



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF EMPLOYMENT SECURITY

Compliance Examination
 For the Two Years Ended June 30, 2019

Release Date: July 7, 2020

FINDINGS THIS AUDIT: 15				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:	2	1	3	2018	19-02	19-04, 19-05	
Category 2:	5	7	12	2017		19-06, 19-07, 19-14	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2015		19-09	
TOTAL	7	8	15	2003		19-08	
FINDINGS LAST AUDIT: 11							

INTRODUCTION

This digest covers our compliance examination of the Department of Employment Security (Department) for the two years ended June 30, 2019. A separate financial audit as of and for the year ended June 30, 2019 was previously released on March 3, 2020. In total, this report contains 15 findings, 5 of which were also reported in the financial audit.

SYNOPSIS

- (19-06) The Department did not have adequate controls over the completion and submission of reconciliations relating to expenses, revenues, cash, and locally held funds.
- (19-09) The Department did not have adequate controls over its property and equipment and related records.
- (19-11) The Department did not implement adequate internal controls related to cybersecurity programs and practices.
- (19-12) The Department lacks security at the Metro South Regional office facility.

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.

**DEPARTMENT OF EMPLOYMENT SECURITY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019**

EXPENDITURE STATISTICS	2019	2018	2017
Total Expenditures.....	\$ 221,366,378	\$ 236,511,426	\$ 193,986,120
OPERATIONS TOTAL.....	\$ 205,090,201	\$ 186,254,665	\$ 180,636,664
% of Total Expenditures.....	92.6%	78.8%	93.1%
Personal Services.....	88,529,330	79,638,854	-
Other Payroll Costs.....	69,723,327	63,155,185	-
Other Operating Expenditures.....	46,837,544	43,460,626	-
Lump Sums.....	-	-	179,619,327
Legal assistance required by law.....	-	-	1,017,337
UNEMPLOYMENT COMPENSATION BENEFITS.....	\$ 16,276,177	\$ 50,256,761	\$ 4,027,193
% of Total Expenditures.....	7.4%	21.2%	2.1%
To former State employees.....	12,276,177	46,317,969	27,193
To Department of Transportation employees.....	4,000,000	3,938,792	4,000,000
TORT CLAIMS.....	\$ -	\$ -	\$ 69,806
% of Total Expenditures.....	0.0%	0.0%	0.0%
EMPLOYMENT SECURITY AUTOMATION.....	\$ -	\$ -	\$ 6,500,000
% of Total Expenditures.....	0.0%	0.0%	3.4%
BENEFIT INFORMATION SYSTEM REDEFINITION.....	\$ -	\$ -	\$ 2,752,457
% of Total Expenditures.....	0.0%	0.0%	1.4%
Total Receipts.....	\$ 199,344,761	\$ 221,142,254	\$ 202,574,410
Average Number of Employees.....	1,142	1,065	1,095

AGENCY DIRECTOR

During Examination Period: Jeffrey Mays (through 2/28/19); Thomas Chan, Acting (effective 3/1/19)

Currently: Thomas Chan, Acting

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROLS OVER MONTHLY RECONCILIATIONS

The Department did not have adequate controls over the completion and submission of reconciliations relating to expenses, revenues, cash, and locally held funds.

During our testing of 48 monthly expenditure reconciliation reports, we noted the following:

Department expenditure reconciliations were not prepared or were not prepared timely

- Sixteen (33%) monthly reconciliations were not prepared for Fiscal Year 2018.
- Six (13%) monthly reconciliations were not completed timely, three for Fiscal Year 2018 and three for Fiscal Year 2019.

During our testing of 48 monthly revenue reconciliation reports, we noted the following:

Department revenue reconciliations were not prepared or were not prepared timely

- Sixteen (33%) monthly reconciliations were not prepared for Fiscal Year 2018.
- Two (4%) monthly reconciliations were not completed timely for Fiscal Year 2019.

During our testing of 48 monthly cash reconciliation reports, we noted the following:

Department cash reconciliations were not prepared timely or were not prepared after the revenue reconciliation

- Twenty-seven (56%) monthly reconciliations were not prepared timely.
- Nine (19%) monthly reconciliations were prepared prior to the completion of the associated monthly revenue reconciliation.

Department locally held fund reconciliations were not prepared timely

During our testing of 48 locally held fund reconciliations, we noted four (8%) monthly reconciliations were not prepared timely. (Finding 6, pages 17-18)

We recommended the Department consistently complete required monthly reconciliations relating to expenses, revenues, cash, and locally held funds in a timely manner.

Department accepted the finding

Department management accepted the finding.

INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT RECORDS

The Department did not have adequate controls over its property and equipment and related records.

A few of the issues we noted follows:

During our testing of 60 assets selected from the Department's inventory records, we noted the following:

Equipment on the Department's inventory listing could not be located on site or were not properly marked

- Twenty-one (35%) items were on the inventory listing, but were not found on site.
- Two (3%) items were found on site, but no ID tag was found on the equipment.

