STATE OF ILLINOIS
WORKERS' COMPENSATION COMMISSION

FINANCIAL AUDIT
Self-Insurers' Security Fund
For the Year Ended June 30, 2014

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

STATE OF ILLINOIS
WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2014

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STATE OF ILLINOIS
WORKERS' COMPENSATION COMMISSION

AGENCY OFFICIALS

Acting Chairman (12/1/14 to Current)	Ronald Rascia
Chairman (3/22/13 to 11/30/14)	Michael Latz
Chief Fiscal Officer	Mary Wells
Acting Secretary to the Commission (12/1/14 to Current)	Brendan O'Rourke
Acting Secretary to the Commission (5/9/14 to 11/30/14)	Ronald Rascia
Secretary to the Commission (9/9/11 to 2/24/14)	Kimberly Janas
Chief Internal Auditor	Mark Kimmet
General Counsel	Ronald Rascia

Agency offices are located at:

James R. Thompson Center
100 W. Randolph Street, Suite 8-200
Chicago, Illinois 60601

4500 S. 6th Street Frontage Road
Springfield, Illinois 62703

401 Main Street, Suite 640
Peoria, Illinois 61602

200 S. Wyman
Rockford, Illinois 61101

1014 Eastport Plaza Drive
Collinsville, Illinois 62234

STATE OF ILLINOIS
WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying financial statement of the Illinois Workers' Compensation Commission – Self-Insurers' Security Fund was performed by E.C. Ortiz & Co., LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Self - Insurers' Security Fund's basic financial statements.

EXIT CONFERENCE

The Commission waived having an exit conference in a letter dated December 1, 2014 from the Commission's Chief Fiscal Officer, Mary Wells and Chief Internal Auditor, Mark Kimmet.

E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Self-Insurers' Security Fund of the State of Illinois Workers' Compensation Commission as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

333 SOUTH DES PLAINES STREET, SUITE 2-N CHICAGO, IL 60661 tel: 312.876.1900 fax: 312.876.1911

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Self-Insurers' Security Fund of the State of Illinois Workers' Compensation Commission as of June 30, 2014, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Self-Insurers' Security Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois or the State of Illinois Workers' Compensation Commission as of June 30, 2014, the changes in financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted management's discussion and analysis and budgetary comparison information for the Self Insurers' Security Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2014 on our consideration of the State of Illinois Workers' Compensation Commission's internal control over financial reporting of the Self-Insurers' Security Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts and, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois Workers' Compensation Commission's internal control over financial reporting of the Self-Insurers' Security Fund and its compliance.

Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and agency management and is not intended to be and should not be used by anyone other than these specified parties.

E.C. Ortiz & Co., LLP
Chicago, Illinois
November 25, 2014

STATE OF ILLINOIS
WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND
STATEMENT OF NET POSITION
June 30, 2014

ASSETS		
Current Assets		
Cash in State Treasury	$	21,008,006
Cash in Bank and on Hand		100
Accrued Interest Receivable		7,793
Excess Insurance Receivable		255,373
Securities Lending Collateral		10,677,000
Total Current Assets		31,948,272
Total Assets	$	31,948,272
LIABILITIES		
Current Liabilities		
Accounts Payable	$	33,185
Due to Other Funds		12,692
Obligations Under Securities		10,677,000
Unearned Security Deposit		1,885,010
Liabilities for Unpaid Claims		1,627,481
Total Current Liabilities		14,235,368
Noncurrent Liabilities		
Liabilities for Unpaid Claims		5,155,724
Total Noncurrent Liabilities		5,155,724
Total Liabilities		19,391,092
NET POSITION		
Restricted Net Position		12,557,180
Total Liabilities and Net Position	$	31,948,272

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014

OPERATING REVENUES		
Assessments	$	12,668
Excess Insurance Recoveries		418,826
Security Deposits Drawn		81,688
Total Operating Revenues		513,182
OPERATING EXPENSES		
Personal Services		28,459
Employee Retirement		11,473
Social Security Contribution		2,177
Group Insurance		23
Contractual Services		12,940
Benefit Payments		514,268
Total Operating Expenses		569,340
Operating Loss		(56,158)
NONOPERATING REVENUES		
Interest Income		81,865
Total Nonoperating Revenues		81,865
Change in Net Position		25,707
NET POSITION, BEGINNING OF YEAR		12,531,473
NET POSITION, END OF YEAR	$	12,557,180

