

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019**

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

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019**

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Other Reports Issued Under a Separate Cover:

The Illinois Workers' Compensation Commission's financial statements for the Self-Insurers' Security Fund (Fund 940) as of and for the year ended June 30, 2019, have been issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under Government Auditing Standards for the year ended June 30, 2019, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019**

COMMISSION OFFICIALS

Chair (03/15/19 – Present)	Michael Brennan
Chair (07/01/17 – 03/14/19)	Joann Fratianni
Chief Fiscal Officer (10/01/17 – Present)	Paul Fichtner
Chief Fiscal Officer (Acting) (08/04/17 – 09/30/17)	Brendan O'Rourke
Chief Fiscal Officer (07/01/17 – 08/03/17)	Darlene Senger
General Counsel	Ronald Rascia

COMMISSION MEMBERS¹

Member	Michael Brennan
Member (03/15/19 – Present)	Maria Portela
Member (07/01/17 – 03/14/19)	Joann Fratianni
Member	Stephen Mathis
Member (03/15/19 – Present)	Barbara Flores
Member (07/01/17 – 03/14/19)	Joshua Luskin
Member Representative of Employees	Thomas Tyrrell
Member Representative of Employees (03/15/19 – Present)	Douglas McCarthy
Member Representative of Employees (07/01/17 – 3/14/19)	Charles DeVriendt
Member Representative of Employees (03/15/19 – Present)	Marc Parker
Member Representative of Employees (07/01/17 – 3/14/19)	David Gore
Member Representative of Employers (09/23/19 – Present)	Kathryn Doerries
Member Representative of Employers (03/23/19 – 9/22/19)	Vacant
Member Representative of Employers (07/01/17 – 03/22/19)	Kevin Lamborn
Member Representative of Employers	L. Elizabeth Coppoletti
Member Representative of Employers	Deborah Simpson

¹ The Workers' Compensation Act (820 ILCS 305/13) requires the Governor appoint three members who are representative citizens of employees, three members who are representative citizens of employers, and four members not identified with either group to the Commission.

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019**

COMMISSION OFFICES

The Commission's primary administrative offices are located at:

100 W. Randolph Street
Suite 8-200
Chicago, Illinois 60601

401 Main Street
Suite 640
Peoria, Illinois 61602

4500 S. Sixth Street Frontage Road
Springfield, Illinois 62703



Illinois Workers' Compensation Commission

100 W. Randolph St., Suite 8-200
Chicago, IL 60601
312-814-6500

J.B. Pritzker, Governor

Michael Brennan, Chairman

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

February 24, 2020

E.C. Ortiz & Co., LLP
Certified Public Accountants
815 W. Van Buren Street, Suite 500
Chicago, Illinois 60607

Ladies and Gentlemen:

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 Illinois Workers' Compensation Commission (Commission). 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 Commission's compliance with the following specified requirements during the two-year period ended June 30, 2019. Based on this evaluation, we assert that during the years ended June 30, 2018, and June 30, 2019, the Commission has materially complied with the specified requirements listed below.

- A. The Commission 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 Commission 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 Commission 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 Commission 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 Commission on behalf of the State or held in trust by the Commission have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois Workers' Compensation Commission

SIGNED ORIGINAL ON FILE

Michael Brennan, Chair

SIGNED ORIGINAL ON FILE

Paul Fichtner, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Ronald Rascia, General Counsel

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019**

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and the Illinois State Auditing Act.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses in internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Reports*</u>
Repeated Findings	13	10
Prior Recommendations Implemented or Not Repeated	6	5
	4	1

* The prior reports column contains findings related to *Government Auditing Standards* from the Commission's financial audit of the Self-Insurers Security Fund as of and for the year ended June 30, 2018, and State compliance only findings from the Commission's Compliance Examination Report for the two years ended June 30, 2017.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last Reported</u>	<u>Description</u>	<u>Finding Type</u>
FINDING (<i>GOVERNMENT AUDITING STANDARDS</i>)				
2019-001	15	New	Unreconciled Error in the Draft Financial Statements	Significant Deficiency
FINDINGS (<i>STATE COMPLIANCE</i>)				
2019-002	16	2017	Inadequate Control over State Property	Material Weakness and Material Noncompliance

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
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Item No.	Page	Last Reported	Description	Finding Type
FINDINGS (STATE COMPLIANCE)				
2019-003	19	New	Inadequate Control over NSF Checks and Refunds	Material Weakness and Material Noncompliance
2019-004	21	2017	Change Control Weaknesses	Significant Deficiency and Noncompliance
2019-005	23	New	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2019-006	25	2017	Inadequate Control over Voucher Processing	Significant Deficiency and Noncompliance
2019-007	28	New	Untimely Monthly Reconciliations	Significant Deficiency and Noncompliance
2019-008	30	2017	Inadequate Control over Receipts	Significant Deficiency and Noncompliance
2019-009	33	2017	Inadequate Control over Workforce Reporting	Significant Deficiency and Noncompliance
2019-010	35	2017	Inadequate Control over Performance Evaluations	Significant Deficiency and Noncompliance
2019-011	36	New	Inadequate Control over Overpayments	Significant Deficiency and Noncompliance
2019-012	37	New	Commission Review Board Not Fully Functioning	Significant Deficiency and Noncompliance
2019-013	38	New	Failure to Seek a Judgment in Circuit Court	Significant Deficiency and Noncompliance

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In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also meets the reporting requirements for State Compliance.

Item No.	Page	Last Reported	Description	Finding Type
2019-001	15	New	Unreconciled Error in the Draft Financial Statements	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	40	2018	Inadequate Control over Financial Reporting
B	40	2017	Disaster Contingency Planning Weaknesses
C	40	2017	Failure to Report Aggregate Statistics
D	41	2017	Inadequate Control over Contracts

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on February 4, 2020.

Attending were:

Illinois Workers' Compensation Commission

Paul Fichtner – Chief Fiscal Officer

Ronald Rascia – General Counsel

Maria Sarli-Dehlin – Office of Self-Insurance Manager

Rizwan Lodhi – Information Technology Manager

Inez Gardner – Fiscal Staff

Maria Parrino – Fiscal Staff

Tayra Brooks – Fiscal Staff

Office of the Auditor General

Daniel J. Nugent, CPA – Senior Audit Manager

Kathleen A. Devitt, CISA – IS Audit Manager

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019**

E.C. Ortiz & Co., LLP

Epifanio R. Sadural III, CPA, CGMA – Partner

Marites U. Sy, CPA, CIA, CISA, CGMA – Partner

Ivory M. Pineda – Senior

Lou Jonathan J. Cabrera, CISA – IS Senior

The responses to the recommendations were provided by Paul Fichtner, Chief Fiscal Officer, in a correspondence dated February 6, 2020.

The Commission waived an exit conference during the audit of the Illinois Workers' Compensation Commission's financial statements for the Self-Insurers' Security Fund as of and for the year ended June 30, 2019 in a correspondence from Paul Fichtner, Chief Fiscal Officer, on October 28, 2019. The response to the recommendation indicated on the report was provided by Paul Fichtner, Chief Fiscal Officer, in a correspondence dated October 28, 2019.



**INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND
ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Illinois Workers' Compensation Commission (Commission) 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, 2019. Management of the Commission is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Commission's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Commission 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 Commission 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 Commission 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 Commission 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 Commission on behalf of the State or held in trust by the Commission 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 Commission complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Commission 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.

Our examination does not provide a legal determination on the Commission's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Commission during the two years ended June 30, 2019. First, as described in the accompanying Schedule of Findings as items 2019-002 and 2019-003, the Commission had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Additionally, as described in the accompanying Schedule of Findings as item 2019-003, the Commission had not ensured the State revenues and receipts collected by the Commission 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.

In our opinion, except for the material deviations from the specified requirements described in the preceding paragraph, the Commission complied with the specified requirements during the two years ended June 30, 2019, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2019-001 and 2019-004 through 2019-013.

The Commission's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Commission's responses were not subjected 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.

Internal Control Over Compliance

Management of the Commission 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 Commission's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Commission's compliance with the specified requirements and to test and report on the Commission's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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* 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 2019-002 and 2019-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2019-001 and 2019-004 through 2019-013 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Commission's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Commission's responses were not subjected 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.

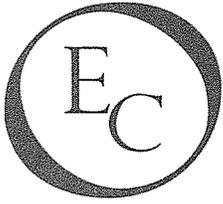
Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on the Commission's compliance with the specified requirements. The accompanying supplementary information for the years ended June 30, 2018, and June 30, 2019, in Schedules 1 through 5 and the Analysis of Operations section are presented for purposes of additional analysis. Such information is the

responsibility of Commission management. We have applied certain limited procedures as prescribed by the *Audit Guide* to the accompanying supplementary information for the years ended June 30, 2018, and June 30, 2019, in Schedules 1 through 5. We have not applied procedures to the accompanying supplementary information for the year ended June 30, 2017, in Schedules 3 through 5 and in the Analysis of Operations Section. We do not express an opinion, a conclusion, nor provide any assurance on the accompanying supplementary information in Schedules 1 through 5 or the Analysis of Operations Section.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
February 24, 2020



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Self-Insurers Security Board
State of Illinois, Illinois Workers' Compensation Commission

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Self-Insurers Security Fund (Fund 940) of the State of Illinois, Illinois Workers' Compensation Commission (Commission), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and we have issued our report thereon dated November 4, 2019.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements of Fund 940 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting of Fund 940 (internal control).

In planning and performing our audit of the financial statements, we considered the Commission's internal control to determine the audit procedures that are appropriate in the circumstances for the

purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2019-001 that we consider to be a significant deficiency.

Commission's Response to the Finding

The Commission's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
November 4, 2019

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY FUND
SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS FINDING
For the Year Ended June 30, 2019

2019-001. **FINDING** (Unreconciled Error in the Draft Financial Statements)

The initial financial statements of the Self-Insurers Security Fund (Fund) provided to the auditors by the Illinois Workers' Compensation Commission (Commission) had an unreconciled error of \$80,291 on the face of the financial statements.

