

**State of Illinois
Illinois Workers'
Compensation
Commission**

**STATE COMPLIANCE
EXAMINATION**

**FOR THE TWO YEARS ENDED
JUNE 30, 2023**

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

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

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Other Reports Issued Under a Separate Cover:

The financial audit of the Self-Insurers Security Fund as of and for the year ended June 30, 2023, including the *Independent Auditor's Report* and *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*, was issued under a separate cover.

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

COMMISSION OFFICIALS

Chair	Michael Brennan
Chief Fiscal Officer	Paul Fichtner
General Counsel	Ronald Rascia

COMMISSION MEMBERS¹

Chairman	Michael Brennan
Member	Maria Portela
Member	Stephen Mathis
Member (10/04/21 – Present)	Carolyn Doherty
Member Representative of Employees (04/21/23 – Present)	Amylee Hogan Simonovich
Member Representative of Employees (10/17/11 – 04/20/23)	Thomas Tyrrell
Member Representative of Employees (02/13/24 – Present)	Raychel Wesley
Member Representative of Employees (03/12/21 – 02/12/24)	Deborah Baker
Member Representative of Employees	Marc Parker
Member Representative of Employers	Kathryn Doerries
Member Representative of Employers	Deborah Simpson
Member Representative of Employers	Christopher Harris

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.*

COMMISSION OFFICES

The Commission's primary administrative offices are located at:

69 W. Washington Street, Suite 900
Chicago, Illinois 60602

401 Main Street, Suite 640
Peoria, Illinois 61602

400 S. Ninth Street, Suite 106
Springfield, Illinois 62701

1803 Ramada Boulevard, Suite B201
Collinsville, Illinois 62234



Illinois Workers' Compensation Commission

69 W. Washington St., Suite 900
Chicago, IL 60602
312-814-6500

JB Pritzker, Governor

Michael J. Brennan, Chairman

May 10, 2024

Roth & Company, LLP
540 West Madison Street, Suite 2450
Chicago, Illinois 60661

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 State of Illinois, 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, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022, and June 30, 2023, 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. Other than what has previously been disclosed and reported in the Schedule of Findings, 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. Other than what has previously been disclosed and reported in the Schedule of Findings, 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
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

ACCOUNTANT'S REPORT

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

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Reports*</u>
Findings	21	23
Repeated Findings	19	12
Prior Recommendations Implemented or Not Repeated	4	2

* This column contains findings under *Government Auditing Standards* from the Commission's financial audit of the Self-Insurers Security Fund as of and for the year ended June 30, 2022, and State compliance only findings from the Commission's *State Compliance Examination Report* for the two years ended June 30, 2021.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-001	12	2022/2020	Accounting and Financial Reporting Problems	Material Weakness and Material Noncompliance
2023-002	15	2022/2020	Inadequate Census Data	Significant Deficiency and Noncompliance

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

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-003	18	2021/2017	Inadequate Control over Receipts	Material Weakness and Material Noncompliance
2023-004	21	2021/2019	Inadequate Controls over Accounts Receivable	Material Weakness and Material Noncompliance
2023-005	24	2021/2003	Inadequate Controls over Property	Material Weakness and Material Noncompliance
2023-006	27	2021/2013	Voucher Processing Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2023-007	30	2021/2021	Failure to Establish Project Management Internal Controls	Material Weakness and Material Noncompliance
2023-008	32	2021/2021	Lack of Fiscal Controls over System Development Projects	Material Weakness and Material Noncompliance
2023-009	34	2021/2021	Inadequate Information Technology Access Controls	Material Weakness and Material Noncompliance
2023-010	36	2021/2021	Inadequate Controls over Service Providers	Material Weakness and Material Noncompliance
2023-011	38	New	Inadequate Controls over the Submission of Required Employment Reports	Significant Deficiency and Noncompliance
2023-012	39	New	Inadequate Controls over Employee Records	Significant Deficiency and Noncompliance

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

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-013	41	2021/2021	Inadequate Control over Telecommunication Devices	Significant Deficiency and Noncompliance
2023-014	43	2021/2017	Inadequate Control over Performance Evaluations	Significant Deficiency and Noncompliance
2023-015	45	2021/2021	Noncompliance with Report and Publication Requirements	Significant Deficiency and Noncompliance
2023-016	47	2021/2017	Inadequate Controls over the Annual Agency Workforce Reporting	Significant Deficiency and Noncompliance
2023-017	49	2021/2019	Failure to Seek a Judgment in Circuit Court	Significant Deficiency and Noncompliance
2023-018	51	2021/2019	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2023-019	53	2021/2015	Change Control Weaknesses	Significant Deficiency and Noncompliance
2023-020	55	2021/2021	Weaknesses in Disaster Contingency Planning	Significant Deficiency and Noncompliance
2023-021	57	2021/2021	Lack of a Detailed Agreement Regarding Security Requirements	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
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SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Prior Findings Not Repeated				
A	59	2021/2021	Failure to Exercise Appropriate Controls over Leases	
B	59	2021/2019	Inadequate Controls over Monthly Reconciliations	
C	59	2021/2021	Failure to Design and Implement Controls over Penalties and Fines	
D	59	2021/2021	Inadequate Controls over New Employee Training	

EXIT CONFERENCES

The Illinois Workers' Compensation Commission (Commission) waived an exit conference in a correspondence from Mr. Paul Fichtner, Chief Fiscal Officer, on April 29, 2024. The responses to the recommendations were provided by Mr. Paul Fichtner, Chief Fiscal Officer, in a correspondence dated January 12, 2024 and May 6, 2024.

Findings 2023-001 and 2023-002 and their associated recommendations appearing in this report were discussed with Commission personnel at an exit conference on January 11, 2024.

Attending were:

<u>Illinois Workers' Compensation Commission</u>	
Michael Brennan	Chairman
Paul Fichtner	Chief Fiscal Officer
Ron Rascia	General Counsel
Cole Garrett	Deputy Legal Counsel
Maria Sarli-Dehlin	Manager, SISF Fund
Patrick Theis	CPA, Accounting Analyst
Tyra Brooks	Accounting Analyst
Maria Parrino	Accounting Analyst
Emily Paelmo	Accounting Analyst

**STATE OF ILLINOIS
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EXIT CONFERENCES (Continued)

<u>Office of the Auditor General</u> Jose G. Roa, CPA	OAG Manager
<u>Roth & Company, LLP</u> Leilani N. Rodrigo, CPA, CGMA Tiffany Floresca Ruby Javier	Partner Supervisor Senior



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, 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, 2023. 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.

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

Our examination does not provide a legal determination on the 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, 2023. First, as described in the accompanying Schedule of Findings as items 2023-001 and 2023-003 through 2023-010, 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. In addition, as described in the accompanying Schedule of Findings as items 2023-003 and 2023-004, 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 noncompliance with the specified requirements described in the preceding paragraph, the Commission complied with the specified requirements during the two years ended June 30, 2023, 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 2023-002 and 2023-011 through 2023-021.

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.

Report on 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 in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-001 and 2023-003 through 2023-010 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-002 and 2023-011 through 2023-021 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.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
May 10, 2024



STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-001. **FINDING** (Accounting and Financial Reporting Problems)

The Illinois Workers' Compensation Commission (Commission) did not ensure all events and transactions impacting the Self-Insurers Security Fund (Fund 940) were appropriately recorded in its internal accounting records and presented fairly in its financial statements.

During testing, we noted the following:

- The Fund 940's balance of unearned security deposit account reported on the financial statements did not agree with the balance in the supporting schedule. The variance amounted to \$14,880. In addition, current unearned security deposits were understated, while noncurrent unearned security deposits were overstated, by \$92,457.
- The Fund 940's deferred outflow of resources pension and other postemployment benefits accounts were understated by \$91,579 and \$19,220, respectively.
- The Commission did not reverse the accrual for an expense incurred in prior year upon payment during the current fiscal year. The error overstated the accounts payable account by \$14,924.

