect, classify, maintain, and report certain employment statistics for women, disabled, and minority groups. Annual reports summarizing the information in a prescribed format are required to be filed with the Governor and the Secretary by January 1 each year for the preceding fiscal year. Further, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of its essential transactions to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

- The Department failed to timely file amended versions of its reports for Fiscal Year 2015 and Fiscal Year 2016 with the Governor and the Secretary of State following notification from the Office of the Auditor General (see Finding 2017-013). The amended reports were filed 12 days late.

2019-011 **FINDING** (Reporting procedural deficiencies) (Continued)

- The Department failed to file amended versions of its reports for Fiscal Year 2013 and Fiscal Year 2014 with the Governor and the Secretary after the Office of the Auditor General made the recommendation within the Department's previous examination reports (see Finding 2015-010 and Finding 2017-013).

The Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) requires the Department, within 30 days after the release of a report in which it is reported the Department did not materially comply with the Act, to file corrected reports for all periods of noncompliance identified with the Governor and the Secretary.

Annual Public Accountability Report

During testing, we noted the Department did not prepare and file its annual Public Accountability Report for Fiscal Year 2017, with the Office of the State Comptroller (Comptroller) during Fiscal Year 2018.

The Statewide Accounting Management System (Procedure 33.20.20) requires the Department to provide information on its service efforts, accomplishments, and costs to the Comptroller as part of its annual fiscal year-end reporting package by November 15.

Annual Agency Invoice Report

During testing, we noted the Department filed its annual Agency Invoice Report for Fiscal Year 2017 with the Comptroller on October 2, 2017, one day late.

At the time, the State Finance Act (30 ILCS 105/9.08(a)) required the Department to annually report the aggregate dollar value of bills held at the Department on June 30 to the Comptroller by October 1.

Debt Transparency Act Report

During testing, we noted the Department filed its monthly Debt Transparency Act Report (Form SCO-961) late for 4 of 19 (21%) monthly reports, ranging from 1 to 7 days late.

As amended, the State Finance Act (30 ILCS 105/9.08(a), effective January 1, 2018, modified the requirement to be a monthly report from the Department to the Comptroller identifying (1) total bills held by fund source, (2) whether appropriations exist for these obligations, and (3) an estimate of interest penalties due under the State Prompt Payment Act (30 ILCS 540) in the format prescribed by the Comptroller.

2019-011 **FINDING** (Reporting procedural deficiencies) (Continued)

Annual report of the Department's acts and doings

During testing, we noted the Department did not prepare and file its Fiscal Year 2018 and Fiscal Year 2019 annual report of its acts and doings to the Governor for the previous fiscal year due 10 days preceding the convening of the General Assembly.

The State Finance Act (Act) (30 ILCS 105/3) requires the Department, at least 10 days preceding each regular session of the General Assembly, make and deliver an annual report to the Governor of the Department's acts and doings for the preceding fiscal year.

Federal Financial Report

During testing of the Department's two Federal Grants, we noted the following:

- For Fiscal Year 2018, the Department filed its Federal Financial Report SF-425 (FFR) closeout report 10 days late.
- For Fiscal Year 2019, the Department filed its FFR December quarterly report 7 days late.

The Grant agreement requires the FFR to be filed 30 days after the end of each federal fiscal quarter with an additional closeout report due no later than 90 days after the end of the performance period.

Department officials indicated staff turnover, competing priorities, oversight by the responsible staff, and unfamiliarity with statutory requirements limited the Department's ability to comply with applicable State laws, rules and regulations.

Failure to prepare complete, accurate, and supported reports in a timely manner hinders oversight of the Department, negatively impacts the users of these reports, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2019-011, 2017-013, 2015-010)

RECOMMENDATION

We recommend the Department implement controls to ensure all reports required to be produced by the Department are complete, accurate, supported, and filed with the appropriate parties in a timely manner. Further, the Department should prepare and

2019-011 **FINDING** (Reporting procedural deficiencies) (Continued)

submit a corrected Agency Workforce Report for Fiscal Year 2013, Fiscal Year 2014, Fiscal Year 2017, and Fiscal Year 2018 to the Governor and the Secretary within 30 days from the release of this report, as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)).

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The Department has reviewed its internal controls related to the accurate filing of the Agency Workforce Report and has implemented an additional review process prior to filing to ensure accuracy. The Annual Public Accountability Report was filed timely for Fiscal Year 2019 and will be filed timely going forward. All Debt Transparency Act Reports have been filed timely in the current audit period. The Department will review its internal controls over identification and filing of all required reports to ensure timely filing of all applicable reports.

2019-012 **FINDING** (Inadequate control over voucher processing)

The Department of Labor (Department) did not exercise adequate control over voucher processing.

As noted in Finding 2019-004, we were unable to conclude whether the Office'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 Office's expenditures.

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, we performed the following tests:

During testing, we noted the following:

- Twenty-one of 60 (35%) vouchers tested, totaling $53,037, were approved from 3 to 224 days late.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70) requires the Department to 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 physical receipt of the bill.

- Two of 8 (25%) travel vouchers tested, totaling $2,483, were for out-of-state travel but were not submitted to the Governor's Office of Management and Budget for approval 30 days prior to the travel.

The Governor's Travel Control Board Rules (80 Ill. Admin. Code 2800.700(b) require travel outside of Illinois be approved by the Governor's Office of Management and Budget prior to travel. All requests shall be submitted to the Governor's Office of Management and Budget's on-line travel system (eTravel) at least 30 days in advance of the departure date.

- Five out of 5 (100%) Fiscal Year 2018 prompt payment interest vouchers, totaling $1,773, paid prompt payment interest on Fiscal Year 2016 invoices from non-shared Funds 446, 885, and 051.

Statewide Accounting Management System (SAMS) (Procedure 17.20.45) states interest shall be paid from the same appropriation line item as that from which the principal is paid. If the appropriation from which the principal was paid has lapsed, the Illinois Court of Claims shall, in its investigation of payments due claimants, provide for interest penalties as prescribed in the State Prompt Payment Act.

2019-012 **FINDING** (Inadequate control over voucher processing) (Continued)

During the previous examination, Department officials indicated turnover and staffing shortages, as well as competing projects, impeded their efforts to comply with all voucher review and processing requirements. During the current examination, Department officials indicated unfamiliarity with the requirements and fiscal staff turnover limited the Department's ability to comply with applicable rules and regulations.

Failure to review and approve proper bills within 30 days results in noncompliance with the Code and could cause the State to pay interest penalties. Failure to submit out-of-state travel requests does not provide the Governor's Travel Control Board an opportunity to review the need and appropriateness of the travel. Failure to pay prompt payment interest in the year accrued results in noncompliance with SAMS. (Finding Code No. 2019-012, 2017-014, 2015-009, 2013-005, 11-5, 09-11, 07-12, 05-9, 03-2, 01-1, 99-1)

RECOMMENDATION

We recommend the Department:

- ensure vouchers are approved and paid within the required time frame;
- ensure preapproval for out-of-State travel is sought timely; and,
- track and periodically review interest amounts owed to vendors and authorize payment of interest to vendors when required.