During testing, we noted the net position (deficit) reported on the Fund's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position differed by \$80,291 in its draft financial statements. Commission management ultimately determined this unreconciled difference was due to errors within its pension, other post-employment benefits, and security deposits drawn accounts. The Commission corrected this error in the Fund's final financial statements.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance "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."

Commission officials indicated this unreconciled difference was due to oversight and required further interactions with the Office of the State Comptroller to identify the differences.

Failure to timely identify and correct financial reporting represents noncompliance with State law and represents a significant deficiency in the internal control process of the Commission. (Finding Code No. 2019-001)

RECOMMENDATION

We recommend the Commission improve its internal financial statement review process to identify and correct unreconciled misstatements prior to submitting the financial statements for audit.

COMMISSION RESPONSE

The Commission agrees with the recommendation and notes the vast improvement in its internal financial statement review process when compared with last year's finding.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-002. **FINDING** (Inadequate Control over State Property)

The Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over its equipment.

During testing, we noted the Commission's property records and systems had certain internal control problems that hindered our ability to conclude its property records were sufficiently complete and accurate.

- We performed a walkthrough of five acquisitions being recorded within the property records and noted three (60%) were not properly supported. In following up on this exception with Commission personnel, they stated the three items in question had already been sent to the Department of Central Management Services (CMS) as surplus and, due to an error, were being added back onto the Commission's property records.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) requires the Commission to adjust its property records within 90 days of acquiring, changing, or disposing of an equipment item.

- We requested a listing of all stolen or missing computer equipment, which the Commission responded to by providing us a list with two missing items, a laptop and a desktop. In performing our deletion procedures, we noted two other laptops were determined to be lost and were deleted from the Commission's property records.

Due to these conditions, we were unable to conclude whether the Commission's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Commission's equipment. In addition, due to these limitations, we were unable to conclude the Commission's *Schedule of Changes in State Property* on page 53 was complete and appropriately reported. **Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole**, we performed additional testing and noted the following:

- We traced 60 equipment items either (1) found in use at the Commission to the Commission's property records or (2) on the Commission's property records to the Commission's facilities and noted the following:
 - Two (3%) items, a computer and a scale, were found in use at the Commission, but were not included on the Commission's property listing.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-002. **FINDING** (Inadequate Control over State Property) (continued)

The State Property Control Act (30 ILCS 605/4) requires the Commission to be accountable for the supervision, control, and inventory of property under its jurisdiction and control.

- Five (8%) items, including a car, a camcorder, a page numbering machine, a printer, and a computer valued at \$21,986, were found at a location different from the location indicated on the property listing. The car had been transferred to a new user in Collinsville from Chicago, but this change had not been recorded.

The Code (44 Ill. Admin. Code 5010.230) requires the location code of each item to be recorded in the property records.

- Two (3%) items, a printer and a camcorder valued at \$2,752, were obsolete to the needs of the Commission.

The Code (44 Ill. Admin. Code 5010.620) requires the Commission regularly survey its inventory and report all equipment no longer needed or useful as transferable equipment to CMS.

- One item (2%), a computer valued at \$1,240, had not been reported to CMS on the Commission's annual inventory certification. In addition, during testing of eight equipment vouchers, we noted one item (13%), a date stamping device with a value of \$1,820, was also not reported to CMS on the annual inventory certification.

The Code (44 Ill. Admin. Code 5010.220) requires an annual inventory of all items either subject to theft or valued at \$1,000 or more, with the Commission reporting the results of this inventory to CMS.

- The Commission's *Agency Report of State Property* (Form C-15) filed each quarter with the Office of the State Comptroller improperly classified equipment transfers-out as deletions, totaling \$32,641.

The Statewide Accounting Management Systems (Procedure 29.20.10) notes transfers of property items between State agencies should be separately reported from deletions to an asset category which occurred during the quarter reported on the Form C-15.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-002. **FINDING** (Inadequate Control over State Property) (continued)

- The Commission did not receive approval from the CMS Property Control Division prior to deleting 3 of 25 (12%) equipment items, consisting of laptops and a table valued at \$4,279.

The Code (44 Ill. Admin. Code 5010.310(d)) requires the approval of the CMS Property Control Division prior to the Commission deleting an item which was not found from its property records.

Commission officials indicated these exceptions were due to the implementation of the State's new enterprise resource planning (ERP) accounting system on July 1, 2018, as the Commission needed (1) to shift its resources to allow for a smooth go live and (2) its staff to become familiar with the new system.

Failure to exercise adequate control over State property hinders governmental oversight, increases the risk of lost assets, and represents noncompliance with State laws and regulations. (Finding Code No. 2019-002, 2017-005, 2015-003, 2013-005, 11-7, 09-6, 07-4, 05-5, 03-7)

RECOMMENDATION

We recommend the Commission take action to ensure its property listing is accurate and complete, changes are promptly recorded, and reconciliations are performed of additions to the Comptroller's records, where possible. Further, the Commission should properly report transactions to the Comptroller and request permission from CMS prior to deleting an inventory item.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-003. **FINDING** (Inadequate Control over NSF Checks and Refunds)

The Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over non-sufficient funds (NSF) checks and refunds.

During testing, we requested the Commission provide us with the population of NSF checks and refunds collected during the examination period. During our review of these listings, we noted several problems, including:

- Four of five (80%) refund receipts tested, totaling \$2,822, were not segregated from other receipts on the Commission's cash receipts journal.
- One refund, totaling \$3,860, related to the Self-Insurer's Security Fund was not on the Commission's list.
- Three of five (60%) NSF checks tested, totaling \$6,957, were not recorded as negative adjustments in the Commission's cash receipts journal.
- Two NSF checks, totaling \$3,328, related to the Injured Workers' Benefit Fund were not on the Commission's list.
- One of 40 (3%) receipts tested, totaling \$2,745, was the vendor's refund of an overpayment made by the Commission. We noted this refund should have been processed as an adjustment to the Commission's available appropriations balance in accordance with the Statewide Accounting Management System (SAMS) (Procedure 25.20.20), as discussed on the following page.

Due to these conditions, we were unable to conclude the Commission's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Commission's NSF checks and refunds.

Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole, we performed the testing of NSF checks and refunds and noted the following:

- The Commission did not timely initiate appropriate collection action for one of eight (13%) NSF checks tested. We noted the Commission did not take action on the noted NSF check until after auditor inquiry 472 days after the Office of the State Treasurer notified the Commission this was a NSF check.

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2019-003. **FINDING** (Inadequate Control over NSF Checks and Refunds) (continued)

The Illinois State Collection Act of 1986 (30 ILCS 210/3) states the public policy of this State is to aggressively pursue amounts owed to the State through all reasonable means. Under a good system of internal control, accounts receivable are promptly established and collection activity starts as soon as reasonably practicable to increase the likelihood of collecting cash on amounts due and payable.

- All seven (100%) refund receipts tested, totaling \$4,952, were incorrectly processed using the Receipts Deposit Transmittal (Form C-64) as opposed to the Expenditure Adjustment Transmittal (Form C-63).

The State Comptroller Act (15 ILCS 405/10.14) requires appropriation credit to be provided when any warrant, or portion thereof, is returned to the State Treasury as a result of an erroneous payment or overpayment. Further, if the appropriation to which the original warrant was so charged has lapsed, the fund on which the warrant was drawn shall receive credit for the amount returned to the State Treasury. In addition, SAMS (Procedure 25.20.20) requires the Commission to submit a Form C-63 to the State Comptroller to process non-payroll cash refunds.

Commission officials indicated these exceptions were due to oversight.

Failure to provide a complete and accurate listing of NSF and refund transactions hinders accountability over the State's resources. Further, failure to promptly collect on an NSF check delayed the ability of the State to collect the cash due and could result in reduced collectability as the account ages. Finally, failure to ensure refunds are processed on a Form C-63 reduced the Commission's available appropriation balances and represents noncompliance with the State Comptroller Act. (Finding Code No. 2019-003)

RECOMMENDATION

We recommend the Commission take action to ensure NSF checks and refunds are segregated within its cash receipt records. Further, the Commission should timely establish an account receivable for each NSF check and begin collection activities. Finally, the Commission should process refunds on the Form C-63.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

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2019-004. **FINDING** (Change Control Weaknesses)

The Illinois Workers' Compensation Commission (Commission) had weaknesses in its change management controls and did not have effective segregation of duties for programmers.

The Commission had several computer applications that were critical for providing and overseeing a no-fault system of benefits to workers who experience job-related injuries or diseases.

During testing, we noted the following:

- The Commission lacked adequate segregation of duties, as its programmers had access to each application's code and data and were able to move code changes from the development environment into the production environment.
- The Commission utilized a change request form; however, the documentation did not contain detailed information. During testing, we reviewed all three changes that occurred during the audit period. We noted the changes tested did not have adequate information such as name of the requestor, date of request, and documentation of the Information Technology (IT) Director's approval prior to the programmer making the changes.

Generally accepted information technology guidance endorses the implementation of system development standards and change management procedures that require new system developments and modifications to existing systems be properly approved, thoroughly tested, and consistently documented. These procedures include restricting programmers from making a change and moving it into the production to ensure all changes have been independently authorized and moved to production.

Commission officials indicated its current documentation of changes to any of the Commission's applications contained a description of the change, programmer analysis, and applicable acceptance testing, and was considered to be sufficient; however, the Commission will ensure adequate information such as requestor name, date of request, and approval by the IT Director are documented in the change request documentation forms. Further, Commission officials indicated the programmers having access to both the development and production environments was due to a small IT staff.