On October 11, 2023, the Commission provided new set of supporting schedules. During this process, some of the further problems found in assessment receivable and application/renewal fee receivable and related revenue accounts, included the following:

- Assessment receivable and revenue accounts
 - The Commission improperly recorded the collection of prior year assessment receivable as current year revenue, thereby, overstating both assessment revenue and receivable accounts by \$38,180.
 - The Commission made an erroneous entry to record the already recorded deposit in transit as assessment receivable, thereby, overstating both assessment receivable and revenue accounts by \$12,325.
 - The Commission had not accounted for the assessment revenue earned through a credit from a refund payable of \$630, resulting in a understatement of revenue account and overstatement of accounts payable account.
 - The Commission deducted an erroneous debit memo of \$6,083 from the assessment revenue, thereby, understating both assessment revenue and receivable accounts.
 - The Commission had not accounted for \$3,408 assessment receivable and revenue thereby understating both assessment receivable and revenue accounts.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-001. **FINDING** (Accounting and Financial Reporting Problems) (Continued)

- The Commission made several erroneous entries to correct the prior year error of recording a collection for Fund 685 as a revenue of Fund 940. The errors resulted in overstatement of both assessment receivable and revenue accounts totaling \$5,530.
- *Application/renewal fee receivable and revenue accounts*
 - The Commission made an erroneous entry by recording the already recorded deposit in transit as receivable, thereby, overstating both application/renewal receivable and revenue accounts by \$14,000.
 - The Commission had not accounted for \$22,000 application/renewal receivable and revenue accounts, thereby, understating both application/renewal receivable and revenue accounts.
 - The Commission erroneously recorded the transfer of the Self-Insurers Administration Fund cash balance amounting to \$24,452 to the Fund 940's application/renewal revenue instead of recording the transaction to unrestricted net position account.
- The Commission did not properly set up a miscellaneous receivable account during the year prior to crediting to the account its collections from excess insurance carrier for reimbursement of claim administration and prorated fees, as a result, the miscellaneous receivable account had a negative ending balance of \$3,754, and the claims processing revenue account was understated by the same amount.

We proposed, and the Commission posted, adjusting entries to correct these errors in Fund 940's final financial statements.

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 assets, resources, and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

In addition, complete and accurate financial statements are necessary to enable Fund 940's governing board, the Self-Insurers Advisory Board, to inform its economic, social, and political decision making and other users in assessing the financial condition and results of operations of Fund 940, as noted in Concepts Statement No. 1 of the Governmental Accounting Standards Board (paragraph 32), *Objectives of Financial Reporting*.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-001. **FINDING** (Accounting and Financial Reporting Problems) (Continued)

Further, the Governmental Accounting Standards Board Statement No. 34, paragraph 92, *Measurement Focus and Basis of Accounting*, requires the presentation of proprietary funds, such as the Fund, under the accrual basis of accounting and the economic resources measurement focus. Additionally, Governmental Accounting Standards Board Statement No. 34 (Footnote 11) notes transactions occur when something of value passes between two or more parties. Finally, National Council on Governmental Accounting Statement No. 1 (Paragraph 59), *Governmental Accounting and Financial Reporting Principles*, states that under the accrual basis of accounting, transactions are generally recorded when the transaction occurs, regardless of when cash is received or disbursed.

Commission officials indicated these problems were due to inexperience in recording infrequent events and oversight.

Failure to establish and maintain adequate internal fiscal and administrative controls over Fund 940's accounting records and financial reporting could have, if not detected and corrected through the audit process, resulted in a material misstatement of Fund 940's financial statements. (Finding Code No. 2023-001, 2022-001, 2021-001, 2020-001)

RECOMMENDATION

We recommend the Commission ensure all transactions and events impacting Fund 940 are recorded and reported in strict adherence with the generally accepted accounting principles applicable to Fund 940. Additionally, we recommend the Commission ensure an independent supervisory review by an individual with sufficient skills, knowledge, and experience to identify and correct errors is performed during the preparation of Fund 940's supporting schedules, journal entries, and financial statements.

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission has recently hired a new CPA for financial statement preparation as recommended. Note that all items listed in the finding have been corrected on the financial statement and most were corrected prior to submission to the IOC. The largest errors detected were one-time errors that would have self-corrected on next year's financial statement.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-002. **FINDING** (Inaccurate Census Data)

The Illinois Workers' Compensation Commission (Commission) had certain deficiencies in their internal control to ensure accurate census data was provided to the State Employees' Retirement System of Illinois (System) for use in the applicable annual actuarial valuations.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or other postemployment benefit (OPEB) plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuations (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Commission's employees are members of both the pension plan administered by the System and the State Employees Group Insurance Program (SEGIP) sponsored by the State of Illinois which includes OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During the performance of the OPEB census examination (covering data as of June 30, 2021, used in the June 30, 2022 OPEB actuarial valuation, for use in the employer's June 30, 2023 financial statements), it was identified that:

- During backwards testing, the auditors identified two of twenty-three (9%) employees included on Commission payroll reports included an incorrect retirement deduction code which resulted in them being improperly excluded from participating in the SEGIP and therefore improperly excluded from the census data.
- In addition, during the auditor's data reconciliation procedures, two additional employees were identified as improperly excluded from participation in the SEGIP and therefore improperly excluded from the census data.
- Finally, during the review of the Commission's reconciliation of its census data recorded by the System and State to its internal records, it was noted that only three of the four errors previously identified during the external examination above were included and communicated to the System.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-002. **FINDING** (Inaccurate Census Data) (Continued)

During the performance of the pension census examination (covering data as of June 30, 2022, used in the June 30, 2022 pension actuarial valuation, for use in the employer's June 30, 2023 financial statements), it was identified that:

- During backwards testing, the auditors identified one of twenty-three (4%) employees on Commission payroll reports that had an incorrect gender.
- During the review of the Commission's reconciliation of its census data recorded by the System and State to its internal records, it was noted that the reconciliation was not communicated to the System in a timely manner (submission was nearly three months after the due date requested by the System).

The result of the errors in each of the first bullet points above led to inaccurate census data being utilized by the System and the State in the performance of the annual pension and OPEB actuarial valuation processes. The independent actuaries utilized by the System and the State of Illinois for the pension and OPEB plans deemed the error immaterial to the plan level valuations as a whole.

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

Further, 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 control to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Commission officials indicated these exceptions were due to oversight.

Failure to ensure census data reported to the System was complete and accurate may result in significant misstatements of the Commission's financial statements and reduce the overall accuracy of System-related pension liabilities, deferred inflows and outflows of resources, and expense recorded by the State and its agencies. In addition, failure to reconcile active members' census data reported to and held by the System to the Commission's records in a timely manner could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the Commission's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2023-002, 2022-002, 2021-002, 2020-002)

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-002. **FINDING** (Inaccurate Census Data) (Continued)

RECOMMENDATION

We recommend the Commission strengthen controls to ensure accurate census data is provided to the System and State for use in the annual actuarial valuation process. If differences are noted between the Commission's data and the System and State's data, these differences should be communicated timely and rectified to ensure the actuarial valuations are using accurate data.

COMMISSION RESPONSE

The Commission agrees with the finding. For the OPEB related issues, these immaterial errors to the plan level valuations as a whole were due to the new payroll manager's unfamiliarity with processes and that it was the Human Resources division's first time reporting such issues. For the pension related issues, these immaterial errors to the plan level valuations as a whole were due to a single incorrect coding for the one person and misplacement of the document that caused the untimely filing.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-003. **FINDING** (Inadequate Controls over Receipts)

The Illinois Workers' Compensation Commission's (Commission) internal controls over its receipt processing function were not operating effectively during the examination period. In addition, the Commission did not exercise adequate internal control over its annual Agency Fee Imposition Reports (Report).

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

During our testing of 28 receipts during the year, we noted 25 of 140 (18%) attributes were not properly entered into the ERP System. Therefore, the Commission's internal controls over receipt processing were not operating effectively.

In addition, during our testing of 28 refund receipts during the year, we noted 20 of 140 (14%) attributes were not properly entered into the ERP System. Therefore, the Commission's internal controls over refund receipt processing were not operating effectively.