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Assessments, Excess Insurance Recoveries and Security Deposits	$	397,143
Security Deposits Refunded and Interest of Deposits Held		(357,549)
Payments to Suppliers - Net		16,349
Payments to Employees and Other Personal Services		(42,132)
Benefit Payments		(1,276,207)
Net Cash Used in Operating Activities		(1,262,396)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest and Dividends on Investments		81,559
Net Cash Provided by Investing Activity		81,559
Net Decrease in Cash in State Treasury, Cash in Bank and on Hand		(1,180,837)
Cash in State Treasury, Cash in Bank and on Hand, Beginning of Year		22,188,943
Cash in State Treasury, Cash in Bank and on Hand, End of Year	$	21,008,106
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	$	(56,158)
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities		
Changes in Assets and Liabilities:		
Unearned Security Deposit		(357,549)
Excess Insurance Receivable		(116,039)
Accounts Payable		17,762
Due to Other Funds		11,527
Liabilities for Unpaid Claims		(761,939)
Net Cash Used in Operating Activities	$	(1,262,396)

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

(1) Description of Funds

The Illinois Workers' Compensation Commission Self-Insurers' Advisory Board (the "Board") established within the Illinois Workers' Compensation Commission (Commission) administers the Self-Insurers' Security nonshared proprietary fund described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

The Self-Insurers' Security Fund (940), (the "Fund"), was established by the Workers' Compensation Act (820 ILCS 305/4a-5). The Fund provides compensation to employees of insolvent self-insured employers for any type of injury or occupational disease and all claims for related administrative fees, operating costs of the Board, attorney fees and other costs reasonably incurred by the Board. The Commission may upon the direction of the Board from time to time assess each of the private self-insurers a pro rata share of the funding reasonably necessary to carry out its activities.

(2) Summary of Significant Accounting Policies

The financial statements of the individual nonshared proprietary fund administered by the Self-Insurers' Advisory Board established within the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

A. Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

i) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

ii) Fiscal dependency on the primary government.

Based upon the required criteria, the Self-Insurers' Security nonshared proprietary fund does not have any component unit, nor is it a component unit

of another entity. However, because the Self-Insurers' Security nonshared proprietary fund is not legally separate from the State of Illinois (State), it is included in the financial statements of the State as a proprietary fund. The State's Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

The financial statements present only the Self-Insurer's Security nonshared proprietary fund administered by the Self-Insurers' Advisory Board established within the Commission and do not purport to, and do not, present fairly the financial position of the Commission as of June 30, 2014, and changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

B. Basis of Presentation

In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A statement of net position; statement of revenues, expenses and changes in net position; and statement of cash flows has been presented for the Self-Insurers' Security nonshared proprietary fund administered by the Self Insurers' Advisory Board established within the Commission.

Operating revenues, such as security deposits, assessments, and excess insurance reimbursements, result from exchange transactions associated with the principal activity of the Self Insurer's Security Fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Basis of Accounting

The Self-Insurers' Security nonshared proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Self Insurers' Advisory Board gives (or

receives) value without directly receiving (or giving) equal value in exchange are not applicable. On an accrual basis, revenues from assessments, reimbursements from excess insurance, and security deposits are recognized in the fiscal year in which the underlying exchange transaction occurs. Resources received before the exchange has occurred are reported as deferred revenues.

The accounting policies and financial reporting practices of the Self-Insurers' Security Fund conform to generally accepted accounting principles, as promulgated in pronouncements of the Governmental Accounting Standards Board.

D. Cash and Cash Equivalents

Cash and cash equivalents consist principally of deposits held in the State Treasury. Cash and cash equivalents also include cash in bank and on hand and cash in transit.

E. Net Position

Equity is displayed in one component as follow:

Restricted - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when needed.

F. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Deposits

The State Treasurer is the custodian of the State's deposit and investment maintained in the State Treasury. As of June 30, 2014, deposits in the custody of the State Treasurer was $21,008,006 of which $1,885,010 is restricted for the payment of security deposits which consist of letters of credit drawn upon and held by the

Commission as a security for the payment of the private self-insurers' obligations incurred under the Workers' Compensation Act, cash in bank and on hand was $100.

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Self Insurers' Advisory Board does not own individual securities. Details on the nature of these deposits and investments are available within the State of Illinois, Comprehensive Annual Financial Report (CAFR).