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2019-004. **FINDING** (Change Control Weaknesses) (continued)

Lack of change control procedures increases the risk of unauthorized or improper changes to computer systems. The lack of separation of duties in the computer environment increases the risk that the confidentiality, integrity, and availability of data will be compromised. (Finding Code No. 2019-004, 2017-002, 2015-004)

RECOMMENDATION

We recommend the Commission restrict programmer access to all production programs and data. If the Commission determines that programmer access is necessary in some situations, it should establish and enforce compensating controls to ensure appropriate management oversight and approval of changes. Further, the Commission should ensure comprehensive information is documented in the change control forms, including initial requests, dates, and approvals.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

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2019-005. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Illinois Workers' Compensation Commission (Commission) did not maintain adequate internal controls related to its cybersecurity programs and practices.

As a result of the Commission's mission to resolve claims made by injured workers for injuries arising out of and in the course of employment, the Commission maintains computer systems that contain large volumes of confidential or personal information such as names, address, Social Security numbers, and medical information of workers.

The Commission utilized the Department of Innovation and Technology (DoIT) Information Technology (IT) infrastructure to maintain its applications. Although DoIT was responsible for the IT infrastructure, the Commission has ultimate responsibility to ensure its confidential or personal data is adequately secured.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Commission's cybersecurity programs and practices, we noted the Commission had a Confidential Information and Cybersecurity Policy which provided guidelines for risk assessment; securing equipment, systems, networks, and applications; limiting access to confidential information; protection and recovery from loss; and a data breach response plan. We noted the Commission had not:

- Performed a comprehensive risk assessment to identify and ensure adequate protection of information (i.e., confidential or personal information) most susceptible to attack.
- Classified its data to establish the types of information most susceptible to attack to ensure adequate protection.
- Evaluated and implemented controls to reduce the risk of attack.

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.

Furthermore, generally accepted information technology guidance, including the National Institute of Standards and Technology, endorses the development of well-designed and well-managed controls to protect computer systems and data.

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2019-005. **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (continued)

Commission officials indicated cybersecurity programs and practices is the responsibility of DoIT, as the Commission relies on the security structure of DoIT.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2019-005)

RECOMMENDATION

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

- Comply with their Confidential Information and Cybersecurity Policy and perform a comprehensive risk assessment to identify and classify data to ensure adequate protection of confidential or personal information most susceptible to attack.
- Evaluate identified risks and implement appropriate controls to reduce the risk.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

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2019-006. **FINDING** (Inadequate Control over Voucher Processing)

The Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over voucher processing.

During testing of 174 non-payroll, non-awards and grants vouchers, we noted the Commission did not consistently follow a process to identify and record an invoice's proper bill date in accordance with the Illinois Administrative Code (Code). The Commission's procedures call for all vendors to submit invoices to its centralized fiscal office in Chicago, which then routes vendor invoices to other units within the Commission for review and approval. After the unit approves an invoice, it then sends the invoice back to the centralized fiscal office for final review and approval and submission to the Office of the State Comptroller to pay the vendor. We noted some instances where these dates and entities involved were clearly indicated, while on other invoices these dates and entities were not recorded.

Within the State's new enterprise resource planning (ERP) accounting system, the Commission will need to ensure the date when a proper bill was received by the Commission, and not the date when a bill was determined by its staff to be proper, is recorded within ERP. This critical date impacts the determination of whether the Commission timely submitted its invoices for payment to the State Comptroller under the Code (74 Ill. Admin. Code 900.70) and the amount of interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540/3-2).

The Code (74 Ill. Admin. Code 900.20) defines a "proper bill" as an invoice which contains sufficient and correct information necessary to process the invoice for payment. In addition, the Code (74 Ill. Admin. Code 900.80) notes a bill:

- 1) submitted with incomplete information, including the taxpayer identification number, is an improper until the bill until it is corrected;
- 2) submitted to an undesignated person or address is not a proper bill until it arrives at the designated person or address;
- 3) arriving before the receipt date of goods or services is not proper until the goods or services are accepted by the State; and,
- 4) arriving before the start date of a future performance is not proper until the date of the future performance arrives.

In addition, we noted the following other voucher-related problems:

- Nine of 174 vouchers tested (5%), totaling \$33,487, were paid late and we did not note any interest paid to these vendors as required by the Act. We calculated \$538 in unpaid interest had accrued and was due to the vendors. In the event the Commission had not recorded the proper bill date, we used the vendor's invoice date to calculate interest due.

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2019-006. **FINDING** (Inadequate Control over Voucher Processing) (continued)

The Act (30 ILCS 540/3-2) requires the Commission to begin accruing interest if payment was not issued to the vendor within 90 days after it received a proper bill.

- One of 40 (3%) travel vouchers tested, totaling \$680, was submitted to the Commission by the traveler 102 days after the last day travel occurred.

Internal Revenue Service (IRS) Publication 535, *Business Expenses*, notes employees receiving travel reimbursements must have paid or incurred deductible expenses while performing employment services, adequately accounted for the expenses within a reasonable period of time, generally defined by Publication 535 as within 60 days after the expenses were paid or incurred, and returned any excess reimbursements within a reasonable period of time. If the employee meets all three tests, the employee is under an accountable plan and the reimbursements are not included as on the employee's Form W-2. If the employee fails any of the tests, the employee is under a nonaccountable plan and all amounts paid as reimbursements are reported as wages on the employee's Form W-2, subject to income tax withholding, Social Security, Medicare, and unemployment taxes.

Commission officials indicated these exceptions were due to oversight and the traveler submitting the travel voucher late.

Failure to establish and maintain adequate internal control over voucher processing represents noncompliance with State laws, rules, and regulations and increases the likelihood errors and other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties. In addition, failure to require the timely submission of travel vouchers could result in additional efforts by the Commission to allocate income to employees subject to a nonaccountable plan. (Finding Code No. 2019-006, 2017-007, 2015-001, 2013-007)

RECOMMENDATION

We recommend the Commission implement controls to ensure the proper bill date is recorded for all invoices, interest is accrued and paid to vendors in accordance with the Act, and travel vouchers are promptly submitted by travelers.

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2019-006. **FINDING** (Inadequate Control over Voucher Processing) (continued)

COMMISSION RESPONSE

The Commission agrees with the recommendation.

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2019-007. **FINDING** (Untimely Monthly Reconciliations)

The Illinois Workers' Compensation Commission (Commission) did not timely reconcile its accounting records with monthly reports from the Office of the State Comptroller (Comptroller).

During testing, we noted the following:

- Twenty-seven of 183 (15%) monthly reconciliations of the *Monthly Appropriation Status* report (SB01), *Monthly Revenue Status* report (SB04), and monthly *Cash Report* (SB05) for the Injured Workers' Benefit Fund, Self-Insurers' Administration Fund, Rate Adjustment Fund, Self-Insurers' Security Fund, and Settlement Fund were completed between one to 354 days late.
- The Commission lacked documentation supporting reconciliations of the monthly *Agency Contract Report* (SC14) and the monthly *Obligation Activity Report* (SC15).

The Statewide Accounting Management System (SAMS) (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." As such, SAMS Procedures 11.40.20, 25.40.20, 09.40.30, 15.30.30, and 15.30.30 establish processes for a monthly reconciliation of the SB01, SB04, SB05, SC14, and SC15 reports, respectively, within 60 days after month end.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance revenues, expenditures, and 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.

Finally, the State Records Act (5 ILCS 160/8) requires the Commission to make and preserve adequate and proper documentation of its procedures to protect the legal and financial rights of the State, which would include reconciliations.

Commission officials indicated the untimely reconciliations were due to staff availability issues, especially during the transition period into the State's new enterprise resource planning (ERP) accounting system.

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2019-007. **FINDING** (Untimely Monthly Reconciliations) (continued)

Failure to prepare and review the reconciliations in a timely manner could result in errors or other irregularities not being timely detected and corrected, hinders accountability over State funds, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2019-007)

RECOMMENDATION

We recommend the Commission timely prepare and document the reconciliations required each month by SAMS.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

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2019-008. **FINDING** (Inadequate Control over Receipts)

The Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over receipts and related reports.

During testing, we noted the following:

- The corresponding Receipts Deposit Transmittal (Form C-64) for four of 40 (10%) receipts tested, totaling \$5,312, were submitted to the Office of the State Comptroller between 37 to 80 days after receiving the associated Treasurer's Draft from the Office of the State Treasurer.

The Statewide Accounting Management System (SAMS) (Procedure 25.20.10) requires the Commission to use a Form C-64 to order its receipts into the proper fund within the State Treasury. Good internal controls over cash include minimizing the time between when a receipt clears the bank and when cash is ordered into the State Treasury.

- The Commission's annual Agency Fee Imposition Report (Report) was not prepared correctly for both Fiscal Year 2018 and Fiscal Year 2019.
 - The Fiscal Year 2018 Report had two fees where the amount of cash collections did not consider deposits in transit at both the beginning and end of the fiscal year. In addition, four fees had unreconciled differences Commission staff were unable to explain.
 - The amount of cash collections reported for all six fees in its Fiscal Year 2019 Report did not consider deposits in transit at the end and beginning of each fiscal year.

The State Comptroller Act (15 ILCS 405/16.2(a)) requires the Commission, if it imposes and collects fees, to prepare the annual Report. In addition, SAMS (Procedure 33.16.10) states the Commission's submission shall list and describe the fees imposed by the Commission, the purpose of the fees, the amount of revenue generated by the fee, and the funds into which the fees are deposited. The amount of revenue generated is on a cash basis, which must reconcile to the State Comptroller's *Monthly Revenue Status Report* (SB04) pursuant to the following formula:

Receipts, per Commission records (amount to report)
Add: Deposits in Transit, Beginning of the Year
Less: Deposits in Transit, End of the Year
Deposits, Recorded by the State Comptroller (SB04)

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2019-008. **FINDING** (Inadequate Control over Receipts) (continued)

- Fourteen of 40 (35%) receipts tested, totaling \$286,765, were charged to a receipt account code that did not reflect the actual activity of the receipt, as described below:
 - The self-insurers assessments receipt code within the Self-Insurers Security Fund included four receipts, totaling \$50,162, that were reimbursements from excess insurance carriers, one \$526 receipt that was a refund from a pharmacy, and one \$3,860 receipt of the remaining balance in an escrow account held by a third-party.
 - The fines, penalties, or violations receipt code with the Illinois Workers' Compensation Commission Operations Fund included six receipts, totaling \$230,644, that were the annual fee collected from self-insurers under the Workers' Compensation Act (820 ILCS 305/4d), one \$1,500 miscellaneous receipt related to a study requested by an entity, and one \$73 copying charge.

