



**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2025**

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

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2025**

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STATE OF ILLINOIS  
**DEPARTMENT OF LABOR**  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2025

**DEPARTMENT OFFICIALS**

Director	Ms. Jane Flanagan
Assistant Director	Mr. Jason Keller
Chief Legal Counsel (08/16/24 – Present)	Ms. Deborah Baker
Chief Legal Counsel (03/30/24 – 08/15/24)	Vacant
Chief Legal Counsel (07/01/23 – 03/29/24)	Mr. Andrew Fox
Chief of Staff (10/16/23 – Present)	Ms. Margaret Decker
Chief of Staff (07/01/23 – 10/15/23)	Vacant
Chief Financial Officer (02/16/26 – Present)	Ms. Christina Banker
Chief Financial Officer (07/01/23 – 01/31/26)	Ms. Amelia Kershaw
Chief Internal Auditor (02/16/26 – Present)	Vacant
Chief Internal Auditor (07/01/23 – 02/15/26)	Mr. James Froehner

**DEPARTMENT OFFICES**

The Department of Labor’s primary administrative offices are located at:

524 South Second Street  
Springfield, Illinois 62701

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

Regional Office Building  
2309 West Main Street  
Marion, Illinois 62959

As of November 2025, the Department of Labor’s Chicago Office has relocated to:  
115 South LaSalle Street, 37<sup>th</sup> Floor  
Chicago, Illinois 60603



# ILLINOIS DEPARTMENT OF LABOR



**JB PRITZKER**  
GOVERNOR

**JANE R. FLANAGAN**  
DIRECTOR

## MANAGEMENT ASSERTION LETTER April 13, 2026

Maharlika PLLC  
Certified Public Accountants  
111 West Jackson Blvd. Suite 1700  
Chicago, Illinois 60604

Maharlika PLLC:

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 (Department). 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 Department's compliance with the following specified requirements during the two-year period ended June 30, 2025. Based on this evaluation, we assert that during the years ended June 30, 2024, and June 30, 2025, the Department has materially complied with the specified requirements listed below.

- 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.

Yours truly,

State of Illinois, Department of Labor

**SIGNED ORIGINAL ON FILE**

**SIGNED ORIGINAL ON FILE**

Christina Banker, Chief Financial Officer

**SIGNED ORIGINAL ON FILE**

Deborah J. Baker, Chief Legal Counsel

Lincoln Tower Plaza  
524 South 2nd Street, Suite 400  
Springfield, Illinois 62701  
(217) 782-6206  
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Jesse White State of Illinois Building  
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**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2025**

**STATE COMPLIANCE REPORT**

**SUMMARY**

The State compliance testing performed during this 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*.

**ACCOUNTANT’S REPORT**

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain an adverse opinion on compliance and identifies material weaknesses in internal control over compliance.

**SUMMARY OF FINDINGS**

<b>Number of</b>	<b><u>Current Report</u></b>	<b><u>Prior Report</u></b>
Findings	15	12
Repeated Findings	8	8
Prior Recommendations Implemented or Not Repeated	4	4

**SCHEDULE OF FINDINGS**

<b><u>Item No.</u></b>	<b><u>Page</u></b>	<b><u>Last/First Reported</u></b>	<b><u>Description</u></b>	<b><u>Finding Type</u></b>
<b>Current Findings</b>				
2025-001	9	2023/2023	Inadequate Controls over Monthly Reconciliations	Material Weakness and Material Noncompliance
2025-002	13	New	Inadequate Controls over Reporting	Material Weakness and Material Noncompliance
2025-003	17	2023/2013	Inadequate Controls over Personal Services	Material Weakness and Material Noncompliance
2025-004	24	New	Inadequate Controls over Compliance with Nurse Agency Licensing Act	Material Weakness and Material Noncompliance

**SCHEDULE OF FINDINGS - Continued**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings - Continued</b>				
2025-005	27	New	Inadequate Controls over Governmental Accounting Standards Board Statements No. 87 and 96	Material Weakness and Material Noncompliance
2025-006	29	New	Inadequate Monitoring of Intergovernmental Agreements	Material Weakness and Material Noncompliance
2025-007	31	2023/2023	Receipt Processing Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2025-008	34	2023/2005	Inadequate Controls over Accounts Receivables	Material Weakness and Material Noncompliance
2025-009	37	New	Inadequate Controls over Compliance with Day and Temporary Labor Services Act	Material Weakness and Material Noncompliance
2025-010	39	New	Weaknesses over Computer Security	Material Weakness and Material Noncompliance
2025-011	42	2023/2007	Failure to Establish and Maintain Adequate Internal Control Over the Special State Trust Fund	Material Weakness and Material Noncompliance
2025-012	46	2023/2003	State Property Control Weaknesses	Significant Deficiency and Noncompliance
2025-013	49	2023/2019	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2025-014	53	New	Inadequate Controls over Travel	Significant Deficiency and Noncompliance
2025-015	55	2023/2023	Failure to Fully Utilize the State's Enterprise Resource Planning System	Significant Deficiency and Noncompliance

**SCHEDULE OF FINDINGS - Continued**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Prior Findings Not Repeated</b>				
A	57	2023/2023	Inadequate Controls Over Census Data	
B	57	2023/2015	Lack of Disaster Contingency Planning or Testing to Ensure the Recovery of Computer Systems	
C	57	2023/2021	Weakness in Change Management of Computer Systems	
D	58	2023/2021	Information Technology Access Weakness	

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on April 9, 2026

Attending were:

Jane Flanagan, Director  
Jason Keller, Assistant Director  
Margaret Decker, Chief of Staff  
Deborah Baker, Chief Legal Counsel  
Christina Banker, Chief Financial Officer

Stephanie Wildhaber, OAG  
Maria Balita, Maharlika Owner  
Karen Montejo, Senior Manager

The responses to the recommendations were provided by Jason Keller, Assistant Director, in a correspondence dated April 13, 2026.

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

**Report on State 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, 2025. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2025. As described in items 2025-001 through 2025-015 in the accompanying Schedule of Findings, the Department did not comply with the specified requirements. Items 2025-001 through 2025-011 are each considered to represent material noncompliance with the specified requirements. As described in the accompanying Schedule of Findings as items 2025-008, 2025-011, and 2025-012, 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 item 2025-001 through 2025-011, 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 2025-007 through 2025-009, and 2025-011, 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 2025-007 through 2025-009, and 2025-011, 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 2025-012 through 2025-015 individually would have been regarded as significant noncompliance with the specified requirements; however, when aggregated, we determined these items constitute material noncompliance with the specified requirements.

In our opinion, because of the significance and pervasiveness of the material noncompliance with the specified requirements described in the preceding paragraph, the Department did not comply with the specified requirements during the two years ended June 30, 2025, 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 subject to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

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.

## Report on 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 in internal control 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 2025-001 through 2025-011 to be material weaknesses.

A significant deficiency in internal control 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 2025-012 through 2025-015 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 subject to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

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.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
April 13, 2026

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2025**

2025-001.      **FINDING**      Inadequate Controls over Monthly Reconciliations

The Department of Labor (Department) did not have adequate controls over monthly appropriations, cash balance, revenues, and obligations reconciliations.

During our testing of the Department’s monthly reconciliation reports to the Office of the Comptroller’s reports for Fiscal Years 2024 and 2025, we noted the following:

Appropriations Status (SB01)

The Department had expenditure transactions in ten 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), Department of Labor Federal Indirect Cost Fund (Fund 255), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Equal Pay Fund (Fund 392), 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 noted the following:

- For 10 of 240 (4%) SB01 reports, the Department did not complete the monthly reconciliations between its internal records and SB01 reports in a timely manner, resulting in delays of up to 24 days.
- For 40 of 240 (17%) SB01 reports, the Department did not review and approve the monthly reconciliations between its internal records and SB01 reports in a timely manner, ranging from 6 to 47 days late.
- For 30 of 240 (13%) SB01 reports, the Department did not provide documentation demonstrating the completion of monthly reconciliations between its internal records and the SB01 reports within 60 days of month-end.
- Ten of 240 (4%) SB01 reconciliation reports lacked documentation indicating the date of preparation. Consequently, we were unable to verify whether these reconciliation reports were prepared within 60 days of month-end.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2025**

2025-001.      **FINDING**      Inadequate Controls over Monthly Reconciliations (continued)

Cash Report (SB05)

The Department had nine non-shared funds, including Fund 051, Fund 251, Fund 255, Fund 357, Fund 392, Fund 446, Fund 724, Fund 726, and Fund 885. During testing, we noted the following:

- For nine of 216 (4%) SB05 reports, the Department did not complete monthly reconciliations between its internal records and SB05 reports in a timely manner, with a delay of 21 days.
- For 90 of 216 (42%) SB05 reports, the Department did not review and approve the monthly reconciliations between its internal records and SB05 reports in a timely manner, ranging from 3 to 100 days late.
- For 18 of 216 (8%) SB05 reports, the Department did not provide documentation demonstrating the completion of monthly reconciliations between its internal records and the SB05 reports within 60 days of month-end.
- The Department was unable to provide an explanation for the variances identified in the SB05 reconciliation reports for any of its non-shared funds.

