



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS WORKERS' COMPENSATION COMMISSION

Compliance Examination
For the Two Years Ended June 30, 2017

Release Date: March 14, 2019

FINDINGS THIS AUDIT: 10	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	1	2	2015	2017-002	2017-003	
Category 2:	5	3	8	2013		2017-007	
Category 3:	0	0	0	2003		2017-005	
TOTAL	6	4	10				
FINDINGS LAST AUDIT: 8							

INTRODUCTION

This digest covers our compliance examination of the Illinois Workers' Compensation Commission for the two years ended June 30, 2017. A separate financial audit of the Self-Insurers Security Fund as of and for the year ended June 30, 2017, was previously released on March 12, 2019. In total, this report contains 10 findings, one of which was reported in the previously released financial audit.

SYNOPSIS

- (17-04) The Commission did not produce a report of aggregate statistics on work-related deaths, injuries, or illnesses resulting in the loss of three or more work days.
- (17-06) The Commission did not exercise adequate internal control over its contractual agreements.
- (17-07) The Commission did not exercise adequate internal control over voucher processing.

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.

{Expenditures and Activity Measures are summarized on next page.}

ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

EXPENDITURE STATISTICS	2017	2016	2015
Total Expenditures.....	\$ 42,768,261	\$ 42,337,981	\$ 43,710,296
OPERATIONS TOTAL.....	\$ 26,043,926	\$ 26,102,437	\$ 24,957,813
% of Total Expenditures.....	60.9%	61.7%	57.1%
Personal Services.....	13,010,836	13,128,220	13,055,715
Other Payroll Costs (FICA, Retirement).....	9,812,997	10,149,721	9,374,950
All Other Operating Expenditures.....	3,220,093	2,824,496	2,527,148
AWARDS AND GRANTS.....	\$ 16,305,428	\$ 15,721,427	\$ 18,640,108
% of Total Expenditures.....	38.1%	37.1%	42.6%
REFUNDS.....	\$ 418,907	\$ 514,117	\$ 112,375
% of Total Expenditures.....	1.0%	1.2%	0.3%
Total Receipts.....	\$ 21,728,571	\$ 16,636,498	\$ 11,643,411
Average Number of Employees.....	160	162	156

SELECTED ACTIVITY MEASURES (Not Examined)	2017	2016	2015
Caseload Statistics			
Cases Pending at the Beginning of the Year	88,485	93,141	93,627
New Cases Filed During the Year	38,357	41,777	43,733
Cases Reinstated During the Year	1,145	1,188	1,359
Cases Closed During the Year	(44,926)	(47,621)	(45,578)
Cases Pending at the End of the Year	<u>83,061</u>	<u>88,485</u>	<u>93,141</u>
Rate Adjustment Fund (Modified Accrual Basis)			
Beginning Fund Balance	\$ 3,580,553	\$ 6,217,421	\$ 12,005,844
Revenue: Statutory Assessments	13,813,427	8,438,661	4,677,967
Revenue: Interest Income	46,767	20,271	40,297
Transfer In	-	-	3,694,330
Expenses: Awards and Grants	(11,921,020)	(11,095,800)	(14,201,017)
Ending Fund Balance	<u>\$ 5,519,727</u>	<u>\$ 3,580,553</u>	<u>\$ 6,217,421</u>

COMMISSION CHAIR
During Examination Period: Joann Fratianni
Currently: Joann Fratianni

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FAILURE TO REPORT AGGREGATE STATISTICS

The Commission did not produce a report of aggregate statistics on work-related deaths, injuries, or illnesses resulting in the loss of three or more work days.

During testing, we noted the Commission did not produce the aggregate report due to the following conditions:

Commission is not tracking accident reports where an adjustment to a claim is not filed

Approximately 24,300 paper reports of initial injuries not captured within the Commission's electronic records

Commission unable to electronically receive supplemental injury reports

At least 72,048 supplemental injury reports should have been filed

Commission forms are not designed to facilitate the capture of data needed for useful statistical reports

- While the Commission receives reports on work-related deaths, injuries, and illnesses which resulted in the loss of three or more work days, the Commission does not track accident reports which are not eventually filed as an adjustment to a worker's claim.
- The Commission does not capture data from reports filed on paper. While employers and insurers reported 21,082 incidents occurring in Fiscal Year 2016 and 15,496 incidents occurring in Fiscal Year 2017 electronically, Commission management provided us with an estimate of approximately 14,000 Fiscal Year 2016 incidents and approximately 10,300 Fiscal Year 2017 incidents were reported on paper. In addition, the Commission can only receive electronic initial reports of injuries, as supplementary reports must be filed on paper. Commission records indicate legal proceedings were conducted for 38,321 and 33,727 incidents in Fiscal Year 2016 and Fiscal Year 2017, respectively, where each proceeding likely should have had a supplementary report filed.
- During our review of the four forms and associated instructions accepted by the Commission, we noted the forms were not designed to facilitate the capture of information needed to generate useful statistical reports. We noted the forms provided by the Commission, including the *Employer's First Report of Injury* (Form IC-45) and *Employer's Supplementary Report of Injury* (Form IC-85), are in a narrative format and do not have a coding process for the:
 - type/character of the injury;
 - part of the body affected;
 - location where the accident or illness exposure occurred;
 - the equipment, materials, and chemicals in use at the time of the incident;
 - occupation of the injured worker; and,
 - direct cause of the injury.

Further, while we noted the forms developed by the International Association of Industrial Accident Boards and Commissions accepted by the Commission in lieu of its own forms, *Workers Compensation - First Report of Injury or Illness* (Form IA-1) and *Workers Compensation - Subsequent Report* (Form IA-2), provide significantly more detail about the injury, such as whether safety equipment was available and in use and the expected length of medical treatment, it did not have a coding process for each data element collected. (Finding 4, pages 22-24)

We recommended the Commission enhance its reporting and data capture process so it can provide aggregate statistics to interested persons, or seek a legislative remedy.