SAMS (Procedure 25.20.30) notes a *Chart of Accounts Maintenance and Inquiry* (Form C-45) must be submitted for review by the Office of the State Comptroller when an addition to the Commission's Receipt Chart of Accounts is necessary. Good internal control over receipts include coding transactions to reflect the actual collection activity by revenue source.

- The Commission did not maintain adequate segregation of duties over its accounting and recordkeeping functions for the Self-Insurers Administrative Fund's receipts from application and renewal fees. During testing, we noted each staff member has the authority to perform all parts of the transaction cycle, including:
 - **Authorization** by reviewing and approving transactions, including depositing funds into the State Treasury's clearing accounts;
 - **Custody** by handling and depositing physical checks and maintaining electronic and physical records; and,
 - **Recordkeeping** by preparing and maintaining the records of fees due and collection activity.

The permissible condition where one person has the authority to perform these functions represents a significant control weakness.

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2019-008. **FINDING** (Inadequate Control over Receipts) (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission 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 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.

Commission officials indicated these exceptions were due to the implementation of the State's new enterprise resource planning (ERP) accounting system on July 1, 2018, as the Commission needed (1) to shift its resources to allow for a smooth go live and (2) its staff to become familiar with the new system.

Failure to expedite cash receipts into the State Treasury reduced the cash available to meet current obligations. Further, failure to properly prepare the annual Report reduces the overall reliability of the State's Report and represents noncompliance with SAMS. In addition, failure to establish adequate receipt codes within the State's Chart of Accounts to delineate various types of receipts collected hinders overall accountability efforts and limits the usefulness of receipt code data. Finally, failure to limit the ability of one person to have the authority to perform all functions of a transaction increases the likelihood a loss from errors or irregularities could occur and would not be found in the normal course of employees carrying out their assigned duties. (Finding Code No. 2019-008, 2017-008)

RECOMMENDATION

We recommend the Commission implement controls to ensure receipts are expedited to the State Treasury and the annual Report is accurately prepared. Further, we recommend the Commission update its receipt source codes in the State's Chart of Accounts and implement procedures to limit one person from having the authority to perform all of the functions associated with a transaction.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

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2019-009. **FINDING** (Inadequate Control over Workforce Reporting)

The Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over its annual Agency Workforce Report (Report).

During testing, we noted the following:

Fiscal Year 2017 Report (filed in Fiscal Year 2018)

- The Report had unreconciled discrepancies between the reported number of women working as professionals and contractors and the Commission's supporting records between 15 to 23 people.
- The Report had unreconciled discrepancies between the reported number of workers broken out by categories defined by race and gender between one and nine people. We were unable to determine the source of the error.
- The Report was submitted to the Governor and the Secretary of State 204 and 535 days late, respectively.

Fiscal Year 2018 Report (filed in Fiscal Year 2019)

- The Report had unreconciled discrepancies between the reported number of women working as professionals and promoted during the fiscal year and the Commission's supporting records between two to six people.
- The Report had unreconciled discrepancies between the reported number of workers broken out by categories defined by race and gender between one and four people. We were unable to determine the source of the error.
- The Report was submitted to the Governor and the Secretary of State 169 and 170 days late, respectively.

The State Employment Records Act (5 ILCS 410/20) requires the Commission to collect, classify, maintain, and file the annual Report covering the preceding fiscal year with the Governor and the Secretary of State with certain employment statistics for women, disabled persons, and minorities by January 1.

Fiscal Year 2015 and Fiscal Year 2016 Reports

- We noted problems with the Commission's reports filed during the prior examination period and reported Finding 2017-009, recommending the Commission prepare and file corrected reports with the Governor and the Secretary of State within 30 days after the release of that report. We noted the Commission's corrected reports were filed with the Governor and the Secretary of State 66 and 67 days late, respectively. Further, we noted both resubmitted reports were an exact duplicate of the previously filed reports that **still had discrepancies and mathematical errors identified during our previous examination.**

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2019-009. **FINDING** (Inadequate Control over Workforce Reporting) (continued)

The Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) requires the Commission to prepare and file with the Governor and the Secretary of State the corrected Reports within 30 days after the release of its compliance examination by the Auditor General.

Commission officials indicated staff turnover and unfamiliarity with this reporting requirement contributed to these problems.

Filing inaccurate Reports inhibits the State to accumulate meaningful information to achieve a more diversified workforce, hinders governmental oversight, and represents noncompliance with the Act. (Finding Code No. 2019-009, 2017-009)

RECOMMENDATION

We recommend Commission develop and implement procedures to ensure its annual Report is accurate, including conducting a supervisory review of the Report prior to its filing with the Governor and Secretary of State. In addition, we recommend the Commission file a corrected Report for Fiscal Year 2015 through Fiscal Year 2018 within 30 days after the release of this compliance report as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) with the Governor and Secretary of State.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

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2019-010. **FINDING** (Inadequate Control over Performance Evaluations)

The Illinois Workers' Compensation Commission (Commission) lacked adequate control over evaluating employee performance.

During testing of 22 employees with 37 required performance evaluations during the examination period, we noted 14 (38%) performance evaluations were not completed and ten (27%) performance evaluations were conducted between 32 and 224 days after the end of the evaluation period.

The Illinois Administrative Code (80 Ill. Admin. Code 302.270) requires each (1) certified employee receive a performance evaluation not less often than annually and (2) probationary employee receive more frequent evaluations. We considered performance evaluations held more than 30 days after the end of the evaluation period as untimely.

Commission officials indicated the vacant Chief of Staff position contributed to these exceptions.

Employee performance evaluations are a systematic and uniform approach used for employee development and communication of performance expectations to employees. Failure to conduct timely employee performance evaluations delays formal feedback on an employee's performance, delays communication of areas for improvement, and delays communication of the next period's performance goals and objectives. In addition, employee performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. (Finding Code No. 2019-010, 2017-010)

RECOMMENDATION

We recommend Commission provide each of its employees a timely evaluation of their performance.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

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2019-011. **FINDING** (Inadequate Control over Overpayments)

The Illinois Workers' Compensation Commission (Commission) did not ensure overpayments were recouped upon a claimant's death or when the claimant reached a settlement agreement.

During testing, we noted the Commission had controls in place to timely identify and terminate benefits paid from the Rate Adjustment Fund and the Second Injury Fund upon a claimant's death or when the claimant reached a settlement agreement. However, we noted the Commission did not timely use this information to recoup amounts overpaid to the claimant, as noted below:

- Four of six (67%) benefit terminations paid from the Rate Adjustment Fund that had an overpayment, totaling \$4,630, were not identified for collection until after we notified the Commission of this problem in December 2019.
- Three of four (75%) benefit terminations paid from the Second Injury Fund that had an overpayment, totaling \$3,169, were not identified for collection until after we notified the Commission of this problem in December 2019.

The Illinois State Collection Act of 1986 (30 ILCS 210/3) states the public policy of this State is to aggressively pursue amounts owed to the State through all reasonable means.

Commission officials indicated these exceptions were due to oversight and the time needed to find contact information for individuals handling the decedent's estate.

Failure to timely seek to recoup benefit overpayments upon a claimant's death or when a claimant reaches a settlement agreement could result in reduced recoveries due to estates completing their wind-down process and the diminished collectability of receivables as they age. (Finding Code No. 2019-011)

RECOMMENDATION

We recommend the Commission implement controls to immediately seek recovery of amounts overpaid when it becomes aware of a recipient's death or settlement.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

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2019-012. **FINDING** (Commission Review Board Not Fully Functioning)

The Commission Review Board (Board) established within the Illinois Workers' Compensation Commission (Commission) was not functioning as intended.

The Workers' Compensation Act (Act) (820 ILCS 305/14.1), along with adopted rules in the Illinois Administrative Code (Code) (50 Ill. Admin. Code 9500.10(a)), created the Board to receive complaints concerning the conduct of the Commission's commissioners and arbitrators, investigate the complaints, conduct hearings on the complaints, and recommend to either (1) the commissioner or arbitrator of necessary corrective action or (2) the Governor not to reappoint the commissioner or arbitrator for matters of serious concern. The Board's members consist of seven members, including the Commission's Chair, the commissioner with the most seniority of the employer class, the commissioner with the most seniority of the employee class, two arbitrators with one from Cook County and one from any other county elected by a vote of the Commission's arbitrators, and two members appointed by the Governor who are not commissioners, arbitrators, or employees of the Commission.

During testing, we noted the Board's members did not receive notice of the two complaints against a commissioner or arbitrator filed with the Commission during the examination period where the Commission's General Counsel determined the written communication did not constitute a complaint setting forth sufficient evidence that a commissioner or arbitrator engaged in any misconduct.

The Code (50 Ill. Admin. Code 9500.30(b)) states the Executive Director of the Commission shall receive written communication with a possible complaint against a commissioner or arbitrator and forward them to the Commission's General Counsel. If, after a review of the communication by the Commission's General Counsel concludes it is not a complaint with sufficient evidence of misconduct by a commissioner or arbitrator, the Executive Director shall send a letter to the complainant explaining the communication does not meet the requirements of the Code and supply a copy of all correspondence to the Board's members at regularly scheduled meetings.

In following up on this exception, Commission officials indicated Board members were not provided with this correspondence because the Board did not hold regular meetings during the examination period.

Thereafter, we followed up and noted the Board did not hold a meeting during seven of eight (88%) quarters during the examination period.

The Code (50 Ill. Admin. Code 9500.10(c)) states, "Regular meetings of the Board will be scheduled to be held at least once per calendar year quarter."