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. The Department will review its internal controls over voucher processing and work to ensure all applicable laws, rules and procedures are followed.

2019-013 **FINDING** (Weaknesses regarding the security and control of confidential information and cybersecurity)

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

The Department maintains computer systems containing large volumes of confidential and personal information such as names, addresses, and social security numbers. During the examination period, the Department utilized the common systems of the Department of Information and Technology (DoIT).

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, practices, and control of confidential information, we noted the Department:

- 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.

- Did not have sufficient controls in place to reduce the risk of attack.

- Had not classified its data to identify and ensure adequate protection of information (i.e. confidential or personal information) most susceptible to attack.

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.

Department personnel stated cybersecurity roles and responsibilities had previously been delegated to DoIT. The Department's limited information technology staff inhibited the Department's ability to properly oversee DoIT's cybersecurity responsibilities.

Weakness in cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the accidental or unauthorized disclosure of confidential or personal information (Finding Code No. 2019-013)

2019-013 **FINDING** (Weaknesses regarding the security and control of confidential information and cybersecurity) (Continued)

RECOMMENDATION

The Department has the responsibility to ensure that confidential and personal information is adequately protected. Specifically, we recommend the Department:

- Develop a formal, comprehensive, adequate, and communicated security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental and operational requirements;
- Implement sufficient controls to reduce the risk of attack; and,
- Classify its data to identify and ensure adequate protection of information (i.e. confidential or personal information) most susceptible to attack.

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. We will work with DoIT to streamline the creation of a formalized plan that is specific to the Department's policies, procedures, and processes in relation to the programs and services the Department offers. By creating a Department specific plan, we will be able to monitor the regulatory, legal, environmental, and operational requirements more appropriately.

As suggested, in the finding, we are centrally managed and secured by DoIT, we need to establish a mechanism for reporting procedures that appropriately documents our cybersecurity and potential exposure to risk. In this process, we can work to identify data that is considered more highly classified or most susceptible to attack.

2019-014 **FINDING** (Lack of disaster contingency planning or testing to ensure the recovery of computer systems)

The Department of Labor (Department) had not developed a comprehensive disaster recovery plan or performed comprehensive testing during the examination period.

The Department carries out its mission through the use of information technology. Computer systems that support the Department's mission include the Carnival System, the Check Receipts System, the Day and Temporary Labor License System, the Nurse Agency Licensing Program, the Private Employment Agency Licensing, Wage Claims and Adobe Forms (data in-take forms).

Although the Department had developed the State of Illinois, Department of Innovation & Technology and Department of Labor, Information Systems Resiliency Plan, the Plan did not include:

- Detailed recovery scripts,
- Support staff and vendor contact information,
- Responsibilities for the recovery of the Department's applications, and
- Documentation on backups.

In addition, the Department could not provide documentation demonstrating a comprehensive disaster recovery test had been completed during the examination period.

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

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorse the formal development and testing of disaster recovery plans. Tests of disaster recovery plans (and the associated documentation of the test results) verify that the plan, procedures, and resources provide the capability to recover critical systems within the required timeframe.

During the prior examination, the Department personal indicated the disaster recovery plan was not developed due to the lack of staff and time. During the current examination, the Department indicated they believed the plan developed was sufficient.

Failure to have a comprehensive disaster recovery plan or to conduct testing leaves the Department exposed to the possibility of disruptions and loss of data. (Finding Code No. 2019-014, 2017-011, 2015-007)

2019-014 **FINDING** (Lack of disaster contingency planning or testing to ensure the recovery of computer systems) (Continued)

RECOMMENDATION

We recommend the Department develop a plan that addresses:

- Detailed recovery scripts;
- Support staff and vendor contact information;
- Responsibilities for the recovery of the Department's applications; and,
- Documentation on backups.

Additionally, the Department should perform and document comprehensive testing of its plan at least annually.

DEPARTMENT RESPONSE

The Department accepts the auditor's finding and recommendation. In response to these recommendations, the Department has begun a business impact analysis project that outlines key recovery procedures for our major applications. During this project, we will develop appropriate scripts or approaches for verifying that DoIT has successfully recovered the Department's applications and data. In reference to data and application backups, the Department will work with DoIT to provide adequate reports and documentation that explains the approach and data retention for all relevant data and applications. With this plan, we will schedule various tests that can validate the scripts or recovery methods that DoIT provides in the event of data loss or application recovery.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS – NOT REPEATED FINDINGS
For the Two Years Ended June 30, 2019

A. **FINDING:** (Inadequate control over travel expenditures)

During the prior examination, the Department of Labor (Department) did not exercise adequate internal control over its travel expenditures.

During the current examination, our sample testing of travel expenditures indicated the Department exercised adequate internal control over its travel expenditures. (Finding Code No. 2017-009, 2015-012, 2013-007, 11-8, 09-6, 07-11)

B. **FINDING:** (Inaccurate financial reporting of federal grant activity)

During the prior examination, the Department did not ensure its federal grant activity was accurately reported to the Office of the State Comptroller (Comptroller).

During the current examination, our sample testing indicated the Department accurately reported federal grant activity to the Comptroller. (Finding Code No. 2017-010)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2019

For the Sixteen Months Ended October 31, 2019
(NOT EXAMINED)

Public Act 100-0586 and Public Act 101-0007 FISCAL YEAR 2019	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed October 31
APPROPRIATED FUNDS					
GENERAL REVENUE FUND - 001					
Personal services	$ 4,903,600	$ 4,042,752	$ 328,046	$ 4,370,798	$ 532,802
State contributions to Social Security	375,200	296,260	25,096	321,356	53,844
Contractual services	319,300	173,403	63,118	236,521	82,779
Travel	57,000	17,466	1,735	19,201	37,799
Commodities	9,500	7,326	695	8,021	1,479
Printing	8,000	-	-	-	8,000
Equipment	8,700	6,599	131	6,730	1,970
Electronic data processing	648,800	357,455	34,492	391,947	256,853
Telecommunication	43,000	33,025	6,146	39,171	3,829
Operation of auto equipment	12,000	2,955	2,039	4,994	7,006
Unpaid wage increase	420,300	-	417,184	417,184	3,116
Total General Revenue Fund - 001	6,805,400	4,937,241	878,682	5,815,923	989,477
AMUSEMENT RIDE AND PATRON SAFETY FUND - 051					
Operational expenses	338,400	269,791	16,495	286,286	52,114

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2019

For the Sixteen Months Ended October 31, 2019
(NOT EXAMINED)

