



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF EMPLOYMENT SECURITY

**Financial Audit
 For the Year Ended June 30, 2017**

Release Date: January 11, 2018

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS			
	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	
Category 2:	1	0	1	
Category 3:	0	0	0	
TOTAL	1	0	1	
FINDINGS LAST AUDIT: 1	No Repeat Findings			

INTRODUCTION

This digest covers the Department of Employment Security's (Department) Financial Audit of the Unemployment Compensation Trust Fund for the year ended June 30, 2017. The Department's Compliance Examination covering the two years ended June 30, 2017 will be issued at a later date.

SYNOPSIS

- (17-1) The Department did not have adequate controls over financial reporting to allow management or employees in the normal course of performing their assigned functions to prevent or detect financial statements misstatements in a timely manner.

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| <p>Category 1: Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).</p> <p>Category 2: Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.</p> <p>Category 3: Findings that have no internal control issues but are in noncompliance with State laws and regulations.</p> |
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{Financial information is summarized on next page.}

**ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
FINANCIAL AUDIT
For the Year Ended June 30, 2017**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Unemployment Compensation Trust Fund (in thousands)	2017	2016
Operating Revenues		
Unemployment taxes.....	\$ 1,968,746	\$ 2,205,036
Federal government.....	5,293	866
Total Operating Revenues.....	<u>1,974,039</u>	<u>2,205,902</u>
Operating Expenses		
Benefit Payments and Refunds.....	<u>1,841,460</u>	<u>1,897,055</u>
Total Operating Expenses.....	<u>1,841,460</u>	<u>1,897,055</u>
Operating Income.....	132,579	308,847
Nonoperating revenues (expenses)		
Interest/investment income/interest expense and other	<u>36,620</u>	<u>28,116</u>
Income Before Transfers.....	169,199	336,963
Transfers In/(Out).....	<u>(21,208)</u>	<u>(7,454)</u>
Change in Net Position.....	147,991	329,509
Net Position, beginning of year.....	1,978,370	1,648,861
Net Position, end of year.....	<u>\$ 2,126,361</u>	<u>\$ 1,978,370</u>

STATEMENT OF NET POSITION		
Unemployment Compensation Trust Fund (in thousands)	2017	2016
Assets:		
Cash and cash equivalents.....	\$ 169,592	\$ 183,429
Deposits held by the federal government.....	1,535,405	1,633,661
Receivables, Net:		
Taxes.....	420,713	561,840
Intergovernmental.....	30,630	28,025
Other.....	77,154	91,057
Due from State Funds or component units.....	35,044	22,897
Total Assets.....	<u>2,268,538</u>	<u>2,520,909</u>
Liabilities:		
Benefit payments payable.....	135,791	138,438
Intergovernmental payables.....	5,081	4,091
Due to other State funds.....	1,305	3,965
Accrued bond interest expense.....	-	789
Revenue bonds payable.....	-	395,256
Total Liabilities.....	<u>142,177</u>	<u>542,539</u>
Net Position:		
Restricted for payments of benefits.....	1,971,044	2,199,150
Unrestricted.....	<u>155,317</u>	<u>(220,780)</u>
Total Net Position.....	<u>\$ 2,126,361</u>	<u>\$ 1,978,370</u>

AGENCY DIRECTOR

During the Audit Period: Jeffrey Mays

Currently: Jeffrey Mays

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER FINANCIAL
CLOSE AND REPORTING**

The Department did not have adequate controls over financial reporting to allow management or employees in the normal course of performing their assigned functions to prevent or detect misstatements in a timely manner.

**Payables and revenues were
misstated by \$5.7 million**

Auditors noted amounts in the Unemployment Trust Fund (Fund) associated with additional contribution refunds that were not captured in the Fund's general ledger. As a result, the payables for employer contributions refunds were understated by \$5.7 million and associated revenues were overstated by the same amount. The Department subsequently corrected the financial statements. (Finding 1, page 25).

**Department subsequently corrected
financial statements**

We recommended the Department implement procedures to ensure reimbursable transactions and other unapplied credits are properly recorded in the Department's reporting system to ensure the underlying records and financial statements are accurate.

**Department agrees with our
recommendation**

Department officials agreed with the recommendation and stated the Department implemented a new tax revenue system in which all receivables and payables are available and reconciled.

AUDITOR'S OPINION

Our auditors stated the financial statements present fairly, in all material respects, the financial position of the Unemployment Compensation Trust Fund of the Illinois Department of Employment Security as of June 30, 2017, and the changes in financial position and cash flows for the year then ended.

This Financial Audit was conducted by RSM US LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JGR