Revenue Status Report (SB04)

During testing of 24 SB04 reconciliation reports, we noted the following:

- For one (4%) SB04 reconciliation report, the Department did not complete the monthly reconciliation between its internal records and SB04 report in a timely manner, with a delay of 10 days.
- For one (4%) SB04 reconciliation report, the Department did not provide documentation demonstrating the completion of monthly reconciliations between its internal records and the SB04 report within 60 days of month-end.
- Two (8%) SB04 reconciliation reports lacked documentation indicating the date of preparation. Consequently, we were unable to verify whether these reconciliation reports were prepared within 60 days of month-end.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2025**

2025-001. **FINDING** Inadequate Controls over Monthly Reconciliations (continued)

Obligation Activity Report (SC15)

During testing of 24 SC15 reconciliation reports, we noted the following:

- For six (25%) SC15 reconciliation reports, the Department did not complete monthly reconciliations between its internal records and SC15 reports in a timely manner, ranging from 2 to 105 days late.
- For two (8%) SC15 reconciliation reports, the Department did not review and approve the monthly reconciliation reports between its internal records and SB01 reports in a timely manner, ranging from 5 to 11 days late.
- For one (4%) SC15 reconciliation report, the Department did not review and approve the monthly reconciliation between its internal records and SC15 report.

The Statewide Accounting Management System (SAMS) (Procedure 09.40.30) requires monthly cash reconciliations, and the Comptroller must be notified of any unreconcilable differences so the necessary corrective action can be taken to locate the differences and correct the accounting records.

SAMS (Procedure 07.30.20) requires the Department to reconcile its records to the SAMS system on a monthly basis. This reconciliation has to be completed within 60 days after the end of each month.

Further, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information and protect the financial rights of the State.

Lastly, 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.

Department management indicated the identified deficiencies were influenced by limited staffing resources as well as challenges in balancing multiple priorities and providing adequate process support.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2025**

2025-001.        **FINDING**        Inadequate Controls over Monthly Reconciliations (continued)

Failure to perform and timely review reconciliations and timely complete necessary corrections of an agency’s records increases the risk that discrepancies will go undetected, thereby diminishing the effectiveness of data and undermining user confidence in the accuracy of financial information. (Finding Code No. 2025-001, 2023-005)

**RECOMMENDATION**

We recommend the Department implement adequate internal controls and maintain documentation demonstrating the appropriations, cash balance, revenues, and obligations reconciliations are all performed and reviewed in a timely manner.

**DEPARTMENT RESPONSE**

The Department agrees with the finding and will implement internal controls and maintain proper documentation.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2025**

2025-002.      **FINDING**      Inadequate Controls over Reporting

The Department of Labor (Department) did not have adequate controls over reporting to provide assurance the Department’s reports are prepared completely and accurately.

**Public Accountability Reporting**

During testing of the Public Accountability Reports (PAR) submitted during the examination period, we noted the following:

- The Department was unable to provide supporting documentation for a reporting measurement across one program in Fiscal Year (FY) 2023.
- The Department inaccurately reported reporting measurements across two programs in FY 2023 and one program in FY 2024.

The Statewide Accounting Management System (Procedure 33.20.20) requires the Department to submit its final PAR by December 15 using the PAR portal on the Illinois Office of Comptroller’s (Comptroller) website. Further, it requires the Department to substantiate its reports by maintaining adequate and appropriate documentation to support their mission statements, goals, objectives, and performance measures. This would include such elements as statutory or other authoritative sources for programs, mission statements, goals and objectives, definitions of performance indicators and data, the data collection and reporting process, the data storage and retrieval environment, etc.

Further, the State Budget Law (15 ILCS 20/50-15) requires the Department to submit an annual accountability report to the Governor’s Office of Management and Budget (Office). Each accountability report shall measure the Department’s performance based on criteria, goals, and objectives established by the Department with the oversight and assistance of the Office.

Department management attributed the deficiencies noted to clerical errors, insufficient record-keeping practices, and inadequate oversight.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2025**

2025-002.      **FINDING**      Inadequate Controls over Reporting (continued)

Agency Workforce Reporting

During testing of the Agency Workforce Reports (Report) submitted during the examination period, we determined that the Department was unable to provide supporting documentation for the following items:

- Physical disability data for employees, as well as the professional, contractual, and open position categories reported in its FY 2023 Report.
- Racial identity and physical disability data for employees, as well as the professional, contractual, and open position categories reported in its FY 2024 Report.

The State Employment Records Act (Act) (5 ILCS 410/1 et seq.) requires the Department to develop a comprehensive procedure to collect, classify, maintain, and publish, for State and public use, information that provides the General Assembly and the People of this State with adequate information of the number of minorities, women, and persons with physical disabilities employed by State government within the State workforce.

Department management indicated that information related to employees' physical disabilities, racial identities, and categories such as professional, contractual, and open positions was excluded due to the small number of employees within these groups.

Agency Fee Imposition Reporting

During testing of the Agency Fee Imposition Reports (AFIR) submitted during the examination period, we noted:

- Four of 19 (21%) fees reported in FY 2024 AFIR did not agree with Department records, which are broken down as follows:
  - One variance, resulting in an understatement of \$1,000, was attributable to the omission of a penalty.
  - Two variances related to the same fund and revenue source categorization, resulting in a total overstatement of \$300, were attributable to the reversal of previously assessed fees.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2025**

2025-002.      **FINDING**      Inadequate Controls over Reporting (continued)

- One variance, resulting in an overstatement of \$17,000, was attributable to the erroneous inclusion of minimum wage/overtime penalties, which were properly reported separately.
- Six of 20 (30%) fees reported in FY 2025 AFIR did not agree with Department records, resulting to a net understatement of \$3,585. The Department was unable to provide an explanation for these variances.

The State Comptroller Act (15 ILCS 405/16.2) requires State agencies that impose fees to file the AFIR Report Form with the Comptroller. Additionally, the Illinois State Auditing Act (30 ILCS 5/3-8.5) requires reporting of a list and description of fees imposed by the agency, the purpose of the fees, the amount of revenue generated, and the funds into which the fees are deposited.

Further, 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.

Lastly, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information and protect the financial rights of the State.

Department management attributed the noted deficiencies to clerical errors, inadequate oversight, and limited staffing.

Failure to submit the PAR in a timely manner and to prepare it accurately may prevent the State from accomplishing its mission to process and account for financial transactions for State government, payees, and vendors, and to maintain a high degree of integrity over records and systems. Further, it may impair the public's ability to access reliable financial data, and it may result in noncompliance with statutory reporting requirements. Further, filing inaccurate Reports with the Office of the Governor and the Office of the Secretary of State prevents fulfillment of the purpose of the Act, which is to provide information to help guide efforts to achieve a more diversified work force.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2025**

2025-002.      **FINDING**      Inadequate Controls over Reporting (continued)

Lastly, inaccurate reporting of fees on the AFIR submitted to the Comptroller results in the Comptroller reporting inaccurate information on the Statewide AFIR submitted to the General Assembly and represents noncompliance with the State Comptroller Act. (Finding Code No. 2025-002)

**RECOMMENDATION**

We recommend the Department accurately submit the required reports, allocate sufficient resources, and strengthen internal controls over recording or data entry, reporting, and review processes.

**DEPARTMENT RESPONSE**

The Department agrees and will ensure proper documentation for its reports to show that they are filled out accurately and completely.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2025**

2025-003.      **FINDING**      Inadequate Controls over Personal Services

The Department of Labor (Department) failed to maintain adequate controls over personal services.