Public Act 100-0586 and Public Act 101-0007 FISCAL YEAR 2019	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed October 31
APPROPRIATED FUNDS (Continued)					
CHILD LABOR AND DAY AND TEMPORARY LABOR SERVICES ENFORCEMENT FUND - 357					
Operational expenses	$ 650,100	$ 566,909	$ 24,182	$ 591,091	$ 59,009
EMPLOYEE CLASSIFICATION FUND - 446					
Operational expenses	348,300	22,645	870	23,515	324,785
DEPARTMENT OF LABOR FEDERAL TRUST FUND - 724					
Costs associated with promoting and enforcing the Occupational Safety and Health Administration State Program for public sector worksites	2,000,000	817,593	38,566	856,159	1,143,841
FEDERAL INDUSTRIAL SERVICES FUND - 726					
Administration of Occupational Safety and Health Administration Program	3,000,000	1,117,810	59,939	1,177,749	1,822,251

Schedule 1
(Continued)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2019

For the Sixteen Months Ended October 31, 2019
(NOT EXAMINED)

Public Act 100-0586 and Public Act 101-0007 FISCAL YEAR 2019	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed October 31
APPROPRIATED FUNDS (Continued)					
WAGE THEFT ENFORCEMENT FUND - 885					
Operational expenses	$ 100,000	$ 3,732	$ -	$ 3,732	$ 96,268
TOTAL - ALL APPROPRIATED FUNDS	$ 13,242,200	7,735,721	1,018,734	8,754,455	$ 4,487,745
DEPARTMENT OF LABOR SPECIAL STATE TRUST FUND - 251					
Net pay claims		195,416	37,849	233,265	
TOTAL - ALL NON-APPROPRIATED FUNDS		195,416	37,849	233,265	
GRAND TOTAL - ALL FUNDS		$ 7,931,137	$ 1,056,583	$ 8,987,720	

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the Office of the State 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 the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2018

For the Sixteen Months Ended October 31, 2018
(NOT EXAMINED)

Public Act 100-0021 and Public Act 100-0586 FISCAL YEAR 2018	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed October 31
APPROPRIATED FUNDS					
GENERAL REVENUE FUND - 001					
Personal services	$ 4,720,500	$ 4,660,149	$ 2,640	$ 4,662,789	$ 57,711
State contributions to Social Security	366,500	341,829	202	342,031	24,469
Contractual services	292,914	214,666	50,676	265,342	27,572
Travel	55,879	21,918	3,006	24,924	30,955
Commodities	9,310	6,312	628	6,940	2,370
Printing	1,800	1,800	-	1,800	-
Equipment	6,076	546	-	546	5,530
Electronic data processing	420,073	338,160	23,466	361,626	58,447
Telecommunication	23,200	20,495	2,603	23,098	102
Operation of auto equipment	7,448	3,781	11	3,792	3,656
Ordinary and contingent expenses	1,484,900	-	1,382,770	1,382,770	102,130
Total General Revenue Fund - 001	7,388,600	5,609,656	1,466,002	7,075,658	312,942
AMUSEMENT RIDE AND PATRON SAFETY FUND - 051					
Operational expenses	338,400	138,678	27,536	166,214	172,186

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2018

For the Sixteen Months Ended October 31, 2018
(NOT EXAMINED)

Public Act 100-0021 and Public Act 100-0586 FISCAL YEAR 2018	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed October 31
APPROPRIATED FUNDS (Continued)					
CHILD LABOR AND DAY AND TEMPORARY LABOR SERVICES ENFORCEMENT FUND - 357					
Operational expenses	$ 623,100	$ 476,792	$ 18,959	$ 495,751	$ 127,349
EMPLOYEE CLASSIFICATION FUND - 446					
Operational expenses	348,300	38,976	10,230	49,206	299,094
DEPARTMENT OF LABOR FEDERAL TRUST FUND - 724					
Costs associated with promoting and enforcing the Occupational Safety and Health Administration State Program for public sector worksites	2,000,000	574,684	9,585	584,269	1,415,731
FEDERAL INDUSTRIAL SERVICES FUND - 726					
Administration of Occupational Safety and Health Administration Program	2,970,000	835,252	21,673	856,925	2,113,075
Contractual services	30,000	-	-	-	30,000
Total Federal Industrial Services Fund - 726	3,000,000	835,252	21,673	856,925	2,143,075

Schedule 2
(Continued)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2018

For the Sixteen Months Ended October 31, 2018
(NOT EXAMINED)

Public Act 100-0021 and Public Act 100-0586 FISCAL YEAR 2018	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed October 31
APPROPRIATED FUNDS (Continued)					
WAGE THEFT ENFORCEMENT FUND - 885					
Operational expenses	$ 100,000	$ 70,565	$ 106	$ 70,671	$ 29,329
TOTAL - ALL APPROPRIATED FUNDS	$ 13,798,400	7,744,603	1,554,091	9,298,694	$ 4,499,706
DEPARTMENT OF LABOR SPECIAL STATE TRUST FUND - 251					
Net pay claims		201,385	82,621	284,006	
TOTAL - ALL NON-APPROPRIATED FUNDS		201,385	82,621	284,006	
GRAND TOTAL - ALL FUNDS		$ 7,945,988	$ 1,636,712	$ 9,582,700	

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the Office of the State Comptroller's records as of October 31, 2018.

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

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2018

For the Sixteen Months Ended October 31, 2018
(NOT EXAMINED)

Note 3: During Fiscal Year 2018, the Department operated without enacted appropriation until Public Act 100-0021 and Public Act 100-0586 were signed into law on July 6, 2017, and June 4, 2018, respectively. During the impasse, the Department incurred obligations, which the Department was unable to pay until the passage of Public Act 100-0021 and Public Act 100-0586.

Note 4: Notwithstanding anything within Public Act 100-0021 and Public Act 100-0586 to the contrary, Public Act 100-0021 and Public Act 100-0586 authorized the Department to pay for all costs incurred to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 85 includes information from Department management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal 2017 held and submitted by the Department against its Fiscal Year 2018 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2019, 2018, and 2017

(NOT EXAMINED)

	FISCAL YEAR		
	2019	2018	2017
	P.A. 100-0586 and P.A. 101-0007	P.A. 100-0021 and P.A. 100-0586	P.A. 99-0524 and Court-Ordered Expenditures
APPROPRIATED FUNDS			
GENERAL REVENUE FUND - 001			
Appropriations (Net After Transfers)	$ 6,805,400	$ 7,388,600	
Expenditures			
Personal services	4,370,798	4,662,789	$ 4,708,665
State contributions to Social Security	321,356	342,031	336,986
Contractual services	236,521	265,342	-
Travel	19,201	24,924	-
Commodities	8,021	6,940	-
Printing	-	1,800	-
Equipment	6,730	546	-
Electronic data processing	391,947	361,626	-
Telecommunication	39,171	23,098	-
Operation of auto equipment	4,994	3,792	-
Ordinary and contingent expenses	-	1,382,770	-
Unpaid wage increase	417,184	-	-
Total expenditures	5,815,923	7,075,658	$ 5,045,651
Lapsed balances	$ 989,477	$ 312,942	
AMUSEMENT RIDE AND PATRON SAFETY FUND - 051			
Appropriations (Net After Transfers)	$ 338,400	$ 338,400	$ 246,800
Operational expenses	286,286	166,214	229,222
Lapsed balances	$ 52,114	$ 172,186	$ 17,578

