

REPORT DIGEST

**DEPARTMENT OF EMPLOYMENT SECURITY
FINANCIAL AND COMPLIANCE AUDIT
(In Accordance with the Federal Single Audit
Act of 1984, and OMB Circular A-128)
FOR THE TWO YEARS ENDED JUNE 30, 1993**

{Expenditures and Activity Measures are summarized on the reverse page.}

INTRODUCTION

Volume I covers our financial audit for the year ended June 30, 1993 and Volume II covers our compliance and federal Single Audit of the Department of Employment Security for the two years ended June 30, 1993.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

IMPROPER RECORDING OF FIXED ASSETS

The Department did not record the full cost of equipment purchased in accordance with the Illinois Administrative Code (Code).

Three of fifteen equipment items tested for proper recording were added to the inventory net of a trade-in allowance. An allowance of \$54,870 was improperly deducted from the purchase price of three copy machines. The Code states that equipment acquired by trade-in shall not be reduced by the value of any items traded.

The costs of the assets in question, as well as the total balance of fixed assets, are understated when trade allowances are netted against the purchase price of equipment. (Finding 2, page 11) This makes accountability for property and equipment more difficult to achieve.

The Department agreed with our recommendation to comply with the Code requirement for recording fixed assets.

ERRORS IN UPDATING ACCOUNTING RECORDS

The Department did not properly update the Special Administrative Account (SAA) Fund balance in the general ledger accounting records.

Penalties and interest collected from employers were not correctly recorded in the SAA Fund in the general ledger, causing the SAA Fund balance to be misstated by \$494,266.

Each month, all penalties and interest are collected and transferred from the Unemployment Insurance Trust Fund to the SAA Fund. However, for three months of fiscal year 1993, the entries made to the general ledger to post the transfers were erroneously recorded. Subsequently, an adjusting entry to correct the problem was also improperly recorded, resulting in a misstated cash balance. (Finding 3, page 12)

Department officials agreed with our finding and recommendation to correct this problem. They responded that the Trust Fund Accounting System had been replaced with a new computer-based accounting system. They also said that supervisors could verify and correct errors the same day with the new accounting system.

COMPUTER ACCESS PROBLEMS

The Department was not effectively using access control software to limit access to its EDP system. Some employees were found to have greater access than was necessary for their work assignments. Access to information, particularly sensitive information, should be limited to authorized and appropriate users to reduce the risk of modification of data. (Finding 4, page 14)

The Department agreed with our finding and stated that procedures to better control access to data would be established.

OTHER FINDINGS

The remaining findings were less significant and have been given appropriate attention by the Department. We will review the Department's progress toward the implementation of our recommendations in our next audit.

Mrs. Janet Taylor-Wilson, Inspector General, Department of Employment Security, provided the responses to our findings and recommendations.

AUDITORS' OPINION

Our auditors state that the Department's general purpose financial statements at June 30, 1993 are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:WLB:dh

SUMMARY OF AUDIT FINDINGS

<u>NUMBER OF</u>	<u>THIS AUDIT</u>	<u>PRIOR AUDIT</u>
Audit findings	6	13
Repeated audit findings	1	1
Recommendations implemented or not repeated	12	8

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were the accounting firm of Coopers & Lybrand.

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1993

EXPENDITURES STATISTICS	FY 1993	FY 1992	FY 1991
● Total Expenditures (All Funds)	\$205,296,558	\$209,811,898	\$177,077,976
<u>OPERATIONS TOTAL</u> % of Total Expenditure	\$203,742,198 99.2%	\$207,805,482 99.0%	\$175,810,418 99.3%
Personal Services % of Operations Expenditures Average No. of Employees	\$97,789,874 48.0% 3,000	\$96,564,979 46.5% 2,979	\$91,009,988 51.8% 2,999
Other Payroll Costs (FICA, Retirement) % of Operations Expenditures	\$41,295,977 20.3%	\$31,647,622 15.2%	\$24,172,596 13.7%
Contractual Services % of Operations Expenditures	\$34,393,2871 16.9%	\$33,249,720 16.0%	\$27,929,935 15.9%
All Other Operations Items % of Operations Expenditures	\$30,179,345 14.8%	\$46,343,161 22.3%	\$32,647,899 18.6%
<u>GRANTS TOTAL</u> % of Total Expenditures	\$1,554,360 .8%	\$2,006,416 1.0%	\$1,267,558 .7%
● Cost of Property and Equipment	\$35,644,000	\$30,959,000	\$28,220,000

SELECTED ACTIVITY MEASURES	FY 1993	FY 1992	FY 1991
● Average Quarterly State Unemployment Rate	* 7.6%	7.6%	7.2%

AGENCY DIRECTOR(S)
During Audit Period: Loleta Didrickson Currently: Lynn Quigley Doherty

* Calculation of the average does not include the fourth quarter.