During the examination of personal services, the Department provided a population of active, newly hired, and terminated employees. However, we were unable to determine the completeness and accuracy of the listing provided in order to obtain reasonable assurance on the reported hire and separation effective dates of employees in order to thoroughly test compliance.

Statements on Standards for Attestation Engagements (AT-C §205.36) require, when using information produced by the entity, the practitioner to evaluate whether the information is sufficiently reliable for the practitioner’s purposes, including obtaining evidence about the accuracy and completeness of the information; and to evaluate whether the information is sufficiently precise and detailed for the practitioner’s purposes.

Despite these limitations, we selected a sample of employees to review payroll vouchers, personnel files, performance evaluations, time sheets, leave requests, accrued leave balances, overtime cards, and training certificates. Our testing identified the following:

- One of 46 (2%) employees’ Employment Eligibility Verification (I-9 Form) had Section 1, Employee Information and Attestation, not timely completed and signed by the employee, with a delay of one day.

The Code of Federal Regulation (Code) (8 CFR § 274a.2(b)(1)(i)(A)) requires employees to complete Section 1 of I-9 Form at the time of hire and sign the attestation with a handwritten or electronic signature.

- Four of 46 (9%) employees’ I-9 Forms had Section 2, Employer Review and Verification, not properly completed by the Department’s authorized representative.

The Code (8 CFR § 274a.2(b)(1)(ii)(B)) requires each employer to complete Section 2 on Form I-9 within three business days after an employee is hired and sign the attestation in the appropriate place.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2025**

2025-003.      **FINDING**      Inadequate Controls over Personal Services (continued)

The Immigration Reform and Control Act of 1986 (8 U.S.C. § 1324a) requires entities hiring an individual for employment in the United States attest, under penalty of perjury and on a form designated or established by the Attorney General by regulation, to verify 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.

- Five of 46 (11%) employees had time sheets that were not submitted in a timely manner, with delays ranging from 3 to 17 days, during Fiscal Year (FY) 2024.
- One of 46 (2%) employees had time sheets that were not submitted in a timely manner, with a delay of six days, during FY 2025.

The Department's control on time reporting requires employees to submit their weekly time entries in eTime no later than Friday of the following week.

- Three of 46 (7%) employees had time sheets that were not approved in a timely manner, with delays ranging from 1 to 7 days, during FY 2024.
- Two of 46 (4%) employees had time sheets that were not approved in a timely manner, with delays ranging from 5 to 17 days, during FY 2025.

The Department's control on time reporting requires immediate supervisors to review and approve the weekly time entries no later than Friday of the following week.

- Ten of 60 (17%) employees' overtime requests were not approved prior to the actual overtime being worked.

The Department's Employee Handbook requires employees to obtain written approval before working any overtime.

Further, the Department's control over overtime requires immediate supervisors to include a note in the eTime system when approving overtime after it has been worked.

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2025-003.      **FINDING**      Inadequate Controls over Personal Services (continued)

- One of 13 (8%) newly hired employees during FY 2024 did not complete the initial ethics training.
- One of 13 (8%) newly hired employees during FY 2025 did not complete the initial ethics training.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10(c)) requires a person who fills a vacancy in an elective or appointed position that requires training and a person employed in a position that requires training to complete his or her initial ethics training within 30 days after commencement of his or her office or employment.

- One of 13 (8%) newly hired employees during FY 2024 did not complete the initial harassment and discrimination prevention training.
- One of 13 (8%) newly hired employees during FY 2025 did not complete the initial harassment and discrimination prevention training.

The Act (5 ILCS 430/5-10.5(a)) requires a person who fills a vacancy in an elective or appointed position that requires training under this Section to complete his or her initial sexual harassment training program within 30 days after commencement of his or her office or employment.

- One of 46 (2%) employees tested did not complete the 2023 annual combined Identity Protection Act and security awareness training.
- One of 46 (2%) employees tested did not complete the 2024 annual combined Identity Protection Act and security awareness training.

The Identity Protection Act (5 ILCS 179/37) requires all employees of the State agency identified as having access to social security numbers in the course of performing their duties be trained to protect the confidentiality of social security numbers.

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2025-003.      **FINDING**      Inadequate Controls over Personal Services (continued)

In addition, the Data Security on State Computers Act (20 ILCS 450/25) requires every employee to annually undergo training by the Department of Innovation and Technology concerning cybersecurity which shall include, but need not be limited to, detecting phishing scams, preventing spyware infections and identity theft, and preventing and responding to data breaches.

- One of six (17%) employees subject to a probationary period during FY 2025 did not have performance evaluation reports.
- Three of 39 (8%) certified employees during FY 2024 did not have performance evaluation reports.
- Two of 39 (5%) certified employees during FY 2025 did not have performance evaluation reports.

The Illinois Administrative Code (80 Ill. Adm. Code 302.270), effective July 16, 2024, requires the Department to prepare a performance evaluation in a manner prescribed by the Director of the Department of Central Management Services not less often than once per calendar year for certified employees, and at least once during a probationary period.

- One of 39 (3%) certified employees during FY 2024 had performance evaluation reports that were not signed by the immediate supervisor.

The Department's control on performance evaluation reports requires immediate supervisors to sign the report.

- The list of names and mailing addresses of the persons required to file a statement of economic interests was not timely certified to the Secretary of State on or before February 1, 2024, with a delay of five days.

The Illinois Governmental Ethics Act (Ethics Act) (5 ILCS 420/4A-106) requires the Department's Chief Administrative Officer to certify to the Secretary of State the names and mailing addresses of the persons required to file a statement of economic interests on or before February 1 annually.

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2025-003.      **FINDING**      Inadequate Controls over Personal Services (continued)

- The list of names and mailing addresses of the persons required to file a statement of economic interests certified to the Secretary of State during FY 2024 was incomplete and inaccurate. Based on the confirmation with the Department’s current Ethics Officer, eight employees who were required to be included were omitted from the listing.

The Act (5 ILCS 420/4A-101(f)) requires filing of verified written statements of economic interest with the Secretary of State by the following persons who are employed by any branch, agency, authority, or board of the State and are compensated for services as employees and not as independent contractors and who:

- (1) are, or function as, the head of a department, commission, board, division, bureau, authority, or other administrative unit within the government of this State, or who exercise similar authority within the government of this State;
  - (2) have direct supervisory authority over, or direct responsibility for the formulation, negotiation, issuance, or execution of contracts entered into by the State in the amount of \$5,000 or more;
  - (3) have authority for the issuance or promulgation of rules and regulations within areas under the authority of the State;
  - (4) have authority for the approval of professional licenses;
  - (5) have responsibility with respect to the financial inspection of regulated nongovernmental entities;
  - (6) adjudicate, arbitrate, or decide any judicial or administrative proceeding, or review the adjudication, arbitration, or decision of any judicial or administrative proceeding within the authority of the State;
  - (7) have supervisory responsibility for 20 or more employees of the State;
  - (8) negotiate, assign, authorize, or grant naming rights or sponsorship rights regarding any property or asset of the State, whether real, personal, tangible, or intangible; or,
  - (9) have responsibility with respect to the procurement of goods or services.
- The Department did not display notices of State employee protection under the Whistle Blower Protection Article of the Act (5 ILCS 430/15) in the Springfield and Chicago offices at the time the fieldwork was performed.

The Act (5 ILCS 430/15-40) requires the Department to conspicuously display notices of State employee protection under this Act.

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Further, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information and protect the financial rights of the State.

Lastly, 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.

This finding was first noted during the Department's FY 2012 – FY 2013 State compliance examination, 12 years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

Department management identified multiple internal control and compliance deficiencies primarily attributable to insufficient attention to detail, documentation, and oversight. Management did not consistently document the justification for late approvals of timesheets and leave requests and, in certain instances, permitted retroactive timekeeping transactions without adequate supporting documentation. In addition, limitations in system-generated data extracts prevented the Department from obtaining complete and accurate employee listings, including instances involving employees who separated and were subsequently rehired; these conditions resulted from system constraints and inadvertent oversight. The Department also did not display the required whistleblower poster due to an omission in the internal compliance checklist used during routine facility inspections. Finally, inadequate accountability mechanisms, combined with staffing constraints and competing operational demands, contributed to inconsistent prioritization and delays in completing required evaluations within established timeframes.