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

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

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2023-003. **FINDING** (Inadequate Controls over Receipts) (Continued)

During testing, we noted the Commission's Reports for fiscal years 2022 and 2023 had unreconciled differences. Specifically, we noted the following:

Fiscal Year 2022

- We noted unreconciled differences of \$5,622, \$19,338, and \$14,872 within the reported fees collected for the Second Injury Fund, Rate Adjustment Fund, and Illinois Workers' Compensation Commission Operations Fund.

Fiscal Year 2023

- We noted unreconciled differences of \$638, \$3,937, and \$297 within the reported fees collected for the Second Injury Fund, Rate Adjustment Fund, and Illinois Workers' Compensation Commission Operations Fund.

The State Comptroller Act (15 ILCS 405/16.2(a)) requires the Commission, if it imposes and collects fees, to prepare the annual Report. Further, SAMS Manual (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 SB04 report pursuant to the following formula:

$$\begin{array}{r} \text{Receipts, per Commission records (amount to report)} \\ \text{Add: Deposits in Transit, Beginning of the Year} \\ \text{Less: Deposits in Transit, End of the Year} \\ \hline \text{Deposits, Recorded by the State Comptroller (SB04)} \end{array}$$

Finally, this finding was first noted during the Commission's compliance examination for the period ended June 30, 2017, over six years ago. As such, Commission management has been unsuccessful in implementing a corrective action plan.

Commission officials indicated exceptions were due to oversight and staffing constraints.

Failure to properly enter the key attributes into the State's ERP when processing a receipt hinders the reliability and usefulness of data extracted from the ERP, which can result in improper recording of revenues and accounts receivable. Further, failure to prepare and file a complete and accurate Report limits the usefulness of the Comptroller's Statewide fee report and resulted in noncompliance with the State Comptroller Act and SAMS. (Finding Code No. 2023-003, 2021-003, 2019-008, 2017-008)

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2023-003. **FINDING** (Inadequate Controls over Receipts) (Continued)

RECOMMENDATION

We recommend the Commission design and maintain internal controls to provide assurance its data entry of key attributes into ERP and fees reported in the Report are complete and accurate.

COMMISSION RESPONSE

The Commission agrees with the finding. As a small agency we have one person responsible for the deficiency mentioned. This person has been replaced and the Commission expects improvement due to new personnel.

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2023-004. **FINDING** (Inadequate Controls over Accounts Receivable)

The Illinois Workers' Compensation Commission (Commission) did not sufficiently monitor and pursue collection on accounts receivable or properly report its accounts receivable to the Comptroller's Office.

During testing of 40 accounts receivable, we noted the following:

- Five of 40 (13%) delinquent accounts receivable tested, totaling \$98,335, were not actively monitored and pursued for collection, as follows:
 - Two (5%) tested accounts, totaling \$83,329, were deferred payment plans arising from settlement agreement for the Injured Workers' Benefit Fund between the debtor employer and the Commission where the employers had not followed the payment plan. We noted these employers had not made any payments during the examination period and the Commission had not referred these receivables to either the Illinois Debt Recovery Offset Portal (IDROP) at the Comptroller's Office or the Department of Revenue's Debt Collection Bureau (Bureau).
 - Three (8%) tested accounts, totaling \$15,006, were overpayments by the Commission of benefits from the Injured Workers' Benefit Fund. We noted the Commission had not referred these receivables to either the IDROP at the Comptroller's Office or the Bureau. Further, the Commission did not send first and second notices to these debtors.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/3) states the public policy of the State is to aggressively pursue amounts owed to the State through all reasonable means. In addition, the Statewide Accounting Management System (SAMS) (Procedure 26.40.20) and the Act (30 ILCS 210/5(c-1)) requires the Commission places debts which exceed \$250 and more than 90 days past due must be placed in the IDROP. Moreover, the Act (30 ILCS 210/5(g)) requires the Commission refer all debt to the Bureau. Finally, the Commission's *Benefit Collection Policy* states a letter to overpaid recipients must be sent to the recipient's estate or last known address with the overpaid amount that is due to the Commission with a second letter sent approximately six-months later if there is not a response.

During testing of the Commission's Quarterly Summary of Accounts Receivable (Form C-97) reports during the examination period, we noted the following:

- The Injured Workers' Benefit Fund's estimated uncollectible accounts balance was erroneously reported as \$1,929 thousand in the Commission's third quarter

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2023-004. **FINDING** (Inadequate Controls over Accounts Receivable) (Continued)

Form C-97 report for Fiscal Year 2023 as opposed to \$2,102 thousand from the Commission's records.

- The Rate Adjustment Fund has several discrepancies across several tested quarters within the Commission's Form C-97s, as noted below:
 - The amount reported in the second quarter Form C-97 for Fiscal Year 2022 as collections had discrepancies of \$2 thousand when compared to the Commission's records.
 - The amount reported in the fourth quarter for Fiscal Year 2022 as new accounts receivable and adjustments had discrepancies totaling \$4 thousand when compared to the Commission's records.
 - The amount reported in the third quarter for Fiscal Year 2023 as new accounts receivable had discrepancies of \$4 thousand when compared to the Commission's records.

SAMS (Procedure 26.30.20) requires the Commission to prepare and submit a quarterly Form C-97 summarizing its accounts receivable activity transactions during the reported quarter with reported dollar amounts rounded to the nearest thousand. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission establish a system, or systems, of internal fiscal and administrative controls to provide assurance revenues 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 exceptions were due to employee oversight and staffing constraints.

Failure to timely and actively pursue amounts due decreases the likelihood these accounts receivable will be collected by the Commission, limits the amount of resources available for use within these funds, and represents noncompliance with State laws and regulations. Further, failure to submit complete and accurate quarterly Form C-97 reports hinders accountability and oversight of collections activity and limits the usefulness of Statewide accounts receivable reports. (Finding Code No. 2023-004, 2021-004, 2019-011)

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2023-004. **FINDING** (Inadequate Controls over Accounts Receivable) (Continued)

RECOMMENDATION

We recommend the Commission review the design and operation of its internal controls over accounts receivable to ensure it timely pursues and attempts to collect amounts due to the Commission, including by referring amounts due to IDROP and the Bureau. In addition, the Commission should implement controls to ensure its quarterly Form C-97 reports are complete and accurate.

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission has hired new Accounts Receivable personnel and expects continued improvement in controls over Accounts Receivable.

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2023-005. **FINDING** (Inadequate Controls over Property)

The Illinois Workers' Compensation Commission (Commission) lacked adequate internal control over its equipment.

During review of the Commission's property and equipment items including its records, we noted the following:

- During testing of 80 equipment items either (1) found in use at the Commission Office traced by us to the Commission's records or (2) recorded on the Commission's records traced by us to the Commission's Offices, we noted five (6%) items, including a television, a printer, a trolley, a shredder, and a conference table were found at the Commission Offices but could not be traced to the Commission's property listing. In addition, three (4%) items tested, a podium and two speakers, did not have an inventory tag or other marking of its inventory tag number; as such, we could not trace these items to the Commission's property listing.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.230) requires the Commission to record each item's identification number in its property records. Further, the Code (44 Ill. Admin. Code 5010.210) requires the Commission to mark each item it owns as the property of the State of Illinois with its tag number.

- During testing of six equipment acquisitions totaling \$21,942, we noted the following:
 - One (17%) item, a USB-C dock, was incorrectly recorded with acquisition value of \$191 as opposed to \$328, resulting in an understatement of \$137.

The Code (44 Ill. Admin. Code 5010.240(e)) requires the Commission record an item's acquisition value in its property records.

- Five (83%) items, including a mailing device, three laptops, and a desk, totaling \$21,752, were recorded in the Commission's property records more than 90 days after acquisition, ranging from 22 to 773 days late.

The Code (44 Ill. Admin. Code 5010.400) requires the Commission to adjust property records within 90 days of acquisition, change, or deletion of equipment.

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2023-005. **FINDING** (Inadequate Controls over Property) (Continued)

- During testing of 15 equipment deletions totaling \$10,591, we noted the Commission did not maintain a copy of internal investigation detailing efforts made to locate the missing item and/or a copy of a police report for one (7%) item, a laptop, amounting to \$1,239, coded as Not Located. In addition, the Commission could not prove this laptop did not have confidential information on their hard drives or that this computers had been protected with encryption technologies.