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-012. **FINDING** (Commission Review Board Not Fully Functioning) (continued)

In response to our inquiry as to why the Board was not holding quarterly meetings, Commission officials indicated the requirement was only to schedule, and not to hold, a meeting of the Board each quarter. They indicated the Board's meetings are scheduled for each quarter, but the meetings were cancelled because they could not obtain a quorum of the Board's members to attend the meeting. We noted a quorum of the Board's members are individuals who work at the Commission and, therefore, the Commission should be able to schedule a convenient meeting time when the Board would have been able to obtain a quorum.

Commission officials indicated it was difficult to get a quorum because board members were not available for scheduled meetings after repeated contact attempts by the Commission to remind members of the pre-scheduled meetings.

Failure to schedule quarterly meetings where a quorum of the Board's members could attend the meeting hindered its ability to oversee the complaint intake process. (Finding Code No. 2019-012)

RECOMMENDATION

We recommend the Commission's Chair schedule quarterly meetings of the Board when a quorum of its membership can attend the scheduled meeting. Further, the Commission's Executive Director should disburse copies of all correspondence from potential complaints received to the Board's members at the Board's next quarterly meeting.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019

2019-013. **FINDING** (Failure to Seek a Judgment in Circuit Court)

The Illinois Workers' Compensation Commission has not sought a judgment in circuit court against self-insurers owing past due assessments.

During testing, we noted the Commission has not sought a judgment in circuit court against five self-insurers who collectively owe \$3,825, dating back to Fiscal Year 2009. Further, we noted the Commission is not holding any security from two of these self-insurers, who collectively owe \$2,612.

The Workers Compensation Act (820 ILCS 305/4a-7(a)) requires, if an assessment is not paid within 30 days after the private self-insurer receives notice, the Commission, at the direction of the Self-Insurers Security Board (Board), "shall proceed in circuit court for judgment against that private self-insurer which judgment shall include the amount of the assessment, the costs of suit, interest and reasonable attorneys' fees."

Further, the Illinois State Collection Act of 1986 (30 ILCS 210/3) states the public policy of this State is to aggressively pursue amounts owed to the State through all reasonable means.

Commission officials indicated this error was due to the Attorney General not pursuing small dollar claims.

Failure to seek judgment against noncompliant self-insurers limits the amount of resources available within the Self-Insurers Security Fund, hinders accountability for entities that have received the privilege to self-insure workers' compensation liabilities as intended by the General Assembly, and represents noncompliance with State law. (Finding Code No. 2019-013)

RECOMMENDATION

We recommend the Commission and the Board work with the Attorney General to seek judgment in circuit court against self-insurers with past due assessments, or seek a legislative remedy.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS - PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2019

A. **FINDING** (Inadequate Control over Financial Reporting)

During the financial audit as of and for the year ended June 30, 2018, the Illinois Workers' Compensation Commission (Commission) failed to ensure its draft financial statements of the Self-Insurers Security Fund (Fund) provided to the auditors were properly presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

During the current audit, we noted the Board had significantly improved its controls over presenting the Fund's financial statements in accordance with U.S. GAAP. We did, however, note one unreconciled difference within the Fund's initial draft financial statements, as described in more detail in Finding 2019-001. (Finding Code No. 2018-001, 2017-001)

B. **FINDING** (Disaster Contingency Planning Weaknesses)

During the compliance examination for the two years ended June 30, 2017, the Illinois Workers' Compensation Commission (Commission) lacked an adequate disaster contingency plan that was tested on, at least, an annual basis.

During the current examination, the Commission updated and tested its Disaster Recovery Plan. We noted the Commission did not maintain a Disaster Recovery Plan for its LAN-based applications. This was not considered to be as significant as in the prior examination; thus, this was reported to the Commission in the *Independent Accountant's Report of Immaterial Findings*. (Finding 2017-003, 2015-005)

C. **FINDING** (Failure to Report Aggregate Statistics)

During the compliance examination for the two years ended June 30, 2017, the Illinois Workers' Compensation Commission (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 the current examination, we noted the Commission took corrective action by (1) requiring employers to file the first injury report, along with all subsequent updates, electronically and (2) established a new reporting guide to capture the data elements required by statute. Given the Commission's implementation of this new system on June 14, 2019, Commission officials stated the first aggregate statistics report for Fiscal Year 2020 should be prepared and released online by June 2021. (Finding Code No. 2017-004)

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS - PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2019

D. **FINDING** (Inadequate Control over Contracts)

During the compliance examination for the two years ended June 30, 2017, the Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over its contractual agreements.

During the current examination, our sample testing indicated the Commission had improved its controls over contractual agreements; however, we continued to note smaller, immaterial conditions of noncompliance. As such, these conditions are reported in the Commission's *Independent Accountant's Report of Immaterial Findings*. (Finding Code No. 2017-006)

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2019

Seventeen Months Ended November 30, 2019

	Expenditure Authority (Net After Transfers)	Expenditures Through 6/30/19	Lapse Period Expenditures 7/01 - 11/30/19	Total Expenditures	Balances Lapsed
<u>Public Act 100-0586 and Public Act 101-0007</u>	\$ 347,300	\$ -	\$ 290,099	\$ 290,099	\$ 57,201
<u>APPROPRIATED FUNDS</u>	<u>\$ 347,300</u>	<u>\$ -</u>	<u>\$ 290,099</u>	<u>\$ 290,099</u>	<u>\$ 57,201</u>
<u>GENERAL REVENUE FUND - 001</u>					
Unpaid Wage Increases	\$ 12,186,700	\$ 10,356,170	\$ 782,836	\$ 11,139,005	\$ 1,047,695
Total General Revenue Fund - 001	6,290,100	5,266,304	402,180	5,668,484	621,616
<u>ILLINOIS WORKERS' COMPENSATION COMMISSION</u>	934,700	758,143	58,695	816,838	117,862
<u>OPERATIONS FUND - 534</u>	3,552,000	2,139,666	97,156	2,236,822	1,315,178
Personal Services	1,784,100	998,046	287,054	1,285,100	499,000
State Contributions for Retirement	320,000	236,233	31,887	268,120	51,880
State Contributions for Social Security	60,000	33,227	6,730	39,957	20,043
Group Insurance	30,000	24,000	30	24,030	5,970
Contractual Services	30,000	10,261	-	10,261	19,739
Travel	3,160,000	1,536,014	218,580	1,754,594	1,405,406
Commodities	85,000	48,313	14,834	63,147	21,853
Printing					
Equipment					
Electronic Data Processing					
Telecommunications					
Establishment, Administration, and Operations of the Insurance Compliance Division	2,013,300	1,419,053	110,332	1,529,385	483,915
Establishment of the Medical Fee Schedule	60,000	22,480	1,140	23,620	36,380
Total Illinois Workers' Compensation Commission Operations Fund - 534	<u>\$ 30,505,900</u>	<u>\$ 22,847,910</u>	<u>\$ 2,011,454</u>	<u>\$ 24,859,364</u>	<u>\$ 5,646,536</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2019

Seventeen Months Ended November 30, 2019

	Expenditure Authority (Net After Transfers)	Expenditures Through 6/30/19	Lapse Period Expenditures 7/01 - 11/30/19	Total Expenditures	Balances Lapsed
<u>Public Act 100-0586 and Public Act 101-0007</u>					
<u>INJURED WORKERS' BENEFIT FUND - 179</u>					
Awards and Grants					
Total Injured Workers Benefit Fund - 179	\$ 3,071,892	\$ 3,071,892	\$ -	\$ 3,071,892	
TOTAL - APPROPRIATED FUNDS	\$ 30,853,200	\$ 25,919,802	\$ 2,301,554	\$ 28,221,356	\$ 5,703,737
<u>NON-APPROPRIATED FUNDS</u>					
<u>SELF-INSURERS' ADMINISTRATION FUND - 274</u>					
General and Administrative					
Total Self-Insurers' Administration Fund - 274	\$ 436,374	\$ 436,374	\$ 12,608	\$ 448,983	
TOTAL INJURY FUND - 431	\$ 1,067,310	\$ 1,067,310	\$ (1,537)	\$ 1,065,773	
<u>SECOND INJURY FUND - 431</u>					
Awards and Grants					
Total Second Injury Fund - 431	\$ 1,067,310	\$ 1,067,310	\$ (1,537)	\$ 1,065,773	
<u>RATE ADJUSTMENT FUND - 685</u>					
Awards and Grants					
General and Administrative					
Total Rate Adjustment Fund - 685	\$ 11,429,444	13,421	\$ 4,484	\$ 11,433,928	
TOTAL	\$ 11,442,864	\$ 4,484	\$ 4,484	\$ 11,447,348	\$ 11,447,348

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2019

Seventeen Months Ended November 30, 2019

	Expenditure Authority (Net After Transfers)	Expenditures Through 6/30/19	Lapse Period Expenditures 7/01 - 11/30/19	Total Expenditures	Balances Lapsed
<u>Public Act 100-0586 and Public Act 101-0007</u>					
<u>SETTLEMENT FUND - 848</u>					
General and Administrative	\$ 460,607	\$ 95,011		\$ 555,618	
Total Settlement Fund - 848	\$ 460,607	\$ 95,011		\$ 555,618	
<u>SELF-INSURERS' SECURITY FUND - 940</u>					
Awards and Grants					
General and Administrative	\$ 864,758	\$ 7,239		\$ 871,997	
Total Self-Insurers' Security Fund - 940	\$ 1,220,879	\$ 21,234		\$ 1,242,113	
TOTAL - ALL NON-APPROPRIATED FUNDS	\$ 14,628,035	\$ 131,800		\$14,759,835	
GRAND TOTAL - ALL FUNDS	\$ 40,547,837	\$ 2,433,354		\$42,981,191	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of November 30, 2019, and have been reconciled to the Commission's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

Note 3: The Injured Workers' Benefit Fund has a continuous appropriation pursuant to the Workers' Compensation Act (820 ILCS 305/4(d)).