During our testing of 60 assets found throughout the Department's offices, we noted the following:

Equipment in the Department's offices could not be traced to inventory records or had not been properly transferred

- Fifty-two (87%) items were found on site with a valid ID tag, but could not be found on the inventory listing.
- Two (3%) items were confirmed to be transferable property but had not been transferred as of the date of testing.

Surplus equipment in the Department's offices could not be traced to inventory records

During our testing of 7 surplus items held at the Department, we noted 4 (57%) items were found on site with a valid ID tag, but could not be found on the inventory listing. (Finding 9, pages 22-24) **This finding was first reported in 2015.**

We recommended the Department adhere to the requirements of the Illinois Procurement Code, the State Property Control Act, the Illinois Administrative Code, the Fiscal Control and Internal Auditing Act, and the Department's Procedures Manual and determine the Department has sufficient trained personnel to maintain property records and accurately report information to DCMS. We also recommended the Department review procedures for maintaining surplus/unused items in order to minimize the amount of idle property and equipment.

Department accepted the finding

Department management accepted the finding.

WEAKNESSES IN CYBERSECURITY PROGRAMS AND PRACTICES

The Department did not implement adequate internal controls related to cybersecurity programs and practices.

Department maintains computer systems with large volumes of confidential and personal information

As a result of the Department's mission to administer the State's unemployment claims, it maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, Social Security numbers, and federal and State tax information of the citizens of the State.

During our examination of the Department's cybersecurity program, practices, and control of confidential information, we noted the Department did not:

Department did not require employees and contractors to review and acknowledge receipt of security policies

- Classify its data to identify and ensure adequate protection of information (i.e. confidential or personal information) most susceptible to attack.
- Require employees and contractors to review and acknowledge receipt of the Department's security policies.

In addition, we requested the Department provide a population of employees who were to have completed the annual cybersecurity training. In response to our request, the Department provided the population; however, the Department did not provide documentation demonstrating the population was sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530). Even given the population limitations noted, we performed testing to determine if employees had completed the annual cybersecurity training as required by the Data Security on State Computers Act.

Not all employees completed annual cybersecurity training

Our testing noted 4 of 39 (10%) employees sampled had not completed the annual cybersecurity training. Furthermore, the Department did not require 4 of 4 (100%) new employees sampled to complete the annual cybersecurity training upon employment.

Individual utilized personal computer without Department's knowledge of security controls

Furthermore, an individual on 75-day appointment worked remotely on payroll matters which required them to receive confidential information. However, the individual was utilizing their personal computer and the Department was not aware of the security control implemented on the computer. Additionally, there are no policies or procedures in place at the Department to ensure the protection and safe disposal of payroll information from personal devices of employees working remotely. (Finding 11, pages 26-27)

The Department has the ultimate responsibility for ensuring confidential information is protected from accidental or unauthorized disclosure. Specifically, we recommended the Department:

- Classify data to ensure adequate protection of confidential or personal information most susceptible to attack.
- Ensure all employees and contractors review and acknowledge receipt of the Department's security policies.
- Ensure all staff members annually complete cybersecurity training as outlined in the Data Security on State Computers Act. Additionally, the Department

should maintain documentation regarding the completeness and accuracy of the population related to cybersecurity training.

- Ensure adequate security controls are implemented on all equipment utilized by employees, appointments and contractors.

Department accepted finding

Department management accepted the finding.

INADEQUATE SECURITY AT LOCAL OFFICE

The Department lacks security at the Metro South Regional office facility.

The Metro South Regional office facility uses a single access code for all doors with keypad access, which is known to all employees and cleaning staff

During a tour of the Metro South Regional office facility, we noted that various areas of the facility are secured by keypad access. However, there is only one access code that grants access throughout the facility, including the employee side entrance. Per inquiry, the code has been provided to all employees and cleaning staff, and has no time restrictions. As there is no security system or cameras in place, there is a risk that employees, former employees, and cleaning staff can enter the building after hours and gain access to sensitive information. (Finding 12, page 28)

We recommended the Department implement enhanced security measures to access and monitor the Metro South Regional office facility.

Department accepted the finding

Department management accepted the finding.

OTHER FINDINGS

The remaining findings pertain to inadequate controls over receivable allowances, penalty and interest receivables, write offs, GenTax access, and telecommunications devices, inaccurate refunds payable, performance evaluations not completed timely, inadequate review of access rights for terminated employees, weaknesses in cybersecurity programs and practices, and noncompliance with the Unemployment Insurance Act, the Election Code and the Public Employment Office Act. We will review the Department's progress towards the implementation of our recommendations in our next engagement.

AUDITOR'S OPINION

The financial audit report was previously released. The auditors stated the financial statements of the Unemployment Compensation Trust Fund of the Department as of and for the year ended June 30, 2019 are fairly stated in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2019, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2019-001, 2019-002, and 2019-003. Except for the noncompliance described in these findings, the accountants stated the Department complied, in all material respects, with the requirements described in the report.

The financial audit and this compliance examination were conducted by RSM US LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:dmg