The Code (44 Ill. Admin. Code 5010.310(c)) requires the Commission to maintain a copy of internal investigation detailing efforts made to locate missing items and/or a copy of police report for Not Located equipment items. The Commission is responsible for protecting confidential information it receives and processes from disclosure and to ensure the provisions of the Personal Information Protection Act (815 ILCS 530) are followed.

- The Commission did not identify all of its costs incurred during the application development period of Self-Insurance Plus and CompFile! and did not record the related intangible asset on its property listing. Moreover, invoices from the Self-Insurance Plus development vendor did not provide sufficient details to determine if the vendor was paid in accordance with the contract's requirements (see Finding 2023-008).

SAMS (Procedures 03.30.20 and 03.30.30) requires the Commission capitalize all costs incurred during an intangible asset's application development stage, if the total cost of a non-internally generated project exceeds \$25,000.

Finally, this finding was first noted during the Commission's compliance examination for the period ended June 30, 2003, **over 20 years ago**. Although the Commission made significant improvements on its control over equipment, the Commission management has been unsuccessful in implementing a corrective action plan to remedy these problems.

Commission officials indicated exceptions were due to oversight.

Failure to maintain sufficient internal control over equipment items hinders governmental oversight, increases the risk of lost assets and exposure of confidential information, and represents noncompliance with State laws and regulations. (Finding Code No. 2023-005, 2021-005, 2019-002, 2017-005, 2015-003, 2013-005, 11-7, 09-6, 07-4, 05-5, 03-7)

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2023-005. **FINDING** (Inadequate Controls over Property) (Continued)

RECOMMENDATION

We recommend the Commission review its remaining property items in use and ensure these items are properly marked with an inventory number and recorded on its property listing. Additionally, we recommend the Commission monitor its property and the related listing to ensure events and transactions, such as additions and deletions, impacting its property are accurately and timely recorded and are properly supported with required documentation.

Further, we recommend the Commission ensure its equipment items with data storage capabilities, which may process or store confidential data, are protected from exposure.

COMMISSION RESPONSE

The Commission agrees with the finding. We will continue to attempt to implement a corrective plan to remedy these problems.

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2023-006. **FINDING** (Voucher Processing Controls Not Operating Effectively)

The Illinois Workers' Compensation Commission (Commission) internal controls over its voucher processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the State's Enterprise Resource Planning (ERP) System operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Commission to determine whether certain key attributes were properly entered by the Commission's staff into the ERP System. In order to determine the operating effectiveness of the Commission's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the ERP System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

Our testing noted 35 of 140 (25%) attributes were not properly entered into the ERP System. Therefore, the Commission's internal controls over voucher processing were not operating effectively.

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Commission to, after receipt of goods or services, verify the goods or services received met the stated specifications and prepare a voucher for submission to the Comptroller's Office to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure. Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Commission to maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Finally, 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 expenditures are properly recorded and accounted for to maintain accountability over the State's resources.

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

Even given the limitations noted above, we conducted an analysis of the Commission's expenditures data for fiscal years 2022 and 2023 to determine compliance with the Code (74 Ill. Admin. Code 900.70). We noted the following noncompliance:

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2023-006. **FINDING** (Voucher Processing Controls Not Operating Effectively) (Continued)

- The Commission did not timely approve 44 of 30,283 (less than 1%) vouchers processed during the examination period, totaling \$234,105. These late vouchers were between 1 and 130 days late.

In addition, during our testing of 40 travel vouchers, we noted two (5%) vouchers were not timely approved by the Commission. These late vouchers were 6 and 13 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Commission to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

Further, during our testing of 35 vouchers, we noted the following:

- Two (6%) vouchers, totaling \$2,028,262, were not coded with the correct SAMS object code.

The SAMS Manual (Procedure 11.10.50) states the purpose of the detail expenditure account is to report expenditure information at a more refined level within a common object. The SAMS Manual (Procedure 11.50.30) describes each detail expenditure account and the manner in which it should be used.

- One (3%) voucher, amounting to \$2,097, was charged to the incorrect fiscal year.

Good business practice dictates vouchers should be charged against the correct fiscal year so that expenditures do not exceed the appropriated amounts.

- One (3%) voucher, amounting to \$300, was incorrectly paid and charged as a Commission expense. The expense was incurred by the Insurance Compliance Division which was transferred to the Department of Insurance effective Fiscal Year 2022.

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 that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's

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2023-006. **FINDING** (Voucher Processing Controls Not Operating Effectively) (Continued)

resources. The Commission's system of internal controls should include procedures to ensure expenses are properly recorded.

Commission officials indicated exceptions were due to employee oversight and staffing constraints.

Failure to properly enter the key attributes into the State's ERP System when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP System, which can result in improper interest calculations and expenditures. In addition, failure to timely process proper bills represents noncompliance with the Code. Further, failure to establish and maintain adequate control over voucher processing increases the likelihood errors or other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties, resulted in expense not recorded within the proper fiscal year and resulted in noncompliance with State laws, rules, and regulations. (Finding Code No. 2023-006, 2021-020, 2019-006, 2017-007, 2015-001, 2013-007)

RECOMMENDATION

We recommend the Commission design and maintain internal controls to provide assurance its data entry of key attributes into the ERP System is complete and accurate, ensure expenditures are properly recorded within the correct fiscal year and comply with State laws and regulations. We also recommend the Commission process proper bills within 30 days of receipt.

COMMISSION RESPONSE

The Commission agrees with the finding.

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2023-007. **FINDING** (Failure to Establish Project Management Internal Controls)

The Illinois Workers' Compensation Commission (Commission) failed to establish internal controls to conduct due diligence or ensure project management controls over the Self-Insurance Plus project.

In order to modernize the self-insurance management system, the Commission executed two contracts for the development and oversight of Self-Insurance Plus, totaling \$7,319,870. As of June 30, 2023, the Commission had implemented the release of Self-Insurance Plus and CompFile! into the production environment.

As part of our testing, we requested documentation to determine if Self-Insurance Plus had been developed to meet the Commission's requirements and contractual requirements. During testing, we noted the following:

- A project management framework had not been implemented to ensure the development met the Commission's requirements.
- System development standards had not been established to ensure system developments were properly completed, documented, and properly approved.
- The following project deliverables were not signed-off by the Project Team:
 - Solution Testing Plan; and
 - Functional Design Document.
- The project management plan did not document the change management process followed.

The *Risk Management Framework for Information Systems and Organizations: A System Life Cycle Approach for Security and Privacy* (Special Publication 800-37, Second Revision) published by the National Institute of Standards and Technology requires entities develop and follow the phases of the system development life cycle to ensure all requirements are met.

In addition, the State Records Act (5 ILCS 160/8) requires the Commission make and preserve adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Commission to protect the legal and financial rights of the State and of persons directly affected by the Commission's activities.

Finally, 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, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

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2023-007. **FINDING** (Failure to Establish Project Management Internal Controls)
(Continued)

Commission officials indicated they disagreed with the finding since they do not have a project management office and relied on their contractor's framework to implement and deliver all aspects of the project.

Failure to establish sufficient internal controls related to project management resulted in the project not meeting the Commission's requirements. (Finding Code No. 2023-007, 2021-006)

RECOMMENDATION

We recommend the Commission develop and implement internal controls over its project management of information systems projects. Specifically, the Commission should:

- Develop a project management framework to ensure the development meets the Commission's requirements;
- Establish system development standards to ensure system developments are properly completed, documented, and properly approved;
- Ensure project deliverables are properly approved or signed-off by the authorized personnel; and
- Ensure the project management plan documents the change management process followed.

COMMISSION RESPONSE

The Commission disagrees with the finding. The Commission contracted the Vendor to develop and implement the Self Insurance and CompFile! applications. This included utilizing the vendors' project management framework and system development standards, per industry guidelines. The Commission does not have a project management office to implement or develop custom applications such as these, nor does the Commission plan to develop any other applications. The Self-Insurance Plus and CompFile! applications were developed to meet the Commissions requirements and have since been launched and are being fully utilized for core business functions.

AUDITOR'S COMMENT

The Commission is ultimately responsible for ensuring information systems projects are within industry standards and to maintain documentation showing those standards were followed.