Commission officials agree

Commission officials stated they agreed with the recommendation and are working on standardized electronic data interchange services to collect workers' compensation injury reports.

INADEQUATE CONTROL OVER CONTRACTS

The Commission did not exercise adequate internal control over its contractual agreements.

During testing of six contractual agreements, some of the more significant issues we noted included the following:

Contract filed late

- One of six (17%) contractual agreements tested, totaling \$353,355, was submitted to the Office of the State Comptroller 24 days late. Further, the Commission did not file a Late Filing Affidavit with this contract.

Procurement exemptions pursuant to the Illinois Procurement Code not properly reported

- Two of six (33%) contractual agreements tested, totaling \$84,618, were procured pursuant to an exemption to the Code; however, the Commission did not include either a brief description of the exemption or the applicable statutory reference on either agreement's Contract-Obligation Document (Form C-23) filed with the Office of the State Comptroller.

Waiver from the State Purchasing Officer not obtained

- Two of six (33%) contractual agreements tested, totaling \$72,250, were procured without obtaining a proper waiver from the Small Business Set-Aside Program from the State Purchasing Officer. (Finding 6, pages 27-29)

We recommended the Commission implement controls to provide assurance:

- 1) each contract is timely filed with the Office of the State Comptroller;
- 2) each contract requiring a Late Filing Affidavit has an affidavit prepared and filed with the Office of the State Comptroller;
- 3) each contract's Form C-23 is properly completed;
- 4) waiver requests are approved by the appropriate party; and,
- 5) written contractual agreements delineate all of a vendor's functions.

Commission officials agree

Commission officials agreed with the recommendations.

INADEQUATE CONTROL OVER VOUCHER PROCESSING

The Commission did not exercise adequate internal control over voucher processing.

During testing of 152 non-payroll, non-awards and grants expenditures and seven refunds, some of the more significant issues we noted included the following control deficiencies:

- Eleven vouchers (7%), totaling \$307,998, were approved for payment 1 to 86 days late.
- Three vouchers (2%) for travel reimbursements, totaling \$2,173, were submitted to the Commission by the traveler between 82 and 127 days after the last day travel occurred. We did not note any reasonable explanation for why the traveler was unable to submit their travel voucher within 60 days on the voucher.
- Two vouchers (1%), totaling \$17,850, were not properly approved by the Commission's authorized officers prior to the purchase.
- One refund voucher (14%), totaling \$1,000, lacked evidence the voucher was reviewed by an appropriate officer prior to the Commission issuing the refund.
- One voucher (1%), totaling \$1,000, for an employee's tuition reimbursement was paid and approved without (1) the official receipt as a proof for tuition reimbursement and (2) the State's *Tuition Reimbursement Application* form was prepared 82 days after the start of the course and was only signed by the employee seeking reimbursement.

Travel reimbursements submitted between 82 to 127 days after the trip

Purchases made without proper approval

Refund paid without proper approval

***Tuition Reimbursement Application* form prepared 82 days after the start date of the course**

Changes to purchase orders and services agreed to orally and not reduced to writing

- During testing, we noted three vouchers (2%) where the Commission did not retain and maintain documentation supporting changes to its purchases of goods and services from vendors. We noted one voucher, totaling \$14,900, which did not have adequate documentation to support the hourly rate charged since the vendor and the Commission agreed to the rate orally. Additionally, we noted two vouchers, totaling \$13,833, for the purchase of goods where changes to the order were agreed to orally by the Commission and the vendor.

\$403 of duplicate payments

- Three vouchers (2%) for travel reimbursements, totaling \$403, were paid twice. Subsequent to our examination of these transactions, the Commission was reimbursed for the overpayments.

Excessive mileage claim of \$188

- One travel voucher (1%), totaling \$1,154, for a travel reimbursement had excessive mileage claimed amounting to \$188. During our discussions with Commission officials regarding this matter, the traveler indicated this error occurred when he reused a previously submitted voucher to prepare his new voucher and forgot to update the mileage claimed to reflect a change in his hearing site location. Subsequent to our examination of this transaction, the Commission was reimbursed for the overpayment. (Finding 7, pages 30-34)

We recommended the Commission implement controls to provide assurance:

- 1) vouchers are timely processed;
- 2) travel vouchers are promptly submitted by travelers;
- 3) vouchers are properly approved and reconcile its supporting documentation;
- 4) vouchers are properly coded in accordance with SAMS requirements;
- 5) tuition reimbursements conform with Commission policies;
- 6) contractual terms are reduced to writing and formally agreed to with vendors and, in rare instances if necessary, oral terms are confirmed in writing with the vendor;
- 7) duplicate payments are not processed; and,
- 8) mileage reimbursement requests are checked for reasonableness.

Commission officials agree

Commission officials agreed with the recommendation.

OTHER FINDINGS

The remaining findings pertain to (1) development and change control weaknesses, (2) disaster recovery planning weaknesses, and (3) inadequate control over property, receipts, workforce reporting, and performance evaluations. We will review the Commission's progress towards the implementation of our recommendations in our next compliance examination.

AUDITOR'S OPINION

The financial audit of the Self-Insurers Security Fund was previously released. The auditors stated the financial statements of the Self-Insurers Security Fund as of and for the year ended June 30, 2017, are fairly stated in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Commission for the two years ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2017-001 and Finding 2017-002. Except for the noncompliance described in these findings, the accountants stated the Commission complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by E. C. Ortiz & Co., 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

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