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2019, 2018, and 2017

(NOT EXAMINED)

	FISCAL YEAR		
	2019	2018	2017
	P.A. 100-0586 and P.A. 101-0007	P.A. 100-0021 and P.A. 100-0586	P.A. 99-0524 and Court-Ordered Expenditures
CHILD LABOR AND DAY AND TEMPORARY LABOR SERVICES ENFORCEMENT FUND - 357			
Appropriations (Net After Transfers)	$ 650,100	$ 623,100	$ 623,100
Operational expenses	591,091	495,751	604,369
Lapsed balances	$ 59,009	$ 127,349	$ 18,731
EMPLOYEE CLASSIFICATION FUND - 446			
Appropriations (Net After Transfers)	$ 348,300	$ 348,300	$ 348,300
Operational expenses	23,515	49,206	103,680
Lapsed balances	$ 324,785	$ 299,094	$ 244,620
BUDGET STABILIZATION FUND - 686			
Appropriations (Net After Transfers)	$ -	$ -	$ 200,000
Ordinary and contingent expenses	-	-	197,799
Lapsed balances	$ -	$ -	$ 2,201

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2019, 2018, and 2017

(NOT EXAMINED)

	FISCAL YEAR		
	2019	2018	2017
	P.A. 100-0586 and P.A. 101-0007	P.A. 100-0021 and P.A. 100-0586	P.A. 99-0524 and Court-Ordered Expenditures
DEPARTMENT OF LABOR FEDERAL TRUST FUND - 724			
Appropriations (Net After Transfers)	$ 2,000,000	$ 2,000,000	$ 2,000,000
Costs associated with promoting and enforcing the Occupational Safety and Health Administration State Program for public sector worksites	856,159	584,269	1,210,943
Lapsed balances	$ 1,143,841	$ 1,415,731	$ 789,057
FEDERAL INDUSTRIAL SERVICES FUND - 726			
Appropriations (Net After Transfers)	$ 3,000,000	$ 3,000,000	$ 3,000,000
Expenditures			
Administration of Occupational Safety and Health Administration Program	1,177,749	856,925	1,273,929
Contractual Services	-	-	-
Total expenditures	1,177,749	856,925	1,273,929
Lapsed balances	$ 1,822,251	$ 2,143,075	$ 1,726,071
WAGE THEFT ENFORCEMENT FUND - 885			
Appropriations (Net After Transfers)	$ 100,000	$ 100,000	$ 206,200
Operational expenses	3,732	70,671	130,397
Lapsed balances	$ 96,268	$ 29,329	$ 75,803

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2019, 2018, and 2017

(NOT EXAMINED)

	FISCAL YEAR		
	2019	2018	2017
	P.A. 100-0586 and P.A. 101-0007	P.A. 100-0021 and P.A. 100-0586	P.A. 99-0524 and Court-Ordered Expenditures
TOTAL - ALL APPROPRIATED FUNDS			
Appropriations (Net After Transfers)	$ 13,242,200	$ 13,798,400	$ 6,624,400
Total appropriated funds expenditures	8,754,455	9,298,694	8,795,990
Lapsed balances appropriated funds	$ 4,487,745	$ 4,499,706	$ (2,171,590)
NON-APPROPRIATED FUNDS			
DEPARTMENT OF LABOR SPECIAL STATE TRUST FUND - 251			
Expenditures			
Net pay claims	$ 233,265	$ 284,006	$ 279,952
TOTAL - ALL NON-APPROPRIATED FUNDS	$ 233,265	$ 284,006	$ 279,952
GRAND TOTAL - ALL FUNDS			
Total expenditures	$ 8,987,720	$ 9,582,700	$ 9,075,942
STATE OFFICERS SALARIES			
Expenditures			
Director	$ 132,605	$ 124,090	$ 119,717
Assistant Director	82,247	102,033	75,427
Chief Factory Inspector	-	-	8,697
Superintendent of Safety Inspection Education	9,566	44,934	-
Total expenditures	$ 224,418	$ 271,057	$ 203,841

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2019, 2018, and 2017

(NOT EXAMINED)

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the Office of the State Comptroller's records as of October 31, 2019 and October 31, 2018. For Fiscal Year 2017, the Department did not perform all reconciliations and update expenditure records as required. As a result, expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017.

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

Note 3: During Fiscal Year 2017, the Circuit Court of St. Clair County in AFSCME Council 31 v. Munger (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." Public Act 100-0021 states appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Department was able to submit vouchers to pay its employees in full from Fund 001 without a maximum expenditure limit for personal service costs during Fiscal Year 2017. Further, the Department incurred non-payroll obligations within Fund 001, 246, and 686, which the Department was unable to pay until the passage of Public Act 100-0021.

Note 4: During Fiscal Year 2018, the Department operated without enacted appropriation until Public Act 100-0021 and Public Act 100-0586 were signed into law on July 6, 2017, and June 4, 2018, respectively. During the impasse, the Department incurred obligations, which the Department was unable to pay until the passage of Public Act 100-0021 and Public Act 100-0586.

Note 5: During Fiscal Year 2017, Public Act 99-0524 authorizes the Department to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures.

Note 6: Notwithstanding anything within Public Act 100-0021 and Public Act 100-0586 to the contrary, Public Act 100-0021 and Public Act 100-0586 authorized the Department to pay for all costs incurred to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 85 includes information from Department management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal 2017 held and submitted by the Department against its Fiscal Year 2018 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION
SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE
STATE COMPTROLLER
For the Fiscal Years Ended June 30, 2019, 2018, and 2017

(NOT EXAMINED)

	FISCAL YEAR		
	2019	2018	2017
GENERAL REVENUE FUND - 001			
Private employment agencies inspection fees	$ 100	$ -	$ 70,640
Nurse agencies	75,076	61,750	58,000
Miscellaneous	574	134,821	85,099
Fines and penalties	87,485	86,247	88,767
Prior year warrant voids	6,219	-	-
Total cash receipts per Department	169,454	282,818	302,506
Less - In transit at End of Year	6,782	*	*
Plus - In transit at Beginning of Year	*	*	*
Total cash receipts per State Comptroller's records fund - 001	$ 162,672	$ 282,818	$ 218,089
AMUSEMENT RIDE AND PATRON SAFETY FUND - 051			
Carnival-amusement rides inspection fees	$ 302,695	$ 284,873	$ 290,686
Carnival-amusement rides fines	1,001	4,137	8,710
Total cash receipts per Department	303,696	289,010	299,396
Less - In transit at End of Year	13,065	*	*
Plus - In transit at Beginning of Year	*	*	*
Total cash receipts per State Comptroller's records fund - 051	$ 290,631	$ 289,010	$ 285,709
DEPARTMENT OF LABOR SPECIAL STATE TRUST FUND - 251			
Collection of labor law claims	$ 403,498	$ 251,858	$ 337,131
Prior year warrant voids	-	180	-
Total cash receipts per Department	403,498	252,038	337,131
Less - In transit at End of Year	28,011	*	*
Plus - In transit at Beginning of Year	*	*	*
Total cash receipts per State Comptroller's records fund - 251	$ 375,487	$ 252,038	$ 314,094