Note 4: Users of this schedule should consider the impact of Finding 2019-003.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2018

Seventeen Months Ended November 30, 2018

<u>Public Act 100-0021</u>	Expenditure Authority (Net After Transfers)	Expenditures Through 6/30/18	Lapse Period Expenditures 7/01 - 11/30/18	Total Expenditures	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
<u>ILLINOIS WORKERS' COMPENSATION COMMISSION</u>					
<u>OPERATIONS FUND - 534</u>					
Personal Services	\$ 12,186,700	\$ 10,774,620	\$ 462,372	\$ 11,236,992	\$ 949,708
State Contributions for Retirement	6,582,400	5,472,724	217,195	5,689,919	892,481
State Contributions for Social Security	934,700	804,218	34,230	838,448	96,252
Group Insurance	3,552,000	2,326,094	132,225	2,458,320	1,093,680
Contractual Services	1,784,100	1,378,066	110,398	1,488,464	295,636
Travel	320,000	218,610	33,621	252,231	67,769
Commodities	60,000	55,513	2,709	58,222	1,778
Printing	30,000	4,900	-	4,900	25,100
Equipment	30,000	3,877	880	4,757	25,243
Electronic Data Processing	2,916,400	1,613,271	383,088	1,996,359	920,041
Telecommunications	85,000	61,742	10,928	72,670	12,330
Establishment, Administration, and Operations of the Insurance Compliance Division	2,041,500	1,397,439	69,901	1,467,340	574,160
Establishment of the Medical Fee Schedule	60,000	34,022	7,884	41,906	18,094
Total Illinois Workers' Compensation Commission Operations Fund - 534	<u>\$ 30,582,800</u>	<u>\$ 24,145,096</u>	<u>\$ 1,465,431</u>	<u>\$ 25,610,527</u>	<u>\$ 4,972,273</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2018

Seventeen Months Ended November 30, 2018

	Expenditure Authority (Net After Transfers)	Expenditures Through 6/30/18	Lapse Period Expenditures 7/01 - 11/30/18	Total Expenditures	Balances Lapsed
<u>Public Act 100-0021</u>					
<u>INJURED WORKERS' BENEFIT FUND - 179</u>					
Awards and Grants	\$ 2,554,730	\$ -	\$ -	\$ 2,554,730	
Total Injured Workers' Benefit Fund - 179	<u>\$ 2,554,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,554,730</u>	
TOTAL - APPROPRIATED FUNDS	<u>\$ 30,582,800</u>	<u>\$ 26,699,826</u>	<u>\$ 1,465,431</u>	<u>\$ 28,165,257</u>	<u>\$ 4,972,273</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>SELF-INSURERS' ADMINISTRATION FUND - 274</u>					
General and Administrative		\$ 422,739	\$ 18,486	\$ 441,224	
Total Self-Insurers' Administration Fund - 274		<u>\$ 422,739</u>	<u>\$ 18,486</u>	<u>\$ 441,224</u>	
<u>SECOND INJURY FUND - 431</u>					
Awards and Grants		\$ 1,069,924	\$ -	\$ 1,069,924	
Total Second Injury Fund - 431		<u>\$ 1,069,924</u>	<u>\$ -</u>	<u>\$ 1,069,924</u>	
<u>RATE ADJUSTMENT FUND - 685</u>					
Awards and Grants		\$ 11,328,608	\$ 89,787	\$ 11,418,395	
General and Administrative		-	4,862	4,862	
Total Rate Adjustment Fund - 685		<u>\$ 11,328,608</u>	<u>\$ 94,649</u>	<u>\$ 11,423,257</u>	

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2018

Seventeen Months Ended November 30, 2018

	Expenditure Authority (Net After Transfers)	Expenditures Through 6/30/18	Lapse Period Expenditures 7/01 - 11/30/18	Total Expenditures	Balances Lapsed
<u>Public Act 100-0021</u>					
<u>SETTLEMENT FUND - 848</u>					
Awards and Grants	\$ 106,281	\$ -		\$ 106,281	
General and Administrative	743,832	28,275		772,107	
Total Settlement Fund - 848	<u>\$ 850,113</u>	<u>\$ 28,275</u>		<u>\$ 878,388</u>	
<u>SELF-INSURERS' SECURITY FUND - 940</u>					
Awards and Grants	\$ 998,972	\$ 14,509		\$ 1,013,481	
General and Administrative	645,234	29,018		674,252	
Total Self-Insurers' Security Fund - 940	<u>\$ 1,644,206</u>	<u>\$ 43,527</u>		<u>\$ 1,687,733</u>	
TOTAL - ALL NON-APPROPRIATED FUNDS	<u>\$ 15,315,590</u>	<u>\$ 184,937</u>		<u>\$ 15,500,526</u>	
GRAND TOTAL - ALL FUNDS	<u>\$ 42,015,416</u>	<u>\$ 1,650,368</u>		<u>\$ 43,665,783</u>	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of November 30, 2018, and have been reconciled to the Commission's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

Note 3: The Injured Workers' Benefit Fund has a continuous appropriation pursuant to the Workers' Compensation Act (820 ILCS 305/4(d)).

Note 4: Notwithstanding anything in Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Commission to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 64 includes information from Commission management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Commission which were submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriations.

Note 5: Users of this schedule should consider the impact of Finding 2019-003.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2019	2018	2017
	P.A. 100-0586 and P.A. 101-0007	P.A. 100-0021	P.A. 99-0524
APPROPRIATED FUNDS			
General Revenue Fund - 001			
Appropriations (Net After Transfers)	\$ 347,300	\$ -	\$ -
Expenditures			
Unpaid Wage Increases	\$ 290,099	\$ -	\$ -
Total Expenditures	\$ 290,099	\$ -	\$ -
Lapsed Balances	\$ 57,201	\$ -	\$ -
Illinois Workers' Compensation Commission Operations Fund - 534			
Appropriations (Net After Transfers)	\$ 30,505,900	\$ 30,582,800	\$ 29,038,900
Expenditures			
Personal Services	\$ 11,139,005	\$ 11,236,992	11,789,512
State Contributions for Retirement	5,668,484	5,689,919	5,257,403
State Contributions for Social Security	816,838	838,448	870,547
Group Insurance	2,236,822	2,458,320	2,830,276
Contractual Services	1,285,100	1,488,464	2,183,825
Travel	268,120	252,231	274,392
Commodities	39,957	58,222	51,338
Printing	24,030	4,900	8,395
Equipment	10,261	4,757	17,766
Electronic Data Processing	1,754,594	1,996,359	-
Telecommunications	63,147	72,670	136,041
Implementation and Operation of an Accident Reporting System	-	-	16,356
Establishment, Administration, and Operations of the Insurance			
Compliance Division	1,529,385	1,467,340	1,411,753
Establishment of the Medical Fee Schedule	23,620	41,906	57,148
Total Expenditures	\$ 24,859,364	\$ 25,610,527	\$ 24,904,754
Lapsed Balances	\$ 5,646,536	\$ 4,972,273	\$ 4,134,146
Injured Workers' Benefit Fund - 179			
Expenditures			
Awards and Grants	\$ 3,071,892	\$ 2,554,730	\$ 1,311,538
Total Expenditures	\$ 3,071,892	\$ 2,554,730	\$ 1,311,538
TOTAL - APPROPRIATED FUNDS			
Appropriations (Net After Transfers)	\$ 30,853,200	\$ 30,582,800	\$ 29,038,900
Total Expenditures	28,221,355	28,165,257	26,216,292
Lapsed Balances	\$ 5,703,737	\$ 4,972,273	\$ 4,134,146

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2019	2018	2017
	P.A. 100-0586 and P.A. 101-0007	P.A. 100-0021	P.A. 99-0524
NON-APPROPRIATED FUNDS			
Self-Insurers' Administration Fund - 274			
Expenditures			
General and Administrative	\$ 448,983	\$ 441,224	\$ 434,426
Total Expenditures	<u>\$ 448,983</u>	<u>\$ 441,224</u>	<u>\$ 434,426</u>
Second Injury Fund - 431			
Expenditures			
Awards and Grants	\$ 1,065,773	\$ 1,069,924	\$ 1,211,916
Total Expenditures	<u>\$ 1,065,773</u>	<u>\$ 1,069,924</u>	<u>\$ 1,211,916</u>
Rate Adjustment Fund - 685			
Expenditures			
Awards and Grants	\$ 11,433,928	\$ 11,418,395	\$ 11,876,915
General and Administrative	13,421	4,862	416,534
Total Expenditures	<u>\$ 11,447,349</u>	<u>\$ 11,423,257</u>	<u>\$ 12,293,449</u>
Settlement Fund - 848			
Expenditures			
Awards and Grants	\$ -	\$ 106,281	\$ 918,915
General and Administrative	555,618	772,107	547,997
Total Expenditures	<u>\$ 555,618</u>	<u>\$ 878,388</u>	<u>\$ 1,466,912</u>
Self-Insurers' Security Fund - 940			
Expenditures			
Awards and Grants	\$ 871,997	\$ 1,013,481	\$ 986,145
General and Administrative	370,116	674,252	159,121
Total Expenditures	<u>\$ 1,242,113</u>	<u>\$ 1,687,733</u>	<u>\$ 1,145,266</u>
TOTAL - ALL NON-APPROPRIATED FUNDS	<u>\$ 14,759,836</u>	<u>\$ 15,500,526</u>	<u>\$ 16,551,969</u>
GRAND TOTAL - ALL FUNDS	<u>\$ 42,981,191</u>	<u>\$ 43,665,783</u>	<u>\$ 42,768,261</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30,

	Fiscal Year	
2019	2018	2017
P.A. 100-0586 and P.A. 101-0007	P.A. 100-0021	P.A. 99-0524

STATE OFFICERS' SALARIES

**Illinois Workers' Compensation Commission Operations Fund - 534
(State Comptroller)**

Expenditures				
Commission Chair's Salary	\$	125,432	\$	125,232
Commission Members' Salaries		1,046,601		1,078,942
State Contributions for Retirement		608,572		620,331
State Contributions for Social Security		87,289		89,348
Group Insurance		192,684		214,877
Total Expenditures	\$	2,060,578	\$	2,128,346
			\$	2,056,167

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of November 30, 2018, and November 30, 2019, and have been reconciled to the Commission's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

Note 3: The Injured Workers' Benefit Fund has a continuous appropriation pursuant to the Workers' Compensation Act (820 ILCS 305/4(d)).