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

- potentially result in unlawful employment and expose the Department to legal penalties;

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2025-003.      **FINDING**      Inadequate Controls over Personal Services (continued)

- undermine the ability of management to monitor employee development and communicate performance evaluations;
- lead to incorrect compensation for services rendered and result in noncompliance with Department policies and State statutes;
- prevent employees from recognizing instances of harassment or discrimination and understanding their rights and responsibilities under the Act;
- increase the risk of employees mishandling information containing Social Security numbers and results in noncompliance with the Identity Protection Act.
- increase risk of unawareness on filing requirements among employees; and,
- impede the performance of the testing and provide useful and relevant feedback regarding personal services. (Finding Code No. 2025-003, 2023-004, 2021-004, 2019-006, 2017-006, 2015-008, 2013-008)

**RECOMMENDATION**

We recommend the Department strengthen its internal controls over personal services to ensure compliance with applicable Federal and State requirements by timely and properly completing I-9 Forms, enforcing controls over time reporting and overtime approval, ensuring mandatory trainings are completed, maintaining complete and properly approved performance evaluation records, timely and accurately certifying statements of economic interests, conspicuously displaying required whistleblower notices, and retaining adequate supporting documentation in accordance with statutory and internal control requirements.

**DEPARTMENT RESPONSE**

The Department concurs. Internal controls will be implemented to ensure compliance with applicable federal and state requirements.

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2025-004.            **FINDING**      Inadequate Controls over Compliance with Nurse Agency Licensing Act

The Department of Labor (Department) did not ensure the nurse agencies comply with the quarterly reporting requirements of the Nurse Agency Licensing Act (Act).

The Act (225 ILCS 510/14(h) through (i)) requires the Department to publish on its website the reports yearly by county in which the work was performed, the average amount charged to the health care facilities by nurse agencies for each individual worker category, and the average amount paid by the agency to each individual worker category. Accordingly, complete and accurate information from nurse agencies is necessary for the Department to comply with this reporting requirement.

We selected 40 nurse agencies to test compliance with the submission of the required quarterly reports, totaling 160 reports per fiscal year (FY), and noted the following:

- For 37 (23%) quarterly reports, the Department did not ensure the nurse agency submitted the required report during FY 2024.
- For 33 (21%) quarterly reports, the Department did not ensure the nurse agency submitted a quarterly report during FY 2025.
- For 12 (8%) quarterly reports, the Department did not ensure the nurse agency submitted the required report in a timely manner during FY 2024, with delays ranging from 4 to 112 days late.
- For 15 (9%) quarterly reports, the Department did not ensure the nurse agency submitted the required report in a timely manner during FY 2025, with delays ranging from 1 to 78 days late.

The Act (225 ILCS 510/14(h)) requires the Department to ensure nurse agencies submit a report quarterly to the Department for each health care entity with whom the agency contracts.

Additionally, the Illinois Administrative Code (68 Ill. Admin. Code 690.55(c)(1)(C)) requires the Department to ensure nurse agencies timely submit the quarterly reports based on the quarterly reporting schedule as follows:

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2025-004.

**FINDING** Inadequate Controls over Compliance with Nurse Agency Licensing Act (continued)

<b>Reporting Period</b>	<b>Due Date</b>
March 1-May 31	July 15
June 1-August 31	October 15
September 1-November 30	January 15
December 1-February 28	April 15

Lastly, 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.

Department management noted the quarterly reports were a new statutory requirement that took effect in 2023 and attributed the deficiencies noted above to implementation and oversight issues, including insufficient monitoring, documentation, and tracking of the reports.

Failure to ensure timely submission of quarterly reports from nurse agencies reduces the reliability and completeness of information used to monitor agency performance. This increases the risk of noncompliance with statutory reporting requirements and limits management’s ability to effectively oversee and enforce regulatory compliance. (Finding Code No. 2025-004)

**RECOMMENDATION**

We recommend the Department strengthen its controls over compliance with the Act and the Code by ensuring nurse agencies submit all required quarterly reports and that such reports are received timely in accordance with statutory and administrative requirements, maintaining complete and accurate supporting documentation, and implementing monitoring and follow-up procedures to identify, track, and address missing or late submissions.

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2025-004.        **FINDING**        Inadequate Controls over Compliance with Nurse Agency Licensing Act (continued)

**DEPARTMENT RESPONSE**

The Department agrees. Internal controls will be established to track reports required to be filed by nurse agencies.

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2025-005.      **FINDING**      Inadequate Controls over Governmental Accounting Standards Board Statements No. 87 and 96

The Department of Labor (Department) did not have adequate controls in place to support the implementation of the Governmental Accounting Standards Board Statement No. 87 (GASB 87), *Leases*, and Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangement* (SBITA).

**GASB 87**

During fieldwork, we noted the Department did not have a reasonable process for identifying all leases, including embedded leases, where the auditee is the lessee among its agreements, even those agreements not referred to as a lease, under GASB 87 during the examination period.

**GASB 96**

During testing, we noted:

- The Department did not have a process in place to identify SBITAs, including both specific SBITA contracts and those combined with Information Technology support services.
- For one of one (100%) SBITA identified during the examination period, the Department did not file the corresponding Form SCO-560S to the Illinois Office of the Comptroller (Comptroller) in a timely manner. The SBITA was initiated on June 1, 2023, and the corresponding Form SCO-560S was submitted to the Comptroller on April 22, 2024, resulting in a delay of 283 days.

The Comptroller considers Form SCO-560S timely if filed by April 30 for leases initiated or changed between July 1 and April 1 and if filed by July 15 for leases initiated or changed between April 1 and June 30.

Further, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information and protect the financial rights of the State.

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2025-005.      **FINDING**      Inadequate Controls over Governmental Accounting Standards  
Board Statements No. 87 and 96 (continued)

Lastly, 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.

Department management attributed the deficiencies noted to lack of a formal system or process for tracking leases as it has very few leases.

Failure to maintain adequate controls over GASB 87 and GASB 96 leases and SBITAs may result in incorrect accounting and reporting of contracts and obligations. Without the Department providing complete and adequate documentation to enable testing, we were unable to provide useful and relevant feedback to the General Assembly regarding the Department’s GASB 87 and GASB 96 leases and SBITAs. (Finding Code No. 2025-005)

**RECOMMENDATION**

We recommend the Department establish and implement formal processes to identify all leases, including embedded leases, and all subscription-based information technology arrangements in accordance with GASB 87 and 96, respectively, and ensure required forms are submitted to the Office of the Comptroller accurately and in a timely manner.

**DEPARTMENT RESPONSE**

The Department agrees with the finding. Better controls and tracking of leases will be put in place to comply with filing necessary reports.

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2025-006.      **FINDING**      Inadequate Monitoring of Intergovernmental Agreements

The Department of Labor (Department) did not adequately monitor its intergovernmental agreements (IA).

During our testing of three IAs, we performed procedures to assess whether the Department complied with the specific requirements based on the agreements and noted the following:

Department of Commerce and Economic Opportunity (DCEO)

The Department and DCEO entered into an IA to institute additional communication and data sharing through an exchange of information regarding public works contractors and workforce to improve the DCEO’s ability to serve the state’s construction contractors and increase diversity in underrepresented population.

We reviewed the terms of the IA and performed testing over the Department’s assigned responsibilities contained within the IA. The results of our testing noted the Department was not in compliance with the following responsibilities assigned:

- Article 9 (1) (Data Provided by the Department to DCEO) requires the Department, on a quarterly basis, to provide documentation enumerating all contractors that reported certified payroll to the Department for that period, and relevant identifying information (including registered business address, telephone number, E-Mail address, and Employer Identification Number).

We noted the Department did not provide any of the quarterly documentation required to be provided to DCEO during the examination period.

- Article 9 (2) (Data Provided by the Department to DCEO) requires the Department to grant limited access to the unredacted portions of the Certified Transcript of Payroll (CTP) portal to DCEO staff enumerated in Appendix C subject to the following restrictions:
  - a. Such access shall be limited and restricted to the fields in the CTP portal for the purpose of contract and compliance related activities under the Illinois Bid Works program run and monitored by DCEO.
  - b. Only the individuals in Appendix C shall be granted authority and rights to access the information for the sole and exclusive authority to audit, monitor, and check compliance of the contractors who are participating in the Illinois Bid Works program.

