



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS WORKERS' COMPENSATION COMMISSION**  
**SELF-INSURERS SECURITY FUND**

**Financial Audit**  
**For the Year Ended June 30, 2023**

**Release Date: February 15, 2024**

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>1</b>	<b>1</b>	2020	<b>23-01</b>	<b>23-02</b>	
<b>Category 2:</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>0</b>	<b>2</b>	<b>2</b>				
<b>FINDINGS LAST AUDIT: 2</b>							

**INTRODUCTION**

This digest covers the financial audit of the Illinois Workers' Compensation Commission (Commission) - Self-Insurers Security Fund as of and for the year ended June 30, 2023, and the findings arising from the financial audit reported pursuant to Government Auditing Standards.

**SYNOPSIS**

- **(23-01)** The Commission did not ensure all events and transactions impacting the Self-Insurers Security Fund were appropriately recorded in its internal accounting records and presented fairly in its financial statements.

**EMPHASIS OF MATTER**

As discussed in Note 13 to the financial statements, the Self-Insurers Security Fund has a total net position (deficit) of (\$6,393,154) as of June 30, 2023. This deficit, which is presented on an accrual basis, is the excess of total liabilities and deferred inflows of resources over total assets and deferred outflows of resources. Management of the Commission stated that, subject to approval by the Self-Insurers Advisory Board established within the Commission, future assessments will be used to meet Fund's obligations in the future (Independent Auditor's Report on page 6 and Note 13 on page 44).

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

**ILLINOIS WORKERS' COMPENSATION COMMISSION**  
**SELF-INSURERS SECURITY FUND**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2023**

<b>STATEMENT OF NET POSITION (DEFICIT)</b>	<b>2023</b>	<b>2022</b>
<b>Assets and Deferred Outflows of Resources</b>		
Restricted Cash Equity in the State Treasury.....	\$ 19,485,957	\$ 18,616,464
Restricted Cash and Cash on Hand.....	97,662	84,685
Restricted Assessments Receivable.....	18,733	38,604
Restricted Application and Renewal Receivable.....	92,500	-
Restricted Accrued Interest Receivable.....	70,378	17,009
Restricted Excess Insurance Receivable.....	133,892	118,436
Securities Lending Collateral Equity with the State Treasurer.....	3,512,458	2,931,239
Prepaid Benefits with the Third-Party Administrator.....	9,148	74,218
Deferred Outflow of Resources - Pension and OPEB.....	1,834,740	1,385,075
Total Assets and Deferred Outflows of Resources.....	<u>\$ 25,255,468</u>	<u>\$ 23,265,730</u>
<b>Liabilities and Deferred Inflows of Resources</b>		
Accounts Payable and Accrued Liabilities.....	\$ 31,785	\$ 42,601
Compensated Absences.....	49,556	39,712
Obligations Under Securities Lending of the State Treasurer.....	3,512,458	2,931,239
Security Deposits.....	693,155	680,185
Unearned Security Deposits.....	17,668,117	17,396,505
Unpaid Claims.....	3,893,864	4,433,943
Net Pension Liability.....	2,425,262	1,390,230
Net OPEB Liability.....	836,930	827,356
Deferred Inflow of Resources - Pension and OPEB.....	2,537,495	991,280
Total Liabilities and Deferred Inflows of Resources.....	<u>\$ 31,648,622</u>	<u>\$ 28,733,051</u>
<b>Net Position (Deficit)</b>		
Total Net Position (Deficit).....	\$ (6,393,154)	\$ (5,467,321)

<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT)</b>	<b>2023</b>	<b>2022</b>
<b>Operating Revenues</b>		
Total Operating Revenues.....	\$ 1,494,648	\$ 1,228,061
<b>Operating Expenses</b>		
Total Operating Expenses.....	2,671,264	746,485
<b>Operating Gain/(Loss).</b>	(1,176,616)	481,576
<b>Nonoperating Revenues</b>		
Total Nonoperating Revenues.....	226,331	2,694
Change in Net Position (Deficit).....	<u>(950,285)</u>	<u>484,270</u>
Net Position (Deficit), Beginning of Year.....	(5,442,869)	(5,951,591)
Net Position Adjustments.....	-	24,452
Net Position (Deficit), End of the Year.....	<u>\$ (6,393,154)</u>	<u>\$ (5,442,869)</u>

<b>COMMISSION CHAIR</b>
During Audit Period and Currently: Mr. Michael Brennan

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**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.

**Draft financial statements had several errors and omissions**

During initial testing, we noted the following:

**Inaccurate supporting schedules**

- 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.

**Failure to reverse an accrual**

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 recorded in wrong fiscal year**

- 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 to 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,

**Missing refund payable**

**Entries for prior year corrections were erroneous**

- 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.
- 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.

**Duplicate, missing, or erroneous entries noted in application/renewal fee receivable and revenue accounts**

- 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.

**Commission failed to set up a miscellaneous receivable 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. (Finding 1, pages 52-54)

**Auditor's Recommendation**

We recommended 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 recommended 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 officials agree**

Commission officials agreed with our recommendation.

## **OTHER FINDINGS**

The remaining finding pertains to inaccurate census data. We will review the Commission's progress towards the implementation of our recommendation in our next financial audit.

## **AUDITOR'S OPINION**

The auditors stated the financial statements of the Self-Insurers Security Fund as of and for the year ended June 30, 2023, are fairly stated in all material respects.

This financial was conducted by Roth & Co., LLP.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

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

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM:JGR