



STATE OF ILLINOIS
 OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY

Financial Audit
For the Year Ended June 30, 2016

Release Date: January 24, 2017

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	0	0	0	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	1	0	1				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- (16-2) The Department did not have adequate controls over financial reporting to ensure the requirements of GASB Statement No. 72 were implemented in fiscal year 2016.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information is summarized on next page.}

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
FINANCIAL AUDIT
For the Year Ended June 30, 2016

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Unemployment Compensation Trust Fund (in thousands)	2016	2015
Operating Revenues		
Unemployment taxes.....	\$ 2,205,036	\$ 2,397,190
Federal government.....	866	(1,061)
Total Operating Revenues.....	<u>2,205,902</u>	<u>2,396,129</u>
Operating Expenses		
Benefit Payments and Refunds.....	<u>1,897,055</u>	<u>1,838,231</u>
Total Operating Expenses.....	<u>1,897,055</u>	<u>1,838,231</u>
Operating Income.....	308,847	557,898
Nonoperating revenues (expenses)		
Interest/investment income/interest expense and other	<u>28,116</u>	<u>29,074</u>
Income Before Transfers.....	336,963	586,972
Transfers In/(Out).....	<u>(7,454)</u>	<u>(24,372)</u>
Change in Net Position.....	329,509	562,600
Net Position, beginning of year.....	<u>1,648,861</u>	<u>1,086,261</u>
Net Position, end of year.....	<u>\$ 1,978,370</u>	<u>\$ 1,648,861</u>

STATEMENT OF NET POSITION		
Unemployment Compensation Trust Fund (in thousands)	2016	2015
Assets:		
Cash and cash equivalents.....	\$ 183,429	\$ 56,453
Deposits held by the federal government.....	1,633,661	1,634,610
Receivables, Net:		
Taxes.....	561,840	581,791
Intergovernmental.....	28,025	17,767
Other.....	91,057	159,281
Other assets.....	<u>22,897</u>	<u>6,397</u>
Total Assets.....	<u>2,520,909</u>	<u>2,456,299</u>
Liabilities:		
Benefit payments payable.....	138,438	141,611
Intergovernmental payables.....	4,091	8,358
Due to other State funds.....	3,965	1,321
Accrued bond interest expense.....	789	1,280
Revenue bonds payable.....	<u>395,256</u>	<u>654,868</u>
Total Liabilities.....	<u>542,539</u>	<u>807,438</u>
Net Position.....	<u>\$ 1,978,370</u>	<u>\$ 1,648,861</u>

AGENCY DIRECTOR
During the Audit Period: Jeffrey Mays
Currently: Jeffrey Mays

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROLS OVER REPORTING

The Department did not have adequate controls over financial reporting to ensure the requirements of GASB Statement No. 72 were implemented in fiscal year 2016.

Reporting requirements for \$129 million money market investment not made

Auditors were provided draft financial statements that did not reflect the reporting requirements of GASB Statement No. 72, *Fair Value Measurement and Application*. These requirements were applicable for the \$129 million money market investment. (Finding 1, pages 48).

We recommended the Department improve controls over financial reporting to ensure that all new applicable GASB pronouncements are properly implemented when required.

Department agrees with our recommendation

Department officials agreed with the recommendation and stated that prior to the preparation of their financial statements the Department will search current government accounting publications, including GASB pronouncements, for reporting requirements and seek guidance from authorized sources for their correct application.

AUDITOR'S OPINION

Our auditors stated the financial statements present fairly, in all material respects, the financial position of the Non-shared Funds of the Illinois Department of Employment Security as of June 30, 2016, and the changes in financial position and cash flows, where applicable, thereof for the year then ended.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JGR

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were RSM US, LLP.