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- c. Appendix C may be amended from time to time by agreement of the Parties through written communication to Legal Counsel and the signatories of the agreement.

We requested the current list of DCEO staff with access to CTP and identified two individuals who were not initially included in Appendix C. Additionally, we determined that Appendix C had not been amended through written communication to Legal Counsel or the agreement's signatories (DCEO's and the Department's Directors) to formally authorize access for these additional staff members.

- Article 9 (Data Provided by DCEO to the Department) requires the Department, on a bi-annual basis, on or before March 1<sup>st</sup> and September 1<sup>st</sup> of each year, to ensure that DCEO provides documentation enumerating all active State funded capital projects subject to the Illinois Works Jobs Program Act.

We requested three bi-annual documents required to be provided by DCEO to the Department during the examination period and noted the following:

- For two of three (67%) bi-annual documents, the Department did not ensure that DCEO provided the required documentation.
- For one of three (33%) bi-annual documents, the Department did not ensure that DCEO provided the required documentation in a timely manner, with a delay of 39 days.

Department management indicated they failed to reach out to DCEO to remind them of their responsibilities under the IAs.

Noncompliance with the specific requirements of IAs increases the risk that parties may not fulfill their statutory or contractual responsibilities and also results in incomplete or inaccurate reporting and reduced assurance that services are delivered as intended. (Finding Code No. 2025-006)

**RECOMMENDATION**

We recommend the Department strengthen its monitoring and oversight of intergovernmental agreements to ensure compliance with all assigned responsibilities.

**DEPARTMENT RESPONSE**

The Department agrees with the finding. Communication has already occurred with DCEO regarding this matter, and a reminder will be issued when IDOL regularly distributes its list of contractors.

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2025-007.      **FINDING**      Receipt Processing Controls Not Operating Effectively

The Department of Labor’s (Department) internal controls over its receipt processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology, we were able to limit our receipt testing at the Department to determine whether certain key attributes were properly entered by the Department’s staff into the ERP. In order to determine the operating effectiveness of the Department’s internal controls related to receipt processing, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the ERP System based on supporting documentation. The attributes tested were (1) amount, (2) fund being deposited into, (3) date of receipt, (4) date deposited, and (5) Statewide Accounting Management System (SAMS) Source Code.

Our testing noted 34 of 140 (24%) attributes were not properly entered into the ERP System. Therefore, the Department’s internal controls over receipt processing were not operating effectively.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Department to maintain a detailed record of all moneys received, which is to include date of receipt, the payor, purpose and amount, and the date and manner of disbursement. Additionally, the SAMS Manual (Procedure 25.10.10) requires the Department to segregate the moneys into funds and document the source of the money. Further, 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, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources.

Due to this condition, we modified our opinion because we determined 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.

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2025-007. **FINDING** Receipt Processing Controls Not Operating Effectively (continued)

Even given the limitations noted above, we conducted an analysis of the Department’s receipts data for Fiscal Years 2024 and 2025 to determine compliance with the Act. We noted:

- The Department’s receipts data did not document the date on which the payment was received for 3,945 of 3,945 (100%) receipts. As such, we were unable to determine if the Department deposited the receipts in a timely manner.

The Act (30 ILCS 230/2(a)) requires the Department to maintain a detailed record of all moneys received, which is to include date of receipt, the payor, purpose and amount, and the date and manner of disbursement.

- The Department did not deposit 17 of 27 (63%) receipt items, \$10,000 or more, on the day received.
- The Department did not deposit 116 of 321 (36%) receipt items, exceeding \$500 but less than \$10,000, within 48 hours.
- The Department did not deposit 59 of 511 (12%) receipt items, less than \$500, on the 1st or 15th of the month, whichever was earlier.

The Act (30 ILCS 230/2(a)) requires the Department pay into the State treasury any single item of receipt exceeding \$10,000 on the day received. Additionally, receipt items totaling \$10,000 or more are to be deposited within 24 hours. Further, receipt items, in total exceeding \$500 but less than \$10,000, are to be deposited within 48 hours. Lastly, receipt items totaling less than \$500 are to be deposited once the total exceeds \$500 or on the 1<sup>st</sup> or 15<sup>th</sup> of the month, whichever is earlier.

Department management indicated the deficiencies noted above were due to a lack of training with the implementation of ERP.

Failure to properly enter the key attributes into the State’s ERP when processing a receipt hinders the reliability and usefulness of data extracted from the ERP, which can result in improper recording of revenues and accounts receivable. Failure to timely deposit receipt delays the recognition of available cash within the State Treasury, could delay the payment of State obligations, and represents noncompliance with the Act. (Finding Code No. 2025-007, 2023-003)

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2025-007.      **FINDING**      Receipt Processing Controls Not Operating Effectively (continued)

**RECOMMENDATION**

We recommend the Department design and maintain internal controls to provide assurance its data entry of key attributes into ERP is complete and accurate. Further, we recommend the Department deposit receipts into the State’s treasury in a timely manner.

**DEPARTMENT RESPONSE**

The Department agrees with the finding. The Department’s Fiscal Unit has begun corrections to ensure that information is being input into ERP.

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2025-008.      **FINDING**      Inadequate Controls over Accounts Receivables

The Department of Labor (Department) did not exercise adequate internal controls over its reporting and maintenance of accounts receivable.

We performed a testing of the Department’s accounts receivable including the *Quarterly Summary of Accounts Receivable – Accounts Receivable Activity Report* (Form C-97), *Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables* (Form C-98), and *Quarterly Summary of Accounts Receivable – External Collections Activity for Accounts Over 180 Days Past Due* (Form C-99). During testing, we noted the following weaknesses:

- 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) to support the zero balances reported in Forms C-97, C-98, and C-99.
- The Department’s Form C-97 did not report any amounts considered to be uncollectible and did not report any write-offs during the fiscal years (FY) tested.
- The Department was unable to provide documentation to support its Forms C-98 and C-99.
- Towards the end of November 2024, the Department established and implemented policies and procedures for handling and reporting its accounts receivable, tracking and monitoring complaints received, posting delinquent accounts receivable into the Office of the Comptroller's (Comptroller) Illinois Debt Recovery Offset Portal system or pursuing other debt collection procedures, and writing off uncollectible receivables; however, the Department failed to execute these policies and procedures for the remainder of the period, from December 2024 through June 2025.

This finding was first noted during the Department’s Fiscal Year 2004-2005 State compliance examination, 20 years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

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2025-008.      **FINDING**      Inadequate Controls over Accounts Receivables (continued)

The Statewide Accounting Management System (SAMS Manual) (Procedure 26) and the Illinois State Collection Act of 1986 (Act) (30 ILCS 210 *et seq.*) establish guidelines for the Department to follow in the development and implementation of a system for accounting and managing accounts receivable.

The SAMS Manual (Procedure 26.20.10) requires receivables to be recognized if the transaction is complete to the extent that payment is the only unconsummated act, and the claim is measurable in terms of assignment of a monetary value established by State law and administrative regulations. The SAMS Manual (Procedure 26.30.10) also requires State agencies to report receivables information on the Form C-97.

The SAMS Manual (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. Further, 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.

The Act (30 ILCS 210/3) requires the Department to aggressively pursue the collection of accounts or claims due to the State of Illinois through all reasonable means.

Further, 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.

Lastly, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information and protect the financial rights of the State.

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2025-008.        **FINDING**        Inadequate Controls over Accounts Receivables (continued)

The Department experienced difficulty in determining what items should be classified as accounts receivable. After careful review of The SAMS Manual and multiple internal discussions, the Department developed formal policies and procedures related to accounts receivable; however, implementation had not occurred due to ongoing discussions to finalize the policy language.

Failure to establish and maintain accurate reporting procedures and controls over accounts receivable increases the risk that the Department’s receivable balances could be inaccurate and improperly valued and represent noncompliance with State laws and regulations. In addition, failure to timely pursue collections of outstanding accounts reduces the likelihood of successfully collecting balances due to the State. Moreover, failure to track and record accounts receivable shows a lack of accountability on the part of the Department and hinders its ability to monitor past due accounts and may result in loss of revenue. (Finding Code No. 2025-008, 2023-001, 2021-001, 2019-002, 2017-002, 2015-002, 2013-002, 11-2, 09-2, 07-2, 05-4)

**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 concurs to the finding. Policies have been developed and provided to senior staff to ensure accounts receivable are handled consistently.