(4) Excess Insurance Receivable

Excess insurance receivable consists of receivables from insurance companies as reimbursements of claims paid by the Commission in excess of the retention limit.

(5) Securities Lending Transactions

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2014, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2014 on the amount of the loans available or the eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses during fiscal year 2014 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2014, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties

collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral received that was invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2014 were $5,758,768,925 and $5,727,657,697 respectively.

(6) Unearned Security Deposit

Unearned Security Deposit consists of proceeds drawn upon letters of credit by the Commission, including related interest, as a security for the payment of the private self-insurer's obligations incurred under the Workers' Compensation Act.

(7) Liability for Unpaid Claims

The liability for unpaid claims is established based on estimates of ultimate cost of claims that have been reported but not settled, including the effects of inflation and other societal factors. The following represents changes in aggregate liabilities during the year ended June 30, 2014.

Liability for unpaid claims, beginning of year	$ 7,545,144
Total provision for events of the current fiscal year and any change in the provision for events of prior fiscal years	594,295
Payments of claims	(1,356,234)
Liability for unpaid claims, end of year	$ 6,783,205

(8) Pension

Substantially all of the Fund's full-time employees who are not eligible for participation in another State-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system in which State employee participates, except for those covered by State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal years 2014 and 2013 are included in State of Illinois' CAFR for the years ended June 30, 2014 and 2013, respectively. The SERS also issues a separate CAFR that

may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling (217) 785-7202. The State of Illinois CAFR may be obtained in writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams St., Springfield, Illinois 62704-1871 or by calling (217) 782-2053.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Commission pays employer retirement contributions in the Fund based upon an actuarially determined percentage of their payrolls. For fiscal year 2014, the employer contribution rate was 40.312%. The Commission's contribution to SERS was $11,473 for the year ended June 30, 2014.

(9) Post Employment Benefits

The State provides health, dental, vision and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

Public Act 97-0695, effective July 1, 2012, altered the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act. This Act requires the Director of Central Management Services to, on an annual basis, determine the amount that the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant,

survivor, or retired employee. The costs were to be assessed beginning July 1, 2013. However, four putative class actions were filed challenging the validity of this legislation under, among other things, the pension protection clause of the Illinois Constitution of 1970. The four class actions were consolidated in the circuit court of Sangamon County. The circuit court dismissed each of them for failure to state a cause of action, without certifying any classes. The Illinois Supreme Court allowed direct appeal. On July 3, 2014, the Illinois Supreme Court issued an opinion in the retirement health insurance case. The Illinois Supreme Court disagreed with the circuit court and determined the circuit court should not have dismissed the case. The Supreme Court sent the case back to the circuit court for reconsideration. As a result, the Sangamon County Circuit Court has directed all retirement systems to discontinue withholding, as soon as possible, the retiree and survivor health insurance premiums that have been in effect since July 2013. The refunding of premiums paid since July 2013 is unresolved and will be decided by the courts.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois' CAFR. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefits provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.

E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Self-Insurers' Security Fund of the State of Illinois Workers' Compensation Commission, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois Workers' Compensation Commission's internal control over financial reporting (internal control) of the Self-Insurers' Security Fund to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois Workers' Compensation Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois Workers' Compensation Commission's internal control.

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 misstatements 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 misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control of the Self-Insurers' Security Fund that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

333 SOUTH DES PLAINES STREET, SUITE 2-N CHICAGO, IL 60661 tel: 312.876.1900 fax: 312.876.1911

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois Workers' Compensation Commission Self-Insurers' Security Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois Workers' Compensation Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois Workers' Compensation Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

E. C. Ortiz & Co., LLP

Chicago, Illinois
November 25, 2014

STATE OF ILLINOIS
WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND

PRIOR FINDING NOT REPEATED

A. **Finding** (Inadequate controls over financial reporting)

During the prior year engagement, the Illinois Workers' Compensation Commission-Self-Insurers' Security Fund (SISF) did not have adequate controls over financial reporting to allow management and employees to prevent or detect errors or misstatement in the financial reporting process and ensure proper reporting in accordance with generally accepted accounting principles (Finding Code No. 2013-001).

Status: Implemented

During the current year engagement, SISF reviewed and revised its policies, procedures and internal controls over financial reporting and the issues noted in prior year was resolved and addressed.