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2023-008. **FINDING** (Lack of Fiscal Controls over the System Development Projects)

The Illinois Workers' Compensation Commission (Commission) lacked controls to ensure fiscal requirements were controlled and documented over the Self-Insurance Plus and CompFile! projects.

In order to modernize the Commission's self-insurance management system, two contracts for the development and oversight of the Self-Insurance Plus project were executed by the Commission, totaling \$7,319,870. The Commission also spent \$6,405,934 to modernize its case management system, CompFile!.

As part of our testing, we requested the Commission provide documentation related to the budget, contracts, and expenditures for the Self-Insurance Plus project. During testing, we noted the invoices from the Self-Insurance Plus development vendor did not provide sufficient details to determine if the vendor was paid in accordance with the contract's requirements.

Further, we noted the Commission did not identify all of its costs incurred during the application development period of Self-Insurance Plus and CompFile! and did not record the related intangible asset on its property listing.

The Statewide Accounting Management System (SAMS) (Procedure 17.10.30) requires the Commission pre-audit all vouchers for the purpose of determining the "legality and propriety of a proposed transactions or a transaction in process." In addition, the State Records Act (5 ILCS 160/8) requires the Commission make and preserve adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions to protect the legal and financial rights of the State.

SAMS (Procedures 03.30.20 and 03.30.30) requires the Commission capitalize all costs incurred during an intangible asset's application development stage, if the total cost of a non-internally generated project exceeds \$25,000.

Finally, 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, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

Commission officials indicated these exceptions were due to lack of staffing.

Failure to obtain sufficient invoice details of the services rendered may result in improper payments to the project's vendors and may result in the Commission expending funds which were not available. Further, failure to identify and capitalize all

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2023-008. **FINDING** (Lack of Fiscal Controls over the System Development Projects)
(Continued)

costs related to system development projects reduces the overall reliability of Statewide capital asset reporting. (Finding Code No. 2023-008, 2021-007)

RECOMMENDATION

We recommend the Commission implement controls to ensure expenditures are made in accordance with contractual requirements. In addition, we recommend the Commission identify all costs incurred during the application development stage and capitalize the costs on its property listing as an intangible asset.

COMMISSION RESPONSE

The Commission partially agrees with this finding. The vendor was paid in accordance to the contract's requirements and the application did meet the Commission's requirements at project completion. Going forward, the project will capitalize the costs on its property listing as an intangible asset.

AUDITOR'S COMMENT

The Commission was unable to provide sufficient evidence that the vendor was paid according to terms.

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2023-009. **FINDING** (Inadequate Information Technology Access Controls)

The Illinois Workers' Compensation Commission (Commission) had not implemented adequate controls over access to its applications.

In order to meet its mission, the Commission utilizes various applications to maintain and process workers' compensation cases.

During our testing, we noted the following:

- Two (29%) of seven Self-Insurance Plus user accounts did not have documentation of access requests and approvals.
- The Commission was unable to provide access security reports of Central Timekeeping and Attendance System (CTAS), Central Payroll System (CPS), and eTime. As a result, we were unable to determine if the Commission was granting access to CTAS, CPS and eTime based on job duties, maintaining segregation of duties, and revoking access to separated employees. In addition, the Commission did not perform periodic access reviews of these applications.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control and System and Communication Protection sections, requires entities to implement adequate internal controls over access to their environments, applications, and data.

In addition, the State Records Act (5 ILCS 160/8) requires the Commission make and preserve adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions to protect the legal and financial rights of the State.

Finally, 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, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

Commission officials indicated the issues were due to lack of staffing.

Failure to implement adequate access controls could result in unauthorized access and the disclosure of confidential information. (Finding Code No. 2023-009, 2021-008)

RECOMMENDATION

We recommend the Commission create and maintain documentation demonstrating user access to its various systems is appropriate and perform periodic review of user access rights.

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2023-009. **FINDING** (Inadequate Information Technology Access Controls) (Continued)

COMMISSION RESPONSE

The Commission agrees with this finding. The Commission has since created a security matrix to track and maintain user access requests and approvals. The Commission has also implemented a process to periodically review user access rights.

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2023-010. **FINDING** (Inadequate Controls over Service Providers)

The Illinois Workers' Compensation Commission (Commission) had not implemented adequate internal control over its service providers.

During testing, we requested Commission officials provide the population of service providers utilized by the Commission during the examination period to determine if they had reviewed each service provider's internal controls. Commission officials were unable to provide us with the population of service providers. Further, we identified two service providers, one providing hosting services and another providing Software as a Service (SaaS) to the Commission.

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 § 205.36) to test the Commission's service providers.

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 over the two service providers we identified.

Our testing noted the Commission had not obtained a System and Organization Control (SOC) report or conducted an independent internal control review for the two service providers. In addition, the Commission had not developed a process to ensure the service providers' contracts contain a requirement for an independent review to be completed.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the provider's internal controls related to the services provided. Such assurance may be obtained through SOC reports or independent reviews.

Further, 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, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

Commission officials indicated the issue was due to competing priorities.

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2023-010. **FINDING** (Inadequate Controls over Service Providers) (Continued)

Without obtaining and reviewing a SOC report or another form of independent internal controls review, the Commission lacks assurance the service providers' internal controls are adequate. (Finding Code No. 2023-010, 2021-009)

RECOMMENDATION

We recommend the Commission strengthen its controls in identifying and documenting all service providers utilized. Further, we recommend the Commission obtain SOC reports or conduct independent internal control reviews, at least, annually. In addition, we recommend the Commission:

- Monitor and document the operation of the Complementary User Entity Controls (CUECs) related to the Commission's operations;
- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to ensure the existence of the subservice organization would not impact its internal control environment;
- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impact to the Commission, and any compensating controls; and
- Develop a process to ensure service provider contracts contain requirements for an independent review.

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission has developed a policy for the annual review of service providers and SOC reports. The Commission will continue to develop this process and implement the audit recommendations.

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2023-011. **FINDING** (Inadequate Controls over the Submission of Required Employment Reports)

The Illinois Workers' Compensation Commission (Commission) did not maintain adequate controls over the submission of required employment reports. Specifically, we noted the Commission did not report annually to the Department of Central Management Services (DCMS) and Department of Human Rights, on forms prescribed by DCMS, all of its activities in implementing the State's African American, Hispanic, Asian-American, and Native American employment plans, for both fiscal years 2022 and 2023.

The Department of Central Management Services Law (Law) (20 ILCS 405/405-125) and the African American Employment Plan Act (20 ILCS 30/20) require each State agency to implement strategies and programs in accordance with the Plans to increase the number of Hispanics, Asian Americans, African Americans, and Native Americans employed by the State, and the number of bilingual persons employed by the State at supervisory, technical, professional, and managerial levels. Each State agency shall report annually to the Department of Central Management Services (DCMS) and the Department of Human Rights in a format prescribed by DCMS, all of the agency's activities in implementing the Plans.

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 for the preparation of reliable financial and statistical reports.

Commission officials indicated exceptions were due to oversight.

Failure to file required reports prevents fulfillment of the purposes of the laws, which are to provide information to help guide efforts to achieve a more diversified work force. (Finding Code No. 2023-011)

RECOMMENDATION

We recommend the Commission implement procedures to ensure timely submission of required reports.

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission has hired a dedicated Human Resource associate tasked with completing and submitting these requests in a timely manner.

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2023-012. **FINDING** (Inadequate Controls over Employee Records)

The Illinois Workers' Compensation Commission (Commission) had not established adequate controls over the maintenance of its employee records.

During testing of 16 employees' personnel files, we noted the following:

- Four (25%) Employment Eligibility Verification (I-9) forms were not maintained in the employees' personnel files. Upon auditor's notification, the Commission subsequently asked the two employees to complete the I-9 forms for our review.
- One (6%) employee's timesheet was submitted five days after the end of the following pay period.