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2025-009.            **FINDING**      Inadequate Controls over Compliance with Day and Temporary Labor Services Act

The Department of Labor (Department) failed to maintain adequate controls over the assessment of fees in accordance with the Day and Temporary Labor Services Act (Act).

We selected 25 day and temporary labor service agencies (DTLSA) to determine whether fees were accurately assessed during the examination period and noted the following:

- One (4%) DTLSA was assessed fees that did not agree with our recalculation, resulting in an overstatement of \$250.
- One (4%) DTLSA was assessed fees that did not agree with our recalculation, resulting in an overstatement of \$1,500.

Additionally, the Department lacked adequate control procedures over the review of DTLSA application forms to prevent the processing of duplicate information, which contributed to the deficiencies noted above.

The Act (820 ILCS 175/45(a)), in effect through August 3, 2023, authorizes the Department to assess each DTLSA a non-refundable registration fee not exceeding \$1,000 per year per DTLSA and a non-refundable fee not to exceed \$250 for each branch office or other location where the DTLSA regularly contracts with day or temporary laborers for services.

Effective August 4, 2023, Public Act 103-437 amended the Act to increase the fees assessed to each DTLSA a non-refundable registration fee not exceeding \$3,000 per year per DTLSA and a non-refundable fee not to exceed \$750 for each branch office or other location where the DTLSA regularly contracts with day or temporary laborers for services.

Further, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information and protect the financial rights of the State.

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2025-009.        **FINDING**        Inadequate Controls over Compliance with Day and Temporary Labor Services Act (continued)

Lastly, 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.

Department management attributed the identified deficiencies to data integrity issues and reconciliation limitations within the DTLSA license tracking system, as well as inadequate review and tracking procedures over DTLSA license payments.

Failure to maintain adequate controls over the review of DTLSA application forms could result in inaccurate fee assessments, including both overstatements and understatements; increased risk of noncompliance with statutory requirements; and increased risk of incomplete or improper revenue collection. (Finding Code No. 2025-009)

**RECOMMENDATION**

We recommend the Department strengthen its controls over the review of DTLSA application forms to prevent the processing of duplicate information and ensure fees are accurately calculated, reviewed, and assessed in accordance with the Act.

**DEPARTMENT RESPONSE**

The Department concurs to the finding. Controls will be implemented to track and enforce compliance with fees required under the Day and Temporary Labor Services Act.

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2025-010.      **FINDING**      Weaknesses over Computer Security

The Department of Labor (Department) had weaknesses over computer security.

During our review of 14 applications, we determined that the Department did not provide the following:

- Complete application user listings for five (36%) applications during Fiscal Year (FY) 2024 and 11 (79%) applications during FY 2025.
- Documentation evidencing the Department’s annual user access reviews for six of 14 (43%) applications during FY 2024 and 12 (86%) applications during FY 2025.
- Evidence of management approval for new-hire system access for seven (50%) applications during FY 2024 and two (14%) applications during FY 2025.
- Sufficient documentation defining user access roles for 13 (93%) applications. As a result, we were unable to determine whether user access privileges were appropriately assigned and aligned with employees’ job responsibilities. Additionally, we could not conclude whether adequate segregation of duties was maintained.

Further, the Department did not provide three of 12 (25%) certifications of sanitization tested to evidence that the hard drives associated with four surplus electronic data processing devices were erased, wiped, sanitized, or destroyed in a manner that prevents the retrieval of sensitive data and software prior to the equipment being sold, donated, or transferred.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control section, requires entities to maintain internal controls over access to their applications and data, and Media Protection section, requires sanitization or proper destruction of media prior to disposal.

The Data Security on State Computers Act (20 ILCS 450/20) requires the Department to ensure all hard drives of surplus electronic data processing equipment be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated, or transferred by (i) overwriting the previously stored data on a drive or a disk at least 3 times or

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2025-010. **FINDING** Weaknesses over Computer Security (continued)

physically destroying the hard drive and (ii) certifying in writing that the overwriting process has been completed by providing the following information: (1) the serial number of the computer or other surplus electronic data processing equipment; (2) the name of the overwriting software or physical destruction process used; and (3) the name, date, and signature of the person performing the overwriting or destruction process.

The Personal Information Protection Act (815 ILCS 530) requires the Department to ensure confidential and personal information was protected from disclosure.

Lastly, 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.

Department personnel attributed the deficiencies to oversight related to this finding. Additionally, Department personnel indicated that insufficient expertise in the development, design, and integration of computer security-related internal controls contributed to the deficiencies.

Failure to implement adequate security controls over computing resources increases the risk of unauthorized access to the computing environment and elevates the likelihood that the confidentiality, integrity, and availability of systems and data may be compromised. (Finding Code No. 2025-010)

**RECOMMENDATION**

We recommend the Department strengthen its controls over system access and data security by maintaining complete and accurate application user listings, performing, and documenting annual user access reviews, obtaining management approval for new-hire system access, and formally defining user access roles to ensure appropriate access and segregation of duties. In addition, we recommend the Department ensure certifications of sanitization are retained to document that surplus electronic data processing devices are properly erased or destroyed prior to disposal.

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2025-010.      **FINDING**      Weaknesses over Computer Security (continued)

**DEPARTMENT RESPONSE**

The Department agrees to the finding. Access control steps have been taken; however, IDOL will increase the frequency of the reviews.

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2025-011.            **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, 2025, Fund 251 had \$4,009,379 in cash.

Pursuant to the Illinois Wage Payment and Collection Act (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 (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 Manual ) (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 the SAMS Manual (Exhibit 27.50.10-A) notes Fund 251 is an agency type of fiduciary fund.

During our review of the Department’s records, 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 \$16,874 and \$199,679 at June 30, 2024, and June 30, 2025, respectively. As a result, we were unable to determine the completeness and accuracy of the listing provided in order to obtain reasonable assurance on the reported claimant details in order to thoroughly test compliance.

Statements on Standards for Attestation Engagements (AT-C §205.36) require, when using information produced by the entity, the practitioner to evaluate whether the information is sufficiently reliable for the practitioner’s purposes, including obtaining evidence about the accuracy and completeness of the information; and to evaluate whether the information is sufficiently precise and detailed for the practitioner’s purposes.

The SAMS Manual (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.

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2025-011.      **FINDING**      Failure to Establish and Maintain Adequate Internal Control Over the Special State Trust Fund (continued)

Further, since this is a purely custodial 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.

Moreover, 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.

Despite these limitations, we selected 60 claimant payments for testing and noted the following:

- Documentation deficiencies:
  - Four (7%) claims, totaling \$126,924, lacked documentation supporting the deposit date.
  
- Discrepancies between the Department's records and supporting documentation:
  - One (2%) claim, amounting to \$500, did not reconcile with the supporting documentation upon recalculation, resulting in a variance of \$36.
  - Five (8%) claims, totaling \$149,588, contained inconsistent case numbers.
  - Two (3%) claims, totaling \$12,606, contained inconsistent receipt dates.
  - Two (3%) claims, totaling \$70,791, contained inconsistent payment lot numbers.
  - Four (7%) claims, totaling \$35,399, contained inconsistent deposit dates.
  - Two (3%) claims, totaling \$73,041, contained inconsistent employer names.
  
- Incomplete records:
  - One (2%) item, amounting to \$1,350, did not include the related claim case number in the Department's records.

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2025-011.

**FINDING** Failure to Establish and Maintain Adequate Internal Control Over the Special State Trust Fund (continued)

- Processing control weakness:
  - Six (10%) claims, totaling \$175,225, were not date-stamped upon receipt.

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

- Untimely remittance of claimant payments:
  - Two (3%) of 60 claimant payments tested, totaling \$606, were remitted for payment of wages or other compensation owed more than 120 days after the Department received such payment from the employer or located the claimant or other aggrieved employee.

The Illinois Administrative Code (56 Ill. Admin. Code 300.1210(c)) requires the Department to remit payment of wages or other compensation owed within 120 days after the Department received such payment from the employer or located the claimant or other aggrieved employee.