Schedule 4
(Continued)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION
SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE
STATE COMPTROLLER
For the Fiscal Years Ended June 30, 2019, 2018, and 2017

(NOT EXAMINED)

	FISCAL YEAR		
	2019	2018	2017
CHILD LABOR AND DAY AND TEMPORARY LABOR SERVICES ENFORCEMENT FUND - 357			
Civil penalties	$ 2,450	$ 11,695	$ 1,700
Private employment agencies inspections	67,620	67,312	-
Day labor agencies fees	638,000	577,251	589,000
Total cash receipts per Department	708,070	656,258	590,700
Less - In transit at End of Year	1,925	*	*
Plus - In transit at Beginning of Year	*	*	*
Total cash receipts per State Comptroller's records fund - 357	$ 706,145	$ 656,258	$ 674,415
EMPLOYEE CLASSIFICATION FUND - 446			
Civil penalties	$ 16,047	$ 48,616	$ 10,150
Prior year warrant voids	1,155	-	-
Total cash receipts per Department	17,202	48,616	10,150
Less - In transit at End of Year	1,860	*	*
Plus - In transit at Beginning of Year	*	*	*
Total cash receipts per State Comptroller's records fund - 446	$ 15,342	$ 48,616	$ 10,050
BUDGET STABILIZATION FUND - 686			
Prior year refund	$ -	$ 305	$ -
Total cash receipts per Department	-	305	-
Less - In transit at End of Year	-	*	*
Plus - In transit at Beginning of Year	*	*	*
Total cash receipts per State Comptroller's records fund - 686	$ -	$ 305	$ -

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION
SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE
STATE COMPTROLLER
For the Fiscal Years Ended June 30, 2019, 2018, and 2017

(NOT EXAMINED)

	FISCAL YEAR		
	2019	2018	2017
DEPARTMENT OF LABOR FEDERAL TRUST FUND - 724			
Administration of federal project	$ 790,504	$ 580,550	$ 1,288,621
Total cash receipts per Department	790,504	580,550	1,288,621
Less - In transit at End of Year	6,500	*	*
Plus - In transit at Beginning of Year	*	*	*
Total cash receipts per State Comptroller's records fund - 724	$ 784,004	$ 580,550	$ 1,288,621
FEDERAL INDUSTRIAL SERVICES FUND - 726			
Administration of federal project	$ 1,067,725	$ 929,774	$ 1,348,743
Prior year warrant voids	1,479	-	-
Total cash receipts per Department	1,069,204	929,774	1,348,743
Less - In transit at End of Year	-	*	*
Plus - In transit at Beginning of Year	*	*	2,426
Total cash receipts per State Comptroller's records fund - 726	$ 1,069,204	$ 929,774	$ 1,348,743
WAGE THEFT ENFORCEMENT FUND - 885			
Administrative fees	$ 62,049	$ 66,067	$ 77,176
Fines and penalties	43,479	10,303	6,973
Total cash receipts per Department	105,528	76,370	84,149
Less - In transit at End of Year	3,851	*	*
Plus - In transit at Beginning of Year	*	*	*
Total cash receipts per State Comptroller's records fund - 885	$ 101,677	$ 76,370	$ 76,997

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION
SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE
STATE COMPTROLLER
For the Fiscal Years Ended June 30, 2019, 2018, and 2017

(NOT EXAMINED)

	FISCAL YEAR		
	2019	2018	2017
GRAND TOTAL - ALL FUNDS			
Total cash receipts per Department	$ 3,567,156	$ 3,115,739	$ 4,261,396
Less - In transit at End of Year	61,994	*	*
Plus - In transit at Beginning of Year	*	*	*
Total cash receipts per State Comptroller's records - all funds	$ 3,505,162	$ 3,115,739	$ 4,216,718

* We were unable to conclude the Department's records were complete and accurate (see Finding Code No. 2019-001)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

	Equipment
Balance at July 1, 2017	$ 1,257,540
Additions	9,367
Deletions	-
Net transfers	-
Balance at June 30, 2018	$ 1,266,907
Balance at July 1, 2018	$ 1,266,907
Additions	3,763
Deletions	(1,045,027)
Net transfers	-
Balance at June 30, 2019	$ 225,643

Note: The above schedule has been derived from property reports submitted to the Office of the State Comptroller. We were unable to conclude the Department's records were complete and accurate (see Finding Code No. 2019-005).

(NOT EXAMINED)

AGENCY FUNCTIONS

The Department of Labor (Department) administers and enforces various State labor laws, such as regulation of wages, hours, working conditions, minors in the work force, and licensing of employers in certain businesses. Safeguarding the public interest is performed by the Department through regulation of amusement rides, employment agencies, and nurse registries. The mission of the Department is to promote and protect rights, wages, welfare, working conditions, safety, and health of workers through enforcement of State labor laws; to safeguard the public through regulation of amusement rides; and, to ensure compliance with all other labor standards.

Departmental operations are carried out through the following six divisions:

1. The Administration Division provides support services and overall administrative resources to each of the program divisions. These support services include legislative, fiscal and budget management, procurement, electronic data processing, personnel, ethics, and affirmative action.

2. The Legal Division is responsible for hearings and advocacy, and it maintains a strict separation between those functions. The Legal Division is determined to improve legal oversight of other divisions, including the issuance of violations after investigations, and to better control legal determinations and opinions issued to the public, such as responses to prevailing wage inquiries.

   The Department's administrative law judges convene informal hearings to determine if any laws administered and enforced by the Department have been violated, to attempt to resolve such matters equitably, and to decide whether there is sufficient evidence to recommend court action. This group also convenes formal administrative hearings to adjudicate a party's individual legal rights, duties, or privileges.

   The Chief Legal Counsel and Assistant Legal Counsel prosecute on behalf of, or defend, the Director and the Department in formal administrative hearings; draft and analyze legislation; promulgate regulations; write articles and issue opinion letters; oversee the Department's lawsuits handled by the Attorney General and various State's Attorney's offices; and provide advice and training for the Director and the Department's staff.

   The Legal Division also administers "Alternative Claims Resolution" (ACR). This program helps expedite the processing of wage claims filed with the Department. The Legal Division also administers "Court Review." This program ensures that the Department only refers its strongest cases to the Attorney General and the various State's Attorneys' offices for prosecution.