The U.S. Citizenship and Immigration Services Instructions (USCIS Instructions) for I-9 forms require both employers and employees complete their respective sections of the I-9 form. The USCIS Instructions require the employee to complete, sign, and date the I-9 form no later than the first day of employment. The employer is required to examine evidence of identity and employment authorization of each new employee no later than three business days after the employee's first day of employment. The employer is required to document the hire date, their signature, and date of review of the I-9 form. Additionally, the employer is required to retain each employee's completed I-9 form for as long as the individual works for the employer and for specified period after employment has ended. Employers are required to retain the pages of the form on which the employee and employer entered data. If copies of documentation presented by the employee are made, those copies must also be retained. Once the individual's employment ends, the employer must retain I-9 form attachments for either three years after the date of hire or one year after the date employment ended; whichever is later.

The Commission's Employee Manual (Work Hours section) requires employees time spent on State business during a pay period shall be documented in the Commission's Ethics Timekeeping Work Diary not later than the end of the following pay period.

Further, 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. Effective internal controls should ensure employee timesheet and I-9 forms are timely submitted, properly completed and maintained in employee personnel files.

Commission officials indicated exceptions were due to oversight.

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2023-012. **FINDING** (Inadequate Controls over Employee Records) (Continued)

Failure to properly complete I-9 forms within the required timeframe and maintain such forms is a violation of USCIS requirements and could expose the Commission to penalties. In addition, failure to complete timesheets timely as required by the Commission procedures may result in inaccurate time records and overpayment of payroll. (Finding Code No. 2023-012)

RECOMMENDATION

We recommend the Commission ensure the I-9 forms are properly completed and personnel records are properly maintained. We also recommend the Commission adhere to its procedures on timely completion of timesheets.

COMMISSION RESPONSE

The Commission agrees with the finding. All I-9s are now up to date and the Commission's manual has been updated so this will not be a finding going forward.

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2023-013. **FINDING** (Inadequate Control over Telecommunication Devices)

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

During testing of issued and canceled wireless communication devices, we noted the following:

- Four of six (67%) issued wireless communication devices tested did not have the Telecommunication Service Request (TSR) forms completed for the issuance of the wireless communication devices.
- Six of six (100%) issued wireless communication devices tested did not have supporting documents of the request of the respective employees' Manager and the approval of the Chairman.
- One of four (25%) canceled wireless communication devices tested was not returned when employee separated from the Commission for a period of 3 months then returned. The Commission continued to pay for the wireless communication device during the separation. This wireless communication device was noted to be deactivated 244 days after the employee originally separated from the Commission.
- Four of four (100%) canceled wireless communication devices tested did not have supporting documentation (e-mail request/approval) for the cancellation of service or for the change of mobile device from the Chairman.

The Commission's Procedures (Section 4.2.13 Telecommunications Vouchering) state, "Any telecommunication requests for moves, adds, or changes must be submitted via e-mail to the Information Technology (IT) Staff from the Manager. Any cell phone moves, adds, or changes must be approved via e-mail by the Chairman. Once the IT Staff has the required e-mail authorization from the Manager/Chairman, IT staff submits a Telecommunication Service Request (TSR) to CMS for changes."

The State of Illinois' Wireless Communication Policy (Policy) requires the Commission to document an employee's need for a wireless communication device and to forward approved and completed service requests to the Department of Innovation and Technology. The Policy also requires the Agency Telecommunications Coordinator to be responsible for securing the return of wireless communication devices issued to an employee who no longer has a need for the devices and for ensuring the accuracy of all service requests.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires agencies to establish and maintain a system, or systems, of internal fiscal and

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2023-013. **FINDING** (Inadequate Control over Telecommunication Devices) (Continued)

administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws; funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Good internal controls include prompt cancellation and deactivation of telecommunication devices as soon as an employee is separated or terminated from the Commission.

Commission officials indicated the exceptions were due to challenges in maintaining proper level of oversight on mobile devices brought about by the lack of staff resources and procedural issues within the Commission's Information Technology section.

Failure to maintain adequate internal control over the issuance and cancellation of wireless communication devices resulted in noncompliance with the Commission's Procedures and the State's Policy and may have resulted in the incurrence of unnecessary costs. (Finding Code No. 2023-013, 2021-011)

RECOMMENDATION

We recommend the Commission implement controls to:

- 1) prepare documentation supporting the need for a new wireless communication device and issuance approval prior to getting a new wireless communication device;
- 2) ensure the timely collection of wireless communication devices and cancellation of all telecommunication services upon an employee's separation; and,
- 3) prepare documentation for request/approval for the cancellation or changes to mobile device services or assignment.

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission has since developed a policy for the review and documentation of telecommunications devices including requests/approvals for issuance, cancellations, and changes to mobile device services. The Commission will continue to implement the controls outlined in the audit recommendations.

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2023-014. **FINDING** (Inadequate Control over Performance Evaluations)

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

During testing of 16 employees with 29 required performance evaluations during the examination period, we noted the following:

- Five (17%) annual performance evaluations were completed 38 to 211 days late.
- One (3%) first probationary performance evaluation was completed 288 days late.
- Three (10%) final probationary performance evaluations were completed 98 to 210 days late.

Section 2, Article XXVII of the agreement between the Department of Central Management Services and all Departments, Boards and Commissions subject to the Personnel Code (Employer), and the American Federation of State, County, and Municipal Employees (AFSCME) Council 31, AFL-CIO (Union) states that the Employer shall prepare two (2) written evaluations on employees who are serving an original probation or a probation as a result of promotion - one evaluation at the midpoint of the probationary period and one two (2) weeks prior to the end point of such probation. In addition, the Employer may prepare periodic evaluations of employees. Furthermore, the Employer shall endeavor to evaluate employees not less often than annually, and the evaluation shall be conducted within four (4) months after the end of the twelve (12) month period covered by the evaluation.

Further, this finding was first noted during the Commission's compliance examination for the period ended June 30, 2017, over six years ago. As such, Commission management has been unsuccessful in implementing a corrective action plan to remedy these problems.

Commission officials indicated exceptions were due to staffing constraints and competing priorities.

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. 2023-014, 2021-016, 2019-010, 2017-010)

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2023-014. **FINDING** (Inadequate Control over Performance Evaluations) (Continued)

RECOMMENDATION

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

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission has implemented an email database that generates regular alerts to each supervisor in advance of the Performance Evaluation due date. Additionally, Human Resource department now has a dedicated staff member to ensure these evaluations are completed in a timely manner.

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2023-015. **FINDING** (Noncompliance with Report and Publication Requirements)

The Illinois Workers' Compensation Commission (Commission) did not comply with various requirements governing its reports and publications.

During testing, we noted the following:

- The Commission did not timely prepare or deliver its Fiscal Year 2021 and Fiscal Year 2022 annual report of its acts and doings to the Governor. Specifically, the Fiscal Year 2021 and Fiscal Year 2022 annual reports were submitted 158 and 167 days late, respectively.

The State Finance Act (30 ILCS 105/3(a)) requires the Commission, no later than January 7 of each year, make and deliver to the Governor an annual report of its acts and doings for the fiscal year ending in the calendar year immediately preceding the calendar year in which that regular session of the General Assembly convenes.

- The Commission did not identify the person(s) responsible for the distribution of publications to the Government Documents Section of the Illinois State Library (Library) in Fiscal Year 2022.

The Illinois Administrative Code (23 Ill. Admin. Code 3020.150) requires written submission of the identity of the person(s) responsible for the distribution of the Commission's publications annually on July 15 and within two weeks after any change in the annual filing.

Commission officials indicated, based on the Commission's statutory interpretation, the Commission's responsibility to file an annual report to the Governor is provided in the Workers' Compensation Act at 820 ILCS 305/15. And, in that light, the Commission acknowledges the language of the State Finance Act but defers to the mandate within its own Act as the proper date of submission for the annual report. The Commission filed their annual reports to the Governor timely under the Workers' Compensation Act.

Commission officials also indicated, not identifying the person responsible for the distribution of publications to the Library was due to oversight.