This finding was first noted during the Department's Fiscal Year 2006 – Fiscal Year 2007 State compliance examination, 18 years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

Department management indicated there have been historical issues with 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 results 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. 2025-011, 2023-002, 2021-002, 2019-003, 2017-003, 2015-003, 2013-004, 11-4, 09-4, 07-4)

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2025-011.        **FINDING**        Failure to Establish and Maintain Adequate Internal Control Over the Special State Trust Fund (continued)

**RECOMMENDATION**

We recommend the Department strengthen its controls over claimant accounting and payment processing by reconciling claimant ledgers to Fund 251 cash balances on a timely basis, ensuring claimant records are complete, accurate, and properly supported, consistently date-stamping items upon receipt, and correcting discrepancies between Department records and supporting documentation.

In addition, we recommend the Department implement procedures to ensure claimant payments are remitted timely in accordance with statutory requirements and that adequate documentation is retained to support all claimant transactions.

**DEPARTMENT RESPONSE**

The Department agrees with the finding.

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2025-012.      **FINDING**      State Property Control Weaknesses

The Department of Labor (Department) did not exercise adequate controls over its State property.

During our testing, we identified the following observations:

- The Department's property control policy, effective June 17, 2024, did not clearly delineate the categories of equipment subject to theft.
- During our observation, list-to-floor, and floor-to-list procedures, we identified seven equipment items used by the Department's Division of Occupational Safety and Health that were no longer in use or serviceable. These assets had neither been transferred to the Department of Central Management Services nor were they disposed of in accordance with applicable requirements. Of the seven items identified, four (57%) had a recorded total value of \$16,261 and the remaining three items (43%) could not be located in the Department's records; therefore, their recorded values could not be determined.
- During testing of the quarterly Agency Report on State Property (C-15 Form) submitted to the Illinois Office of the Comptroller during Fiscal Year (FY) 2025, we noted the following:
  - For the quarter ending March 31, 2025, the Department did not maintain detailed records to support the additions and deletions reported on the C-15 Form.
  - For the quarter ending June 30, 2025, the Department's records did not agree to the ending balance reported on the C-15 Form, resulting in an overstatement of \$160,321.
- During our physical inspection of 20 equipment items, we noted the following:
  - One of 20 (5%) equipment items, amounting to \$20,486, was identified as property of the Department of Innovation and Technology.
  - Three of 20 (15%) equipment items, totaling \$10,442, did not have identification numbers listed in the Department's records. Consequently, we were unable to verify the identification numbers for these items during the observation procedure.
  - Three of 20 (15%) equipment items, totaling \$18,778, had incorrect location codes assigned to them within the property records.

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2025-012.      **FINDING**      State Property Control Weaknesses (continued)

- During our tracing of 20 equipment items to the Department records, three (15%) equipment items were not located in the Department’s records.

This finding was first noted during the Department’s Fiscal Year 2002 – FY 2003 State compliance examination, 22 years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Statewide Accounting Management System Manual (Procedure 29.10.10) states assets that are obsolete, damaged, or no longer used in operations should be identified by the Department and, if necessary, removed from the Department’s asset records. Further, the Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.610(c)) requires the Department to scrap all transferable equipment.

The Code (44 Ill. Admin. Code 5010.210(c)) requires the Department to assign a unique identification number to equipment exceeding the established value threshold and to items susceptible to theft, including all vehicles and firearms. The Department must also define, through policy, additional categories of equipment considered vulnerable to theft.

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.

The State Property Control Act (30 ILCS 605/4) requires responsible officers at each State agency to be accountable for the supervision, control, and inventory of property under their jurisdiction to ensure proper accounting and safeguarding of assets.

Moreover, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information and protect the financial rights of the State.

Lastly, 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.

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2025-012.        **FINDING**        State Property Control Weaknesses (continued)

Department personnel indicated they tag all equipment susceptible to theft but inadvertently failed to implement a policy clearly outlining the categories of equipment considered at risk of theft. Department personnel indicated the other instances of noncompliance noted were attributable to clerical errors and oversights.

Failure to exercise adequate control over property increases the potential for fraud and loss of property by theft or misplacement. 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. (Finding Code No. 2025-012, 2023-012, 2021-003, 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, we recommend the Department adopt policies clearly delineating categories of equipment considered to be subject to theft.

**DEPARTMENT RESPONSE**

The Department concurs with the finding. Controls will be implemented to improve the tracking and monitoring of equipment locations.

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2025-013.      **FINDING**      Weaknesses in Cybersecurity Programs and Practices

The Department of Labor (Department) failed to implement internal controls related to cybersecurity programs, practices, and control of confidential information.

During our examination of the Department’s cybersecurity program, practices, and controls over confidential information, we noted the Department:

- had not established policies documenting guidelines for reporting security violations and suspected security incidents;
- had not established policies documenting guidelines for disaster recovery and incident response;
- did not ensure all policies were periodically reviewed and updated to meet the Department’s operational needs. Specifically, the Back-Up Verification and Off-Site Storage, Data Maintenance and Destruction, Computer Policies, and Data Classification Methodology had not been reviewed or updated since 2021;
- was unable to provide a complete population of system changes. As a result, we were unable to determine whether required testing was performed, appropriate approvals were obtained, and changes were approved prior to implementation in the production environment;
- had not required employees and contractors to fully acknowledge receipt of security policies and procedures;
- had not defined cybersecurity roles and responsibilities;
- had not developed a risk management methodology, conducted a comprehensive risk assessment, or implemented risk-mitigating internal controls;
- had not developed a data classification methodology or classified its data;
- had not developed a Project Management Framework and System Development Life Cycle to ensure new applications were developed and implemented in accordance with management’s expectations;

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2025-013. **FINDING** Weaknesses in Cybersecurity Programs and Practices (continued)

- had not provided documentation supporting the development history of the Amusement Ride and Attractions Safety Division’s new system;
- had not developed system development standards to ensure new application development met the Department’s requirements;
- relied on the Department of Innovation and Technology (DoIT) for vulnerability monitoring; however, no vulnerability documentation was reviewed, no vulnerability reports were generated, and no security event monitoring was documented; and,
- did not provide documentation of the security solutions in place to protect its assets, nor evidence of an incident monitoring mechanism for systems and networks to identify security incidents.

This finding was first noted during the Department’s Fiscal Year 2018 – Fiscal Year 2019 State compliance examination, six years ago. As such, Department management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The *Framework for Improving Critical Infrastructure and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (*Framework*), Security and Privacy controls, Incident Response, and Risk Assessment sections, require entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The *Framework*, Configuration Management section, requires entities to test, validate, and document changes to the system (including approvals) before finalizing the implementation of changes and limit privileges to change system components and system related information within a production environment.

The *Framework*, Policy and Procedures section, recommends agencies develop, document, and disseminate policies and procedures to users, which includes staff and contractors.

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2025-013.      **FINDING**      Weaknesses in Cybersecurity Programs and Practices (continued)

The *Framework*, Configuration Management and System and Services Acquisition sections, requires entities to document their controls to ensure system development projects meet their needs.

Further, 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.

Lastly, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the essential transactions of the Department designed to furnish information and protect the financial rights of the State.

Department management indicated they rely heavily on DoIT for the performance of cybersecurity functions. Management further stated that the deficiencies noted were attributable to insufficient internal resources to ensure these functions were adequately performed.

Failure to implement effective internal controls over cybersecurity programs, practices, and the protection of confidential information increases the risk of unidentified vulnerabilities and may result in the Department’s significant volumes of personal information being susceptible to cyberattacks and unauthorized disclosure. Additionally, inadequate controls over application development and changes to the Department’s applications and data may result in unauthorized modifications and applications that do not meet the Department’s operational needs. (Finding Code No. 2025-013, 2023-008, 2021-008, 2019-013)

**RECOMMENDATION**

We recommend the Department establish and implement a comprehensive cybersecurity governance and control framework by:

- developing and documenting policies and procedures for security incident reporting, disaster recovery, incident response, project and system development, and data classification;
- maintaining a complete population of system changes;

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2025-013.      **FINDING**      Weaknesses in Cybersecurity Programs and Practices (continued)

- clearly defining cybersecurity roles and responsibilities;
- performing risk assessments and implementing risk-mitigating internal controls;
- ensuring all cybersecurity policies are periodically reviewed, updated, and formally acknowledged by employees and contractors; and,
- maintaining adequate documentation to support system development, vulnerability monitoring, security solutions, and incident monitoring activities.