3. The Fair Labor Standards Division is responsible for the administration and enforcement of nine State labor laws, including the Minimum Wage/Overtime Law, Wage Payment and Collection Act, Child Labor Law, and the Day and Temporary Labor Services Act. The focus of the division is to ensure that workers are paid at the appropriate rate and in a timely manner, to assist workers in the collection of unpaid or underpaid wages, and to protect minors and day laborers from harmful or abusive working conditions.

AGENCY FUNCTIONS (Continued)

4. The Conciliation and Mediation Division is responsible for the administration and enforcement of four State labor laws, including the Prevailing Wage Act, the Employee Classification Act, the Labor Arbitration Services Act, and the Worker Adjustment and Retraining Notification Act (WARN). The focus of the division is to ensure that workers are paid the appropriate prevailing wage rate on publicly-funded construction projects, to ensure that construction workers are not misclassified as independent contractors, and to ensure workers are given 60 days advance notice of plant closings or mass layoffs. This division also provides arbitration and mediation services to employers and unions upon request.

5. The Public Employee Safety Division (PESD) protects the health and safety of public employees through the inspection, investigation, and evaluation of public facilities and working conditions to ensure compliance with occupational safety and health standards and conducts educational and advisory activities to assure safe and healthy working conditions. PESD is divided into two sub-divisions with staff in both Chicago and Springfield.

6. The Carnival and Amusement Ride Safety Division is responsible for the annual inspection of amusement rides and amusement attractions that are open to the public to ensure safety standards are met, including criminal history and sex offender registry checks on carnival workers employed in the State.

PLANNING PROGRAM

The Department's management is actively involved in the planning process. The Department reviews and revises its fiscal year strategic plan annually. The Department's strategic plan delineates priorities and initiatives on which the Department will be focusing its efforts. The plan outlines five key high-level priorities as follows:

1. Address audit findings and implement operational changes to meet auditor recommendations.

2. Continue to work with the Department of Innovation and Technology to modernize Innovation Technology (IT) infrastructure to better serve the public.

3. Update the Department of Labor website to match statewide templates and branding.

4. Use metrics and business intelligence to improve program results, strengthen internal controls, and enhance efficiency.

5. Review and reallocate staff resources to better meet operational needs.

MONITORING

The Department uses the Governor's Office of Management and Budget and Illinois Performance Reporting System as well as monthly division reports to manage performance metrics to help assess the Department's performance and progress in specific areas. For each metric, a specific benchmark has been established to help assess the Department's performance. Department management and staff members evaluate the Department's progress in each of these areas on a monthly or quarterly basis, depending on the nature of the metric.

(NOT EXAMINED)

SPECIAL STATE TRUST FUND

The Department operates the Department of Labor Special State Trust Fund (Fund 251) as a fiduciary fund. Fund 251 was established pursuant to the Illinois Wage Payment and Collections Act (820 ILCS 115/11.5(b)) to hold wage claims collected from employers by the Department on behalf of workers (claimants) and hold those monies until the claimants can be located and properly paid.

MEMORANDUM OF UNDERSTANDING

During the examination period, the Department had a Memorandum of Understanding (MOU) with the Office of the State Comptroller (Comptroller) for the purpose of defining the roles and responsibilities between the Department and the Comptroller for directly inputting obligations, purchase orders, and master contracts (collectively, obligation activity) into the Statewide Accounting Management System (SAMS). The Department's responsibilities are to enter the obligation activity into SAMS; apply the first level approval on all Department obligation activity; identify rejected obligation activity and take necessary corrective action within five working days; designate a representative to coordinate all security issues with the Comptroller's Security Administrator; and, ensure proper fiscal and internal controls associated with this program are implemented within the Department.

Effective July 1, 2018, the Department began utilizing Systems Applications and Products in Data Processing (SAP) for all obligation activity and stopped entering obligation activity directly into SAMS.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

Significant variances were determined to be changes of at least $20,000 and 20% between the fiscal years as reported in the Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances, and are explained below.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2019 AND FISCAL YEAR 2018

GENERAL REVENUE FUND – 001

Ordinary and contingent expenses
The decrease of $1,382,770 or 100% in Fiscal Year 2019 was due to the Department of Labor (Department) not receiving an appropriation for ordinary and contingent expenses in Fiscal Year 2019. In Fiscal Year 2018, the Department received a supplemental appropriation from the General Revenue Fund to pay for current and prior year expenses for ordinary and contingent expenses due to the budget impasse.

Unpaid wage increase
The increase of $417,184 or 100% in Fiscal Year 2019 was due to the Department receiving the appropriation for unpaid wage increase for the first time in Fiscal Year 2019 due to the ratification of the State's contract between the Department of Central Management Services and the American Federation of State, County, and Municipal Employees Council 31. The Department did not receive an appropriation for unpaid wage increase in Fiscal Year 2018.

AMUSEMENT RIDE AND PATRON SAFETY FUND – 051

Operational expenses
The increase of $120,072 or 72% in Fiscal Year 2019 was due to the increase in staff needed to fulfill operational needs.

EMPLOYEE CLASSIFICATION FUND – 446

Operational expenses
The decrease of $25,691 or 52% in Fiscal Year 2019 was due to the availability of the cash balance in the Fund. Cash for Fund 446 comes from civil penalties which can fluctuate from year to year. Due to limited cash available in Fund 446 for operational expenses, the Department decreased the spending in the Fund, resulting in a decrease in expenditures for Fiscal Year 2019.

DEPARTMENT OF LABOR FEDERAL TRUST FUND – 724

Cost associated with promoting and enforcing the Occupational Safety and Health Administration State Program for public sector worksites
The increase of $271,890 or 47% in Fiscal Year 2019 was due to the increase in salaries and salary-related expenses. The Occupational Safety and Health Administration (OSHA) division increased staffing to 22 full time employees in Fiscal Year 2019. In Fiscal Year 2018, the OSHA division had 18 full time employees.

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2019 AND FISCAL YEAR 2018 (Continued)

FEDERAL INDUSTRIAL SERVICES FUND – 726

Administration of Occupational Safety and Health Administration Program
The increase of $320,824 or 37% in Fiscal Year 2019 was due to the increase in salaries and salary-related expenses. The OSHA division increased staffing to 22 full time employees in Fiscal Year 2019. In Fiscal Year 2018, the OSHA division had 18 full time employees.

WAGE THEFT ENFORCEMENT FUND – 885

Operational expenses
The decrease of $66,939 or 95% in Fiscal Year 2019 was due to the Department paying a one time application portfolio assessment fee in Fiscal Year 2018.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2018 AND FISCAL YEAR 2017

GENERAL REVENUE FUND – 001

Expenditures
The increase in non-payroll expenses in Fiscal Year 2018 was due to the Department receiving an appropriation from the General Revenue Fund (GRF) for non-payroll expenses. Due to the budget impasse, the Department did not receive an appropriation in Fiscal Year 2017 from the General Revenue Fund for non-payroll expenses.