Failure to prepare and timely file reports and publications or inform the State Library of the person or persons responsible for distribution of documents is noncompliance to the Act and Code. Further, it deprives the Governor and the General Assembly of valuable information needed to manage the operations of the State. (Finding Code No. 2023-015, 2021-017)

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2023-015. **FINDING** (Noncompliance with Report and Publication Requirements)
(Continued)

RECOMMENDATION

We recommend the Commission implement controls to ensure:

- 1) an annual report of the Commission's acts and doings during the prior fiscal year is prepared and submitted to the Governor no later than January 7 of each year.
- 2) the person(s) responsible for the distribution of the Commission's publications to the Government Documents Section of the Library is disclosed in strict adherence with the applicable provisions of the Illinois Administrative Code.

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission's statutory interpretation of the Workers' Compensation Act was that the Commission's specific Annual Report superseded the "acts and doings" requirements of the State Finance Act. However, on reanalysis, the Commission acknowledges the existence of the two discrete filings to the Governor and will proceed with the two filings going forward. The Commission submitted its Fiscal Year 2023 report of acts and doings immediately, approximately 30 days past the deadline in February 2024. The Commission was not previously aware of the requirement to identify the person(s) responsible for distribution of publications to the Government Documents Section of the Library and has complied with this requirement after being notified of the deficiency by the auditors.

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2023-016. **FINDING** (Inadequate Controls over the Annual Agency Workforce Reporting)

The Illinois Workers' Compensation Commission (Commission) lacked adequate internal control over its annual Agency Workforce Report (Report).

During testing, we noted the following:

Fiscal Year 2021 Report (filed in Fiscal Year 2022)

- The Report accuracy cannot be verified since the Commission did not maintain a copy of its employee data used in preparing the Fiscal Year 2021 Agency Workforce Report.

Fiscal Year 2022 Report (filed in Fiscal Year 2023)

- The number of individuals and statistical percentages reported for females and minorities with income totaling \$70,000 through \$99,999 were mathematically inaccurate. Thus, total number of minority employees and total number of minority professionals were also mathematically inaccurate.
- The support provided by the Commission did not agree with the Fiscal Year 2022 Report for multiple categories.

Fiscal Year 2019 and Fiscal Year 2020 Reports

- During our examination of the two years ended June 30, 2021, we noted problems with the Commission's Report for both Fiscal Year 2019 and Fiscal Year 2020 as described in Finding 2021-018. As such, we recommended the Commission file a corrected Report for these years with the Governor and Secretary of State within 30 days after the Commission's *Compliance Examination* report was released by the Auditor General. During this examination, we noted the Commission did not file a corrected Report with the Governor and/or the Secretary of State for either fiscal year.

The State Employment Records Act (5 ILCS 410/15) requires the Commission to collect and maintain the total number of persons employed by the Commission who are part of the State workforce, and the number and statistical percentage of women, minorities, and physically disabled persons employed within the Commission workforce.

The State Records Act (5 ILCS 160/8) requires the Commission to make and preserve records containing adequate and proper documentation of the organization. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001(4))

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2023-016. **FINDING** (Inadequate Controls over the Annual Agency Workforce Reporting)
(Continued)

requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are properly accounted for to permit the preparation of reliable statistical reports.

The Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) requires the Commission, if the Auditor General determines it has failed to comply with the requirements of the State Employment Records Act, to prepare and file with the Governor and the Secretary of State a corrected Report within 30 days after the Commission's *Compliance Examination* report was released by the Auditor General.

Further, this finding was first noted during the Commission's compliance examination for the period ended June 30, 2017, over six years ago. As such, Commission management has been unsuccessful in implementing a corrective action plan to remedy these problems.

Commission officials indicated exceptions were due to employee oversight.

Failure to retain supporting documentation, accurately report statistical information regarding women, disabled, and minority groups, and file corrected reports limits the usefulness of the Commission's reports and represents noncompliance with State laws. In addition, failure to file a corrected Report for both Fiscal Year 2019 and Fiscal Year 2020 resulted in the Governor and Secretary of State having inaccurate information about the Commission's workforce and resulted in noncompliance with the Illinois State Auditing Act. (Finding Code No. 2023-016, 2021-018, 2019-009, 2017-009)

RECOMMENDATION

We recommend the Commission maintain proper documentation to support its annual Report. In addition, we recommend the Commission strengthen internal controls to ensure accurate submission of required reports. We further recommend the Commission file corrected Reports with the Governor and Secretary of State within 30 days after the release of this compliance report.

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission has hired a team member dedicated to completing the submission and ensuring it is sent to the Secretary of State and the Governor's office. This individual will also be tasked with ensuring the data submitted accurately depicts the snapshot of the agency at the time of submission.

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2023-017. **FINDING** (Failure to Seek a Judgment in Circuit Court)

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

During testing, we noted the following:

- The Commission has not collected from a self-insurer for an assessment dating back to Fiscal Year 2009, totaling \$228. In response to the prior engagement finding, the Commission requested the Attorney General's representation in circuit court or for the Attorney General to certify the amount as uncollectible.
- The Commission had two assessments during the examination period on July 30, 2021 and November 15, 2022, which required self-insurers to calculate and remit their amount due no later than August 31, 2021 and December 16, 2022, respectively.
 - We noted 180 self-insurers owing \$754,438 of the \$1,226,082 (62%) for Fiscal Year 2022 assessment wrote a check to pay their balance due after the deadline. The last check was dated June 19, 2022 which was 292 days after the deadline.
 - We noted 158 self-insurers owing \$499,714 of the \$1,110,477 (45%) for Fiscal Year 2023 assessment wrote a check to pay their balance due after the deadline. The last check was dated June 13, 2023 which was 179 days after the deadline.

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."

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 exceptions were due to oversight and the Attorney General not pursuing small dollar claims.

Failure to seek judgment against noncompliant self-insurers delays the receipt of cash resources and resulted in foregone interest income available to the Self-Insurers Security Fund, hinders accountability for entities that have received the privilege to self-insure their workers' compensation liabilities as intended by the General

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2023-017. **FINDING** (Failure to Seek a Judgment in Circuit Court) (Continued)

Assembly, and represents noncompliance with State law. (Finding Code No. 2023-017, 2021-021, 2019-013)

RECOMMENDATION

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

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission purposely did not refer these to the circuit court because we know by the time of the court procedure, we would get a 100% collection rate of these outstanding amounts and it would be an inefficient use of the Commission and the circuit court's time. The only outstanding assessment due is \$228.00. This will be written off in Fiscal Year 2024.

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2023-018. **FINDING** (Weakness in Cybersecurity Programs and Practices)

The Illinois Workers' Compensation Commission (Commission) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

The Commission is responsible for resolving disputes between employees and employers regarding work-related injuries and illnesses. As a result, the Commission collects many varieties of personal and confidential information, including, but not limited to, names, addresses, social security numbers, and health information.

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 program, practices, and control of confidential information, we noted the Commission had not:

- Established and documented cybersecurity roles and responsibilities;
- Developed a project management framework to ensure new applications were adequately developed and implemented in accordance with management's expectations;
- Developed a risk management methodology, conducted a comprehensive risk assessment, or implemented risk reducing controls;
- Developed a cybersecurity plan;
- Developed policies and procedures for reporting and monitoring security implementation and violations;
- Developed a data maintenance and destruction policy;
- Developed a data classification methodology and classified its data; and
- Developed a process to obtain and monitor security vulnerability reports.

In addition, we noted six (100%) of six Commission's contractors did not complete the cybersecurity training.

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

In addition, the Data Security on State Computers Act (20 ILCS 450/25) requires every employee to annually undergo training provided by the Department of Innovation and Technology concerning cybersecurity.

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2023-018. **FINDING** (Weakness in Cybersecurity Programs and Practices) (Continued)

Further, 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, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and to maintain accountability over the State's resources.

Finally, this finding was first noted during the Commission's compliance examination for the period ended June 30, 2019. As such, Commission management has been unsuccessful in implementing a corrective action plan to remedy these problems.

Commission officials indicated they partially disagreed with this finding, noting they believe the Department of Innovation and Technology (DoIT) was responsible for cybersecurity programs and practices.