**DEPARTMENT RESPONSE**

The Department concurs and will collaborate with the DoIT to develop policies and plans to enhance cybersecurity.

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2025-014.      **FINDING**      Inadequate Controls over Travel

The Department of Labor (Department) did not maintain adequate controls over travel.

During testing of the Department’s Travel Headquarters Reports (Form TA-2), we noted that the reports were not complete and accurate. Specifically, Amusement Ride and Attraction Safety inspectors were not included.

Further, during our testing of 40 travel vouchers, we identified the following:

- Three (8%) vouchers contained incorrect headquarters information.
- One (3%) voucher contained a rate claimed for meals and incidentals expense in excess of the travel allowances, resulting in an overstatement of \$15.
- Six (15%) vouchers contained improperly claimed commuting mileage for reimbursement, resulting in an overpayment of approximately \$975 for 1,432 commuting miles.
- One (3%) voucher did not reconcile with the supporting documentation upon recalculation, resulting in an overstatement of \$13.

The State Finance Act (30 ILCS 105/12-3) requires each State agency to file reports of all its officers and employees for whom official headquarters have been designated at any location other than at which their official duties require them to spend the largest part of their working time.

The Statewide Accounting Management System Manual (Procedure 17.20.10) requires the traveler to indicate the city in which the traveler's headquarters is located. "Headquarters" is defined as the place where an employee’s official duties require him/her to spend the largest amount of his/her working time.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 3000 Appendix A) identifies the maximum reimbursement rates allowed for lodging, per diem, and mileage.

Further, the Code (80 Ill. Admin. Code 3000.220(a)) states that an employee whose travel does include travel through headquarters shall be reimbursed for all mileage in excess of commuting mileage.

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2025-014.      **FINDING**      Inadequate Controls over Travel (continued)

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

Lastly, 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.

Department management attributed the noted deficiencies to inconsistent training on and execution of established travel policies and procedures, as well as inadequate oversight.

Failure to file an accurate Form TA-2 undermines the effectiveness of oversight controls and results in noncompliance with State statute. Additionally, inadequate internal controls over travel increase the risk that errors, irregularities, and unnecessary expenditures may occur and remain undetected. (Finding Code No. 2025-014)

**RECOMMENDATION**

We recommend the Department strengthen its controls over travel reporting and vouchers by ensuring Form TA-2 is complete and accurate, and by implementing review procedures to verify travel vouchers are properly supported, accurately calculated, and comply with applicable travel reimbursement policies prior to payment.

**DEPARTMENT RESPONSE**

The Department concurs and is in the process of developing policies to address the issues identified.

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2025-015.      **FINDING**      Failure to Fully Utilize the State's Enterprise Resource Planning System

The Department of Labor (Department) did not utilize all capabilities of the State's Enterprise Resource Planning (ERP) System which resulted in unnecessary inefficiency.

The State's implementation of an ERP centralized the finance, procurement, grants management, and asset management processes by replacing outdated manual systems and technologies. The ERP can enhance transparency of data, reduce processing time, and improve the timeliness of financial reporting. During the examination period, the ERP's processing integrity was sufficient to enable reliance upon ERP's processing of transactions.

For commodities and property inventories, the ERP has several functionalities which reduce the amount of manual transactions and processing time, such as the "shopping cart" feature that creates a purchase order, tracks receipt of the goods or service along with the vendor's related invoice, helps generate the voucher fields necessary for the processing of payment to the vendor, records inventory and property transactions, and enables financial reporting to the Comptroller's Office.

During our examination, we noted the Department:

- did not fully utilize the Public Sector Collection & Disbursements (PSCD) ERP module. The PSCD maintains transactions related to billings, payments, and accounts receivable. Specifically, the Department did not record accounts receivable for fines and penalties owed to the Department from various entities.
- purchased goods and services from vendors; however, the Department did not fully utilize the Material Management Module (Module). The Module records transactions related to the purchase of goods/services. Specifically, they did not utilize the "shopping cart" feature.

*Government Auditing Standards* (§ 1.02) state the concept of accountability for use of public resources and government authority is key to our nation's governing processes. Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, and ethically within the context of the statutory boundaries of the specific government program.

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2025-015.      **FINDING**      Failure to Fully Utilize the State's Enterprise Resource Planning System (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001(l)) 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.

Department management indicated they were not aware of any specific requirement to use all components of ERP.

Failure to fully utilize the State's ERP System could result in outdated systems not being supported, untimely financial information and the lack of full transparency, and resulted in the inefficient usage of State resources. (Finding Code No. 2025-015, 2023-006)

**RECOMMENDATION**

We recommend the Department work with the Department of Innovation and Technology to transition and fully utilize the PSCD and Materials Management Module of the ERP System.

**DEPARTMENT RESPONSE**

The Department concurs. The Fiscal Unit has initiated corrective actions to ensure that information is properly entered into the ERP system. Additionally, the Department will coordinate with the Department of Innovation and Technology to address this matter.

**STATE OF ILLINOIS**  
**DEPARTMENT OF LABOR**  
**SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED**  
**For the Two Years Ended June 30, 2025**

A. **FINDING** (Inadequate Controls Over Census Data)

During the prior examination, the Department of Labor (Department) had not properly performed an initial complete reconciliation of its census data recorded by State Employees' Retirement System of Illinois (SERS) to its internal records to establish a base year of complete and accurate census data. Additionally, the Department had not developed a process to annually obtain from SERS the incremental changes recorded by SERS in the Department's census data records and reconcile these changes back to the Department's internal supporting records.

During the current examination, our testing indicated the Department was able to submit timely and accurately prepare the required reconciliation of the census data of the Department's employees. (Finding Code No. 2023-007)

B. **FINDING** (Lack of Disaster Contingency Planning or Testing to Ensure the Recovery of Computer Systems)

During the prior examination, the Department of Labor (Department) had not developed an Information Systems Contingency Plan (Plan) for the Department's critical applications. The Plans that had been developed did not include sufficient information necessary to restore the applications. Additionally, the Department could not provide documentation demonstrating disaster recovery testing had been completed during the examination period.

During the current examination, we noted the Department was unable to provide documentation demonstrating that Plans were developed and disaster recovery testing had been completed during the examination period, but these issues were combined with other findings of the same nature and have been reported in the *State Compliance Examination Report* as Finding 2025-013. (Finding Code No. 2023-009, 2021-009, 2019-014, 2017-011, 2015-007)

C. **FINDING** (Weakness in Change Management of Computer Systems)

During the prior examination, the Department of Labor (Department) had not developed formal change management policies. Further, the sample testing indicated the changes lacked documentation evidencing testing was performed, associated approvals were obtained, and changes were approved before being moved to production. Moreover, changes were moved into the production environment by the developer. Lastly, one other change lacked supporting documentation to determine if duties were properly segregated.

During the current examination, we noted the Department had established formal change management policies and procedures; however, the Department was unable to provide a complete population of system changes. As a result, we were unable to determine whether required testing was performed, appropriate approvals were obtained, and changes were approved prior to implementation in the

production environment. These issues were combined with other findings of the same nature and have been reported in the *State Compliance Examination Report* as Finding 2025-013. (Finding Code No. 2023-010, 2021-010)

D. **FINDING** (Information Technology Access Weakness)

During the prior examination, the Department of Labor (Department) had not developed formal written policies for user access provisioning and conducted annual reviews of user access rights for four of the applications tested. Further, the Department was unable to provide documentation to determine if the user's access was appropriate for the users tested and had one terminated employee that did not have their access timely revoked to one application. In addition, the Department did not conduct annual reviews of access rights to the Department of Innovation and Technology's (DoIT) systems during the examination period. As a result, former employees were confirmed to still have access to these systems.

During the current examination, we noted the Department had not provided a list of application users, documentation of the Department's annual review of users' access, documentation of the Department's annual review of users' access, evidence of approval of the new employees' access, and sufficient documentation detailing user access roles within the applications. Consequently, we were unable to determine whether user access permissions were appropriately assigned and aligned with employees' job responsibilities and whether adequate segregation of duties was maintained. However, these issues were combined with other findings of the same nature and have been reported in the *State Compliance Examination Report* as Finding 2025-010. (Finding Code No. 2023-011, 2021-012)