AMUSEMENT RIDE AND PATRON SAFETY FUND – 051

Operational expenses
The decrease of $63,008 or 27% in Fiscal Year 2018 was due to the Department using the GRF instead of Fund 051 for allowable operational expenses. In Fiscal Year 2017, the Department used Fund 051 to support the Department's allowable operational expenses due to the absence of a GRF appropriation.

EMPLOYEE CLASSIFICATION FUND – 446

Operational expenses
The decrease of $54,474 or 53% in Fiscal Year 2018 was due to the Department using the GRF instead of Fund 446 for allowable operational expenses. In Fiscal Year 2017, the Department used Fund 446 to support the Department's allowable operational expenses due to the absence of a GRF appropriation.

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEAR 2018 AND FISCAL YEAR 2017 (Continued)

BUDGET STABILIZATION FUND – 686

Ordinary and contingent expenses
The decrease of $197,799 or 100% in Fiscal Year 2018 was due to the Department not receiving an appropriation from the Budget Stabilization Fund for ordinary and contingent expenses in Fiscal Year 2018. In Fiscal Year 2017, the Department received an appropriation from the Budget Stabilization Fund for ordinary and contingent expenses that was used by the Department to pay expenses incurred due to the budget impasse.

DEPARTMENT OF LABOR FEDERAL TRUST FUND – 724

Costs associated with promoting and enforcing the Occupational Safety and Health Administration State Program for public sector worksites
The decrease of $626,674 or 52% in Fiscal Year 2018 was due to the decrease in salaries and salary-related expenses. The Occupational Safety and Health Administration (OSHA) division decreased staffing to 18 full time employees in Fiscal Year 2018. In Fiscal Year 2017, the OSHA division had 24 full time employees.

FEDERAL INDUSTRIAL SERVICES FUND – 726

Administration of Occupational Safety and Health Administration Program
The decrease of $417,004 or 33% in Fiscal Year 2018 was due to the decrease in salaries and salary-related expenses. The OSHA division decreased staffing to 18 full time employees in Fiscal Year 2018. In Fiscal Year 2017, the OSHA division had 24 full time employees.

WAGE THEFT ENFORCEMENT FUND – 885

Operational expenses
The decrease of $59,726 or 46% in Fiscal Year 2018 was due to the decrease in salaries and salary-related expenses. In Fiscal Year 2017, the Department paid its wage theft enforcement employee salaries from this fund's operational expenses lump sum appropriation line item through December 2016. Beginning in January 2017, the Department allocated the personal services expenditures from this fund to the General Revenue Fund for the remainder of Fiscal Year 2017, as only one employee was being paid from this fund.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

Significant variances were determined to be changes of at least $20,000 and greater than 20 percent between fiscal years as reported in the Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller, and are explained below.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEAR 2019 AND FISCAL YEAR 2018

GENERAL REVENUE FUND – 001

Miscellaneous
The decrease in Miscellaneous receipts was mainly due to the Department receiving a refund in Fiscal Year 2018 for unused funds relating to an expired grant issued to the Department of Commerce and Economic Opportunity for the Summer Youth Jobs program.

DEPARTMENT OF LABOR SPECIAL STATE TRUST FUND – 251

Collection of labor law claims
Collection of labor law claims generally vary from year to year, based on the number of cases completed and the amount owed to workers in each case.

EMPLOYEE CLASSIFICATION FUND – 446

Civil penalties
Civil penalties collected generally vary from year to year, based on the number of violations noted and the varying fines or penalties assessed for each violation.

DEPARTMENT OF LABOR FEDERAL TRUST FUND – 724

Administration of federal project
Administration of federal project receipts increased in Fiscal Year 2019 to meet the increased expenditures relating to the increase in Occupational Safety and Health Administration (OSHA) division personnel in Fiscal Year 2019.

WAGE THEFT ENFORCEMENT FUND – 885

Fines and penalties
Fines and penalties generally vary from year to year, based on the number of violations noted and the varying fines and penalties assessed for each type of violation.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEAR 2018 AND FISCAL YEAR 2017

GENERAL REVENUE FUND – 001

Private employment agencies inspection fees
Private employment agencies fees decrease in Fiscal Year 2018 was due to the Department being statutorily required to deposit the fees into the Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357) instead of the General Revenue Fund (Fund 001).

Miscellaneous
The increase in miscellaneous receipts was mainly due to the Department receiving a refund in Fiscal Year 2018 for unused funds relating to an expired grant issued to the Department of Commerce and Economic Opportunity for the Summer Youth Jobs program.

DEPARTMENT OF LABOR SPECIAL STATE TRUST FUND – 251

Collection of labor law claims
Collection of labor law claims generally vary from year to year, based on the number of cases completed and the amount owed to workers in each case.

CHILD LABOR AND DAY AND TEMPORARY LABOR SERVICES ENFORCEMENT FUND – 357

Private employment agencies inspections
Private employment agencies fees increased in Fiscal Year 2018 due to the Department being statutorily required to deposit the fees into the Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357) instead of the General Revenue Fund (Fund 001).

EMPLOYEE CLASSIFICATION FUND – 446

Civil penalties
Civil penalties collected generally vary from year to year, based on the number of violations noted and the varying fines or penalties assessed for each violation.

DEPARTMENT OF LABOR FEDERAL TRUST FUND – 724

Administration of federal project
Administration of federal project receipts decreased in Fiscal Year 2018 due to the decrease in expenditures relating to the decrease in Occupational Safety and Health Administration (OSHA) division personnel in Fiscal Year 2018.

FEDERAL INDUSTRIAL SERVICES FUND – 726

Administration of federal project
Administration of federal project receipts decreased in Fiscal Year 2018 due to the decrease in expenditures relating to the decrease in OSHA division personnel in Fiscal Year 2018.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

Significant variances were determined to be changes of at least $20,000 and more than 20% as reported in the Schedule of Appropriations, Expenditures, and Lapsed Balances, and are explained below.

FISCAL YEAR 2019

GENERAL REVENUE FUND – 001

Contractual services
The significant spending during lapse period for contractual services was due to the Department receiving the May and June invoices in the lapse period for statistical services performed by the Department of Innovation and Technology.

Unpaid wage increases
The significant spending during lapse period for unpaid wage increases was due to the Department receiving an appropriation from the General Revenue Fund in June 2019. The Department then processed payments for previously unpaid wage increases during lapse period.

FISCAL YEAR 2018

GENERAL REVENUE FUND – 001

Ordinary and contingent expenses
The significant spending during lapse period for ordinary and contingent expeseses was due to the Department receiving an appropriation from the General Revenue Fund in June 2018. The Department then processed payments for ordinary and contingent expenses during lapse period.

EMPLOYEE CLASSIFICATION FUND – 446

Operational expenses
The significant spending during lapse period for operational expenses was due to the Department receiving the May and June invoices in the lapse period for statistical services performed by the Department of Innovation and Technology (DoIT).