Inadequate cybersecurity programs and practices could result in unidentified risks and vulnerabilities, which could ultimately lead to the Commission's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-018, 2021-012, 2019-005)

RECOMMENDATION

We recommend the Commission:

- Establish and document cybersecurity roles and responsibilities;
- Develop a project management framework to ensure new applications are adequately developed and implemented in accordance with management's expectations;
- Develop a risk management methodology, conduct a comprehensive risk assessment, and implement risk reducing internal controls;
- Develop a cybersecurity plan;
- Develop policies and procedures for reviewing and monitoring security implementation and violations.
- Develop a data classification methodology and classify the Commission's data to identify and implement controls to ensure adequate protection of this information;
- Develop a data maintenance and destruction policy;
- Develop a process to obtain and monitor security vulnerability reports; and
- Ensure contractors complete the cybersecurity training.

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission will continue to implement the policies and guidelines outlined in the audit recommendations.

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2023-019. **FINDING** (Change Control Weaknesses)

The Illinois Workers' Compensation Commission (Commission) had weaknesses in its change management controls.

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

During our testing, we requested the Commission provide the population of change requests for CompFile! and Self-Insurance Plus to determine if the Commission had adequate controls over managing system changes. In response to our request, the Commission provided a listing; however, it did not provide documentation demonstrating the population was complete and accurate. Also, we noted the list included incident requests and project tasks which were not change requests.

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 § 205.36).

Even given the population limitations noted above, we performed a testing of the Commission's change management process and noted:

- Twelve (30%) of 40 CompFile! change requests did not have the evidence of management approval.
- Six (40%) of 15 Self-Insurance Plus change requests did not have the evidence of management approval.

In addition, we noted the Commission had not developed and formalized a change management policy or procedure for its critical applications.

The National Institute of Standards and Technology, Special Publication 800-53, *Security and Privacy Controls for Federal Information Systems and Organizations*, Configuration Management Section, states critical elements include properly authorized, tested, and approved changes are to be tracked by the entity. Further, 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, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and to maintain accountability over the State's resources.

Finally, this finding was first noted during the Commission's compliance examination for the period ended June 30, 2015. As such, Commission management has been unsuccessful in implementing a corrective action plan to remedy these problems.

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2023-019. **FINDING** (Change Control Weaknesses) (Continued)

Commission officials indicated internally developed system changes were not significant to require management approval and the other issue was due to lack of standard procedures to categorize service tickets.

Lack of change management controls increases the risk of unauthorized or improper changes to computer systems. (Finding Code No. 2023-019, 2021-013, 2019-004, 2017-002, 2015-004)

RECOMMENDATION

We recommend the Commission ensure its change management process is documented and followed for its change requests, including maintaining accurate change population and obtaining approvals.

COMMISSION RESPONSE

The Commission agrees with the finding. Due to the completion of the CompFile! and Self Insurance projects, there will no longer be any change requests to approve for either project.

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2023-020. **FINDING** (Weaknesses in Disaster Contingency Planning)

The Illinois Workers' Compensation Commission (Commission) had not adequately developed and tested its disaster recovery plans.

In order to provide a no-fault system of benefits to employees who have experienced job-related injuries and illnesses, the Commission utilized several applications, including CompFile! and Self-Insurance Plus System, which all reside on the Department of Innovation and Technology's (DoIT) infrastructure.

During testing, we noted the Commission did not have a disaster recovery plan for Self-Insurance Plus. Further, we noted the disaster recovery plan for CompFile! did not document the roles and responsibilities, recovery objectives, recovery time frame objectives, and testing requirements.

Additionally, the Commission had not conducted recovery testing for CompFile! and Self-Insurance Plus during the examination period.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and to maintain accountability over the State's resources.

Commission officials indicated the service provider was responsible for performing disaster recovery.

Failure to develop and test a disaster recovery plan for all systems could result in a lack of preparedness to recover the Commission's applications and data timely in the event of a disaster. (Finding Code No. 2023-020, 2021-014)

RECOMMENDATION

We recommend the Commission develop and approve a disaster recovery plan for each application and ensure each plan documents roles and responsibilities, recovery objectives, recovery time frame objectives, and testing requirements. Further, we recommend the Commission ensure its plans are up-to-date and tested, at least, annually.

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2023-020. **FINDING** (Weaknesses in Disaster Contingency Planning) (Continued)

COMMISSION RESPONSE

The Commission disagrees with the finding. The Commission has provided evidence citing the nature of a Cloud application and the redundancy built within the service provider's environment to ensure application availability. Further, the Commission has developed a contingency plan that outlines the process and roles and responsibilities to exercise during application outages.

AUDITOR'S COMMENT

The Commission is responsible for ensuring the disaster recovery process and controls are in place and being tested.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-021. **FINDING** (Lack of a Detailed Agreement Regarding Security Requirements)

The Illinois Workers' Compensation Commission (Commission) had not entered into detailed agreements with the Department of Innovation and Technology (DoIT).

The Commission utilized DoIT's infrastructure to maintain its applications and data. During testing, we noted the Commission and DoIT did not enter into an agreement detailing the roles and responsibilities of each party to ensure prescribed requirements and available security mechanisms were in place to protect the security, processing integrity, availability, and confidentiality of the Commission's systems and data.

In January 2016, the Governor signed Executive Order 2016-01 (Order) creating DoIT. Under the Order, DoIT assumed general responsibility for the State's IT environment in an effort to modernize the technical environment and consolidate redundant applications. As such, the Order consolidated multiple information technology functions into a single agency, DoIT. As part of this consolidation, the Order required the transfer of assets, employees, and funds to DoIT from different transferring agencies.

During testing, we noted an intergovernmental agreement between the Commission and DoIT was not entered into during the examination period to address security, processing, integrity, and availability of the Commission's systems and data.

The Commission has the ultimate responsibility to ensure its critical and confidential systems and data are adequately secured. As such, this responsibility is not limited because some information technology functions were transferred to DoIT.

Further, 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, property, and other assets an resources are safeguarded against waste, loss, unauthorized use, and misappropriation and to maintain accountability over the State's resources.

Commission officials indicated its negotiations with DoIT remain ongoing.

Without a formal agreement, the Commission does not have assurance of the adequacy of controls managed by DoIT to ensure the security, processing integrity, availability, and confidentiality of its systems and data. (Finding Code No. 2023-021, 2021-015)

RECOMMENDATION

We recommend the Commission enter into a detailed agreement with DoIT to ensure prescribed requirements and available security mechanisms are documented in order to protect the security, processing integrity, availability, and confidentiality of the Commission's systems and data.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-021. **FINDING** (Lack of a Detailed Agreement Regarding Security Requirements)
(Continued)

COMMISSION RESPONSE

The Commission agrees with the finding. The Commission is actively working with DoIT to enact an Inter-Governmental Agreement.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2023

A. **FINDING** (Failure to Exercise Appropriate Controls over Leases)

During the prior examination, the Illinois Workers' Compensation Commission (Commission) lacked adequate internal controls over its leases, resulting in leases which didn't fully protect the State's interests, unrecorded leasehold assets and depreciation, a procurement process which may not have been in the best interests of the State, an inability to determine the amount of cash due to a lessor, an indeterminate amount of rent expense recognized for a lease, and the improper confirmation of future lease commitments to the Comptroller's Office.

During the current examination, our sample testing indicated the Commission's internal controls over leases had improved since the last examination. (Finding Code No. 2021-010)

B. **FINDING** (Inadequate Controls over Monthly Reconciliations)

During the prior examination, the Commission failed to complete its monthly reconciliations to the Comptroller's records by identifying and reconciling all discrepancies.

During the current examination, no exceptions were noted during our sample testing of the Commission's monthly reconciliations. (Finding Code No. 2021-019, 2019-007)

C. **FINDING** (Failure to Design and Implement Controls over Penalties and Fines)

During the prior examination, the Commission had neither designed nor implemented internal controls to enforce penalties imposed by the Workers' Compensation Act.

During the current examination, our sample testing indicated the Commission's internal controls over penalties and fines had improved since the last examination. (Finding Code No. 2021-022)

D. **FINDING** (Inadequate Control over New Employee Training)

During the prior examination, the Commission did not ensure its new employees completed sexual harassment and discrimination training sessions required by the State Officials and Employees Ethics Act (Act).

During the current examination, our sample testing indicated the Commission's new employees timely completed the trainings required by the Act. (Finding Code No. 2021-023)