Note 4: Notwithstanding anything in Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Commission to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 64 includes information from Commission management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Commission which were submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriations.

Note 5: Users of this schedule should consider the impact of Finding 2019-003.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2019	2018	2017
<u>Injured Workers' Benefit Fund - 179</u>			
Fines, Penalties, or Violations	\$ 1,959,434	\$ 2,059,849	\$ 2,410,977
Total Cash Receipts per Commission Records	1,959,434	2,059,849	2,410,977
Add: Receipts in Transit, Beginning of Year	106,751	149,364	116,678
Less: Receipts in Transit, End of Year	251,988	106,751	149,364
Total Cash Receipts per State Comptroller's Records	<u>\$ 1,814,197</u>	<u>\$ 2,102,462</u>	<u>\$ 2,378,291</u>
<u>Self-Insurers' Administration Fund - 274</u>			
Licenses, Fees, or Registrations	\$ 270,100	\$ 320,000	\$ 322,500
Total Cash Receipts per Commission Records	270,100	320,000	322,500
Add: Receipts in Transit, Beginning of Year	16,500	20,000	28,000
Less: Receipts in Transit, End of Year	2,500	16,500	20,000
Total Cash Receipts per State Comptroller's Records	<u>\$ 284,100</u>	<u>\$ 323,500</u>	<u>\$ 330,500</u>
<u>Second Injury Fund - 431</u>			
Statutory Assessments	\$ 1,331,437	\$ 895,870	\$ 1,449,188
Total Cash Receipts per Commission Records	1,331,437	895,870	1,449,188
Add: Receipts in Transit, Beginning of Year	1,772	2,018	1,361
Less: Receipts in Transit, End of Year	7,537	1,772	2,018
Total Cash Receipts per State Comptroller's Records	<u>\$ 1,325,672</u>	<u>\$ 896,116</u>	<u>\$ 1,448,531</u>
<u>Illinois Workers' Compensation Commission Operations Fund - 534</u>			
Statutory Assessments	\$ 2,828,333	\$ 2,884,630	\$ 2,780,256
Total Cash Receipts per Commission Records	2,828,333	2,884,630	2,780,256
Add: Receipts in Transit, Beginning of Year	-	20	-
Less: Receipts in Transit, End of Year	-	-	20
Total Cash Receipts per State Comptroller's Records	<u>\$ 2,828,333</u>	<u>\$ 2,884,650</u>	<u>\$ 2,780,236</u>
<u>Rate Adjustment Fund - 685</u>			
Statutory Assessments	\$ 13,050,280	\$ 13,087,197	\$ 14,112,364
Total Cash Receipts per Commission Records	13,050,280	13,087,197	14,112,364
Add: Receipts in Transit, Beginning of Year	17,289	20,423	14,082
Less: Receipts in Transit, End of Year	71,369	17,289	20,423
Total Cash Receipts per State Comptroller's Records	<u>\$ 12,996,200</u>	<u>\$ 13,090,331</u>	<u>\$ 14,106,023</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2019	2018	2017
<u>Self-Insurers' Security Fund - 940</u>			
Securities Collected, Assessments, and Reimbursements	\$ 342,933	\$ 547,274	\$ 653,286
Total Cash Receipts per Commission Records	342,933	547,274	653,286
Add: Receipts in Transit, Beginning of Year	-	52,994	1,180
Less: Receipts in Transit, End of Year	-	-	52,994
Total Cash Receipts per State Comptroller's Records	<u>\$ 342,933</u>	<u>\$ 600,268</u>	<u>\$ 601,472</u>
Grant Total All Funds			
Total Cash Receipts per Commission Records	\$ 19,782,517	\$ 19,794,820	\$ 21,728,571
Add: Receipts in Transit, Beginning of Year	142,312	244,819	161,301
Less: Receipts in Transit, End of Year	333,394	142,312	244,819
Total Cash Receipts per State Comptroller's Records - All Funds	<u>\$ 19,591,435</u>	<u>\$ 19,897,327</u>	<u>\$ 21,645,053</u>

Note: Users of this schedule should consider the impact of Finding 2019-003.

STATE OF ILLINOIS
 ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Two Years Ended June 30, 2019

	Self-Insurers' Administration Fund - 274 <u>Equipment</u>	Governmental Funds <u>Equipment</u>	<u>Total</u>
Balance, July 1, 2017	\$ 22,924	\$ 860,360	\$ 883,284
Additions	4,181	132,586	136,767
Deletions	(590)	(32,051)	(32,641)
Transfers	-	-	-
Balance, June 30, 2018	26,515	960,895	987,410
Additions	43	28,939	28,982
Deletions	(21,477)	(380,226)	(401,703)
Transfers	-	(68,651)	(68,651)
Balance, June 30, 2019	<u>\$ 5,081</u>	<u>\$ 540,957</u>	<u>\$ 546,038</u>

Note: The accountants were unable to conclude the Commission's property records were complete and accurate, as noted in Finding 2019-002.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

FUNCTIONS

The Commission administers the Workers' Compensation Act (820 ILCS 305/) (Act) and the Workers' Occupational Diseases Act (820 ILCS 310/).

The Commission consists of ten members appointed by the Governor with the consent of the Senate. Of the ten members, three are representatives of employers, three are employees covered under the Act, and four are representative citizens not identified with either the employing or employee classes. The Chair of the Commission has the general supervisory authority over all personnel of the Commission, including arbitrators and Commissioners, including but not limited to the assignment and distribution of cases and assignment of Commissioners to panels.

The Act authorizes the Commission to function as a quasi-judicial body with the equivalent of court status in that its records, when properly represented, are accepted by regularly constituted courts as legal evidence and its decisions are final unless an appeal is made to the State's court system. The Commission has authority to formulate rules and orders for its procedures, administer oaths, and issue subpoenas commanding witnesses to produce documents.

The applications for adjustment of claims are first heard by an Arbitrator. Appeal of an Arbitrator's decision is heard by a panel of three members of the Commission. The Commission can affirm, reverse, or modify the Arbitrator's decision. Thereafter, a case can be appealed to the Circuit Court, Appellate Court, and the Supreme Court.

The mission of the Commission is (1) to resolve disputes that arise between injured workers and their employers regarding workers' compensation, (2) assure financial protection to injured workers and their dependents at reasonable costs to employers, and (3) provide timely resolution of cases. The Commission coordinates the various elements of the public service and information functions to structure a cohesive public service and information department. These elements are comprised of telephone responses to requests for information, distribution of forms and literature, pro se counseling, and preparation of literature for distribution.

PLANNING PROGRAM

The Commission has established formal written long and short-term goals and objectives, which are conducive to fulfilling its mandates as follows:

- Enhance timeliness and quality of case resolutions and other services;
- Investigate, identify, and enforce insurance compliance;
- Improve technology to enhance customer access to and usefulness of Illinois Workers' Compensation Commission data; and,
- Monitor and investigate the incidence of employer noncompliance with Illinois Workers' Compensation Commission's insurance requirements.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

Presented below are the statistics and analysis of the cases handled by the Commission:

<u>CASE LOAD VOLUME</u>	<u>Fiscal Year</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cases Pending at the Beginning of the Year	<u>80,078</u>	<u>83,399</u>	<u>88,485</u>
New Cases Filed During the Year			
Application for Arbitration	34,061	34,571	34,030
Original Applications for Approval of Settlement Contracts	<u>3,646</u>	<u>3,821</u>	<u>4,327</u>
Total New Cases Filed	<u>37,707</u>	<u>38,392</u>	<u>38,357</u>
Cases Reinstated During the Year	<u>990</u>	<u>1,087</u>	<u>1,145</u>
Cases Remanded to Arbitrator and Commissioner During the Year	<u>235</u>	<u>273</u>	<u>338</u>
Cases Closed During the Year			
Dismissed at Review	64	155	167
Dismissed by Applicants at Arbitration	648	563	677
Dismissed for Want of Prosecution at Arbitration	3,050	3,144	3,298
By Decisions of Arbitrators and Commissioners	1,295	1,570	1,486
By Approval of Settlement Contracts and Lump Sum Settlements	<u>31,080</u>	<u>37,641</u>	<u>39,298</u>
Total Cases Closed	<u>36,137</u>	<u>43,073</u>	<u>44,926</u>
Cases Pending at the End of the Year	<u>82,873</u>	<u>80,078</u>	<u>83,399</u>

The fact that the metric “cases pending at the end of the year” reflects the Commissioner’s ability to perform and deliver adjudicative services even with a significant vacancy in Gubernatorial Appointments. The “cases pending number at 82,873” reflects a relatively constant level of production tempered by the will of the litigants to bring matters before the Commission. Two components that are not within the control of the Commission are applications filed and settlements filed. These are controlled by the Petitioner, either Pro Se or through Counsel. The terms of settlement are controlled by the parties, often a Petitioner may not seek settlement or trial because they are still treating or receiving temporary benefits and do not want those to end by final resolution of the case. Some of the decrease in Settlement Contracts approved is directly related to the lack of presentation of contracts by the parties. It is not the case that the Commission cannot process these timely. A factor in overall work production lies in the fact that during the audit cycle, the Commission had Arbitrators and Commissioner vacancies. The Arbitrator vacancies were recently filled. Only the Governor can make these appointments. The timing of appointments is beyond any control of Commission management. For significant

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

periods, Arbitrators throughout the State performed double hearing duty. This extra duty could affect the writing days of the Arbitrator. Further, a Business Commissioner position was vacant from March 2019 until September 2019. The remaining two Business Commissioners were required to cover the vacant Commissioner docket. The statistics for "Decision by Arbitrator" was influenced by coverage issues. The statistic for "Approval of Settlement" is purely controlled by the parties not the Commissioner.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2019 AND 2018

General Revenue Fund - 001

Unpaid Wage Increases

The increase in expenditures was due to payment of back wages due per a negotiated labor agreement.