DEPARTMENT OF LABOR SPECIAL STATE TRUST FUND – 251

Net pay claims
The significant spending during lapse period for net pay claims was due to the Fund being entirely dependent on the receipt and deposit of funds from employers and the timing of requests for payments from claimants .

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Two Years Ended June 30, 2019

(NOT EXAMINED)
(amounts expressed in thousands)

GENERAL REVENUE FUND - 001

Aging Schedule	2019	2018	2017
Current	$ 5	$ 369	$ -
1-30 days	-	12	-
31-90 days	-	34	-
91-180 days	1	7	-
181 days to 1 year	5	-	1,587
Over 1 year	906	678	413
Accounts receivable gross balance	917	1,100	2,000
Less: estimated uncollectibles	-	-	-
Accounts receivable net balance	$ 917	$ 1,100	$ 2,000

Receivables represent amounts related to miscellaneous receipts and labor conciliation and mediation penalties.

CHILD LABOR AND DAY AND TEMPORARY LABOR SERVICES ENFORCEMENT FUND - 357

Aging Schedule	2019	2018	2017
Current	$ -	$ -	$ -
1-30 days	-	-	10
31-90 days	-	-	7
91-180 days	-	-	3
181 days to 1 year	11	19	-
Over 1 year	-	-	1
Accounts receivable gross balance	11	19	21
Less: estimated uncollectibles	-	-	-
Accounts receivable net balance	$ 11	$ 19	$ 21

Receivables represent amounts related administrative fees and penalties for the Department's nurse agency, private employment counseling, and day labor programs.

Note 1: Although the Department was unable to provide current policies or procedures for handling and reporting its accounts receivable (see Finding 2019-002), the Department does utilize the Office of the Attorney General to collect past due receivables.

Note 2: We were unable to conclude the Department's records were complete and accurate (see Finding 2019-002).

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Two Years Ended June 30, 2019

(NOT EXAMINED)
(amounts expressed in thousands)

EMPLOYEE CLASSIFICATION FUND - 446

Aging Schedule	2019	2018	2017
Current	$ -	$ -	$ -
1-30 days	-	-	-
31-90 days	-	10	-
91-180 days	-	11	-
181 days to 1 year	406	-	27
Over 1 year	-	-	-
Accounts receivable gross balance	406	21	27
Less: estimated uncollectibles	-	-	-
Accounts receivable net balance	$ 406	$ 21	$ 27

Receivables represent amounts related to employee classification penalties.

WAGE THEFT ENFORCEMENT FUND - 885

Aging Schedule	2019	2018	2017
Current	$ -	$ -	$ -
1-30 days	-	-	7
31-90 days	-	-	6
91-180 days	-	-	-
181 days to 1 year	-	-	-
Over 1 year	110	110	97
Accounts receivable gross balance	110	110	110
Less: estimated uncollectibles	-	-	-
Accounts receivable net balance	$ 110	$ 110	$ 110

Receivables represent amounts related to wage theft enforcement penalties and administrative fees.

Note 1: Although the Department was unable to provide current policies or procedures for handling and reporting its accounts receivable (see Finding 2019-002), the Department does utilize the Office of the Attorney General to collect past due receivables.

Note 2: We were unable to conclude the Department's records were complete and accurate (see Finding 2019-002).

STATE OF ILLINOIS
DEPARTMENT OF LABOR
BUDGET IMPASSE DISCLOSURES
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

PAYMENT OF PRIOR YEAR COSTS IN FUTURE FISCAL YEARS

Article 74 of Public Act 99-0524 authorized the Department to pay Fiscal Year 2017 costs using the Department's Fiscal Year 2018 appropriations for non-payroll expenditures. In addition, Article 998 of Public Act 100-0021 authorized the Department to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Department's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The following chart shows the Department's payments of its prior period costs using Fiscal Year 2018 appropriations:

		FISCAL YEAR 2016 INVOICES	
		Paid From Fiscal Year 2018 Appropriations	
Fund #	Fund Name	Number	Dollar Value
001	General Revenue Fund	24	$ 134,209
051	Amusement Ride and Patron Safety Fund	5	189
357	Child Labor and Day and Temporary Labor Services Enforcement Fund	8	423
446	Employee Classification Fund	6	1,054
724	Department of Labor Federal Trust Fund	3	473
885	Wage Theft Enforcement Fund	4	802
		50	$ 137,150

		FISCAL YEAR 2017 INVOICES	
		Paid From Fiscal Year 2018 Appropriations	
Fund	Fund Name	Number	Dollar Value
001	General Revenue Fund	8	$ 1,642
051	Amusement Ride and Patron Safety Fund	1	363
357	Child Labor and Day and Temporary Labor Services Enforcement Fund	3	1,786
446	Employee Classification Fund	2	5,978
724	Department of Labor Federal Trust Fund	1	338
726	Federal Industrial Services Fund	2	1,386
885	Wage Theft Enforcement Fund	1	400
		18	$ 11,893

STATE OF ILLINOIS
DEPARTMENT OF LABOR
AVERAGE NUMBER OF EMPLOYEES
For the Years Ended June 30,

(NOT EXAMINED)

The following table, prepared from Department records, presents the average number of employees, by division, for the Fiscal Years ended June 30,

Division	2019	2018	2017
Administration	12	14	15
Amusement Ride and Attraction Safety	6	6	6
Conciliation/Mediation	13	15	14
Fair Labor Standards	23	21	21
Illinois Occupational Safety and Health Administration	17	14	23
Legal	7	8	8
Total average full-time employees	78	78	87

STATE OF ILLINOIS
DEPARTMENT OF LABOR
MEMORANDUM OF UNDERSTANDING
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

During the examination period, the Department had a Memorandum of Understanding (MOU) with the Office of the State Comptroller (Comptroller) for the purpose of defining the roles and responsibilities between the Department and the Comptroller for directly inputting obligations, purchase orders, and master contracts (collectively, obligation activity) into the Statewide Accounting Management System (SAMS). The Department's responsibilities are to enter the obligation activity into SAMS, apply the first level approval on all Department obligation activity; identify rejected obligation activity and take necessary corrective action within five working days; designate a representative to coordinate all security issues with the Comptroller's Security Administrator; and, ensure proper fiscal and internal controls associated with this program are implemented within the Department.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
INTERAGENCY AGREEMENTS
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

Parties Involved Other Than the Department of Labor (Department)	**Dates Involved**	**Interagency Agreement Description**
Department of Innovation and Technology (DoIT)	7/1/2018 – 6/30/2019	For the coordination and administration of information technology activities
Department of Central Management Services (CMS)	11/1/2017 – *	For the provision of internal audit services
Workers' Compensation Commission	8/1/2018 – 6/30/2019	For the shared services of the Department of Labor's Public Information Officer
Department of Revenue (DOR)	** - 12/31/2017	Regarding administrative hearings.
Department of Public Health (DPH)	** - 12/31/2017	Regarding administrative hearings.

* The agreement will remain in effect until it is modified and/or terminated by the participants.
** The Department does not have records indicating the start date of these agreements.