Injured Workers' Benefit Fund - 179

Awards and Grants

These amounts are expected to fluctuate based on the number of eligible claims received and the amount of cash available each fiscal year. The increase was due to an increase in claims for injured workers of uninsured employers.

Illinois Workers' Compensation Commission Operations Fund - 534

Commodities

The decrease in expenditures was due to a reduction in the purchase of file jackets.

Printing

The increase in expenditures was primarily due to an increase in stationery supplies purchased.

Establishment of the Medical Fee Schedule

The decrease in expenditures was due to the reduction in billing fee questions to vendor.

Settlement Fund - 848

Awards and Grants

The decrease in expenditures was due to no claims were filed that are eligible for the payment of liabilities for back claims from the Rate Adjustment Fund during Fiscal Year 2019. Significant number of eligible claimants was paid during Fiscal Year 2017.

General and Administrative

The decrease in expenditures was primarily due to less billing from a vendor due to less activity on the paperless project for the Commission. The paperless project was deferred during the Fiscal Year 2019 to determine the best software solution for the new system.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2019 AND 2018 (continued)

Self-Insurers' Security Fund - 940

General and Administrative

The decrease in expenditures was primarily due to a decrease in security deposit refunds.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2018 AND 2017

Injured Workers' Benefit Fund - 179

Awards and Grants

These amounts are expected to fluctuate based on the number of eligible claims received and the amount of cash available each fiscal year. The increase was due to an increase in claims for injured workers of uninsured employers.

Illinois Workers' Compensation Commission Operations Fund - 534

Contractual Services

The decrease in expenditures was due to a lower contractual rate for two contractors and less student workers hired.

Equipment

The decrease in expenditures was due to the reduction of new computer equipment purchases.

Electronic Data Processing

The increase was due to expenditures appropriated for Information Technology (IT) related activities such as payroll and employee benefits, telecommunications, travel and other costs incurred by Department of Innovation & Technology employees performing IT jobs for the Commission.

Telecommunications

The decrease in expenditures was due to a one-time conversion to Voice over Internet Protocol and purchases of mobile phones for downstate arbitrators, managers, and the Chair during Fiscal Year 2017.

Establishment of the Medical Fee Schedule

The decrease in expenditures was due to a reduction in hours paid to one subcontractor.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2018 AND 2017 (continued)

Rate Adjustment Fund - 685

General and Administrative

The decrease in expenditures was primarily due to a decrease in refunds for assessment overpayments.

Settlement Fund - 848

Awards and Grants

The decrease in expenditures was due to lesser claims were filed that are eligible for the payment of liabilities for back claims from the Rate Adjustment Fund during Fiscal Year 2018. Significant number of eligible claimants was paid during Fiscal Year 2017.

General and Administrative

The increase in expenditures was due to an increase of payments to a vendor related to a paperless project of the Commission that covered the entire twelve months of Fiscal Year 2018, whereas the payments for Fiscal Year 2017 only covered the last eight months given that the original contract commenced in November 2016.

Self-Insurers' Security Fund - 940

General and Administrative

The increase in expenditures was primarily due to an increase in security deposit refunds.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2019 AND 2018

Second Injury Fund - 431

Statutory Assessments

The increase in receipts was due to the Commission issuing one half rate (0.0625%) and one full rate (0.125%) assessment in Fiscal Year 2019, which was higher than the two half rates (0.0625%) assessments in Fiscal Year 2018.

Self-Insurers' Security Fund - 940

Securities Collected, Assessments, and Reimbursements

The decrease in receipts was primarily due to decrease in excess insurance claims for benefit payment.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2018 AND 2017

Injured Workers' Benefit Fund - 179

Fines, Penalties, or Violations

The decrease in receipts was primarily due to lesser collections from the negotiated cases during Fiscal Year 2018.

Second Injury Fund - 431

Statutory Assessments

The decrease in receipts was due to the Commission issuing two half rate (0.0625%) assessments in Fiscal Year 2018, which was lower than the one full rate (0.125%) assessment and one half rate (0.0625%) assessment in Fiscal Year 2017.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

FISCAL YEAR 2019

General Revenue Fund - 001

Unpaid Wage Increases

The significant spending during the Lapse Period was due to the Commission processing back pay during the Lapse Period after receiving a supplemental appropriation.

Illinois Workers' Compensation Commission Operations Fund - 534

Contractual Services

The significant spending during the Lapse Period was primarily due to a contractor submitting bills in arrears during the Lapse Period.

Telecommunications

The significant spending during the Lapse Period was due to a vendor submitting most of the billings applicable for Fiscal Year 2019 during the Lapse Period.

FISCAL YEAR 2018

Rate Adjustment Fund - 685

General and Administrative

The significant spending during the Lapse Period was due to the Commission processing refunds for Fiscal Year 2018 assessment overpayments during the Lapse Period.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF THE RATE ADJUSTMENT FUND
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

The Workers' Compensation Act (820 ILCS 305/7(f)) provides for the rate of assessments to be charged to employers for the Rate Adjustment Fund (RAF). Assessment rates vary depending on the fund balance as of February and August of each year. The balance of the fund did not exceed the statutory amount for moratorium on employer contributions. During Fiscal Year 2017, the Commission sent out an assessment at full rate. During Fiscal Year 2018 and 2019, the Commission sent out two assessments, one at full rate and one at half rate. Presented below are RAF balances calculated on the modified accrual basis of accounting for the fiscal years ended June 30,

	Fiscal Year		
	2019	2018	2017
Beginning Fund Balance	\$ 7,228,048	\$ 5,519,727	\$ 3,580,553
Revenues			
Statutory Assessments	12,953,536	13,305,331	13,813,427
Other Revenue	-	-	-
Interest Income	134,621	97,967	46,767
Expenses			
Awards and Grants	<u>(11,538,312)</u>	<u>(11,694,977)</u>	<u>(11,921,020)</u>
Ending Fund Balance	<u>\$ 8,777,893</u>	<u>\$ 7,228,048</u>	<u>\$ 5,519,727</u>

The Commission is required to provide a cost of living adjustment (COLA) based on the State's computed average weekly wage, pursuant to Sections 8(f) and 8(g) of the Workers' Compensation Act, to persons who have received an award from the Commission that provides for Permanent Total Disability 8(f) or Statutory Permanent Total Disability 8(e)18, or if an employee's death is determined to be related to a work injury.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

Aging of Accounts Receivable, per Commission's records, were as follows:

	Injured Workers' Benefit Fund	Second Injury Fund	Illinois Workers'		Rate Adjustment Fund	Self-Insurers' Security Fund	TOTAL
			Compensation Operations Fund	Commission Fund			
<u>As of June 30, 2019</u>							
Current	\$ 5,591,699	\$ 547	\$ -	\$ -	\$ -	\$ 111,352	\$ 5,703,598
1-30 days	43,211	-	-	-	-	-	43,211
31-90 days	87,906	-	-	-	-	-	87,906
91-180 days	159,809	-	-	-	-	-	159,809
181 days - 1 year	311,021	-	-	23,408	-	-	334,429
Over 1 year	1,130,772	-	3,200	86,901	3,825	-	1,224,698
Accounts Receivable Gross Balance	7,324,418	547	3,200	110,309	115,177	-	7,553,650
Less: Estimated Uncollectibles	1,441,792	-	3,200	-	3,825	-	1,448,817
Accounts Receivable Net Balance	\$ 5,882,625	\$ 547	\$ -	\$ 110,309	\$ 111,352	\$ -	\$ 6,104,833
<u>As of June 30, 2018</u>							
Current	\$ 5,235,813	-	\$ -	\$ -	\$ -	\$ 89,117	\$ 5,324,930
1-30 days	54,124	-	-	-	-	-	54,124
31-90 days	100,788	-	-	-	-	-	100,788
91-180 days	173,854	-	-	-	-	-	173,854
181 days - 1 year	342,744	-	-	-	-	-	342,744
Over 1 year	1,198,439	-	3,200	89,736	4,190	-	1,295,565
Accounts Receivable Gross Balance	7,105,762	-	3,200	89,736	93,307	-	7,292,005
Less: Estimated Uncollectibles	1,541,183	-	-	-	3,250	-	1,544,433
Accounts Receivable Net Balance	\$ 5,564,579	\$ -	\$ 3,200	\$ 89,736	\$ 90,057	\$ -	\$ 5,747,572

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
BUDGET IMPASSE DISCLOSURES
For the Two Years Ended June 30, 2019

(NOT EXAMINED)

Payment of Prior Year Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the Commission to pay Fiscal Year 2016 costs using the Commission's Fiscal Year 2017 appropriations for non-payroll expenditures. The Commission did not have any outstanding invoices from Fiscal Year 2016 unpaid after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016. Therefore, the Commission did not use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs.

In addition, Article 998 of Public Act 100-0021 authorized the Commission to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Commission's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Commission did not have any outstanding invoices from Fiscal Year 2017 unpaid after the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017. Therefore, the Commission did not use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs and did not use either its Fiscal Year 2017 or Fiscal Year 2018 appropriations to pay its Fiscal Year 2016 or Fiscal Year 2017 costs.

STATE OF ILLINOIS
 ILLINOIS WORKERS' COMPENSATION COMMISSION
AVERAGE NUMBER OF EMPLOYEES
 For the Two Years Ended June 30, 2019

(NOT EXAMINED)

	Fiscal Year		
	2019	2018	2017
Administrative - General Office (including Court Reporters)	95	107	106
Arbitrators	30	33	32
Electronic Data Processing	7	7	7
Insurance Compliance	9	11	10
Administrative Exempt	1	1	1
Self-Insurance	4	4	4
Total Average Employees	146	163	160
Commissioners, including the Chair	10	10	10

The Commissioners, including the Chair, are paid by the State Comptroller from the State Officers' salaries appropriation.