

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

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DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

TABLE OF CONTENTS

		<u>Page(s)</u>
Agency Officials		1
Management Assertion Letter		2
Compliance Report:		
Summary		4
Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes		7
Schedule of Findings		
Current Findings - State Compliance		10
Prior Findings Not Repeated		48
Supplementary Information for State Compliance Purposes:		
Summary		<u>Schedule</u> <u>Page(s)</u> 49
Fiscal Schedules and Analysis		
Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2015	1	50
Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2014	2	54
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	3	57
Schedule of Changes in State Property (Not Examined)	4	61
Comparative Schedule of Cash Receipts and Reconciliation		
Schedule of Cash Receipts to Deposits Remitted to the State Comptroller (Not Examined)	5	62
Analysis of Significant Variations in Expenditures	6	64
Analysis of Significant Variations in Receipts	7	67
Analysis of Significant Lapse Period Spending	8	72
Analysis of Accounts Receivable (Not Examined)	9	73
Analysis of Operations (Not Examined)		
Department Functions and Planning Program (Not Examined)		75
Average Number of Employees (Not Examined)		78
Service Efforts and Accomplishments (Not Examined)		79

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

AGENCY OFFICIALS

Director (2/1/15 - Present)	Mr. Hugo Chaviano
Director (1/20/15 - 1/31/15)	Vacant
Director (7/1/13 - 1/19/15)	Mr. Joseph Costigan
Assistant Director (5/8/15 - Present)	Ms. Anna Hui
Assistant Director (3/21/15 - 5/7/15)	Vacant
Assistant Director (7/1/13 - 3/20/15)	Ms. Tumia Romero
Legal Counsel (11/16/15 - Present)	Ms. Helen Kim
Legal Counsel (2/17/15 - 11/15/15)	Ms. Annice Kelly
Legal Counsel (1/21/15 - 2/16/15)	Vacant
Legal Counsel (7/1/13 - 1/20/15)	Mr. Ronald Willis
Chief of Staff (2/1/15 - Present)	Mr. Dan Mumpher
Chief Fiscal Officer (3/23/15 - Present)	Mr. Todd Miller
Chief Fiscal Officer (2/28/15 - 3/22/15)	Vacant
Chief Fiscal Officer (7/1/13 - 2/27/15)	Ms. Tammy Miner

Department of Labor offices are located at:

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Springfield, IL 62704

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ILLINOIS DEPARTMENT OF LABOR

Bruce Rauner
Governor

Hugo Chaviano
Director

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

June 9, 2016

Honorable Frank J. Mautino
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703

Dear Mr. Mautino:

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, Department of Labor (Department). 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 Department's compliance with the following assertions during the two-year period ended June 30, 2015. Based on this evaluation, we assert that during the years ended June 30, 2014 and June 30, 2015, the Department has materially complied with the assertions below except as noted in this report.

- A. The Department 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 Department 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 Department 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 Department 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.

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E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours truly,

State of Illinois, Department of Labor



Hugo Chaviano, Director



Todd Miller, Chief Fiscal Officer



Helen Kim, Legal Counsel

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT'S REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	14	9
Repeated findings	8	9
Prior recommendations implemented or not repeated	1	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2015-001	10	Inadequate controls over revenues and related reporting	Material Weakness and Material Noncompliance
2015-002	15	Inadequate controls over accounts receivable records and related reporting	Material Weakness and Material Noncompliance
2015-003	18	Inadequate controls over Special State Trust Fund	Material Weakness and Material Noncompliance

FINDINGS (STATE COMPLIANCE) – Continued

2015-004	21	Failure to perform adequate and/or accurate reconciliations	Material Weakness and Material Noncompliance
2015-005	24	State property control weaknesses	Material Weakness and Material Noncompliance
2015-006	28	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
2015-007	30	Lack of disaster contingency planning or testing to ensure recovery of computer systems	Significant Deficiency and Noncompliance
2015-008	32	Inadequate controls over personal services	Significant Deficiency and Noncompliance
2015-009	35	Inadequate controls over voucher processing	Significant Deficiency and Noncompliance
2015-010	37	Incomplete and inaccurate agency workforce reports	Significant Deficiency and Noncompliance
2015-011	39	Noncompliance with the Employee Classification Act	Significant Deficiency and Noncompliance
2015-012	41	Inadequate controls over travel expenditures	Significant Deficiency and Noncompliance
2015-013	43	Failure to maintain leave of absence documentation	Significant Deficiency and Noncompliance
2015-014	45	Inadequate monitoring and controls over contract and grant agreements	Significant Deficiency and Noncompliance
PRIOR FINDINGS NOT REPEATED			
A	48	Nonpayment of revolving funds	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on May 31, 2016.

Attending were:

Department of Labor

Anna Hui, Assistant Director
Helen J. Kim, Legal Counsel
Todd Miller, Chief Fiscal Officer
Dan Mumpher, Chief of Staff
Adam Schuster, Assistant to the Director

Office of the Auditor General

Courtney Dzierwa, Audit Manager
Clay Murphy, State Auditor

The responses to the recommendations were provided by Helen J. Kim in correspondence dated June 7, 2016.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Department of Labor's (Department) compliance with the 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, 2015. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

- A. The Department 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 Department 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 Department 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 Department 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 Department on behalf of the State or held in trust by the Department 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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis,

evidence about the Department's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with specified requirements.

As described in items 2015-001 and 2015-002 in the accompanying schedule of findings, the Department did not comply with applicable laws and regulations concerning the collection of State revenues and receipts and ensuring the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law. As described in items 2015-003 through 2015-005, the Department did not comply with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Department complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2015. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2015-006 through 2015-014.

Internal Control

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Department's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and

corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2015-001 through 2015-005 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2015-006 through 2015-014 to be significant deficiencies.

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

The Department's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Department's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2015 and June 30, 2014 in Schedules 1 through 9 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2015 and June 30, 2014 accompanying supplementary information in Schedules 1 through 9. However, we do not express an opinion on the accompanying supplementary information.

As reported in items 2015-001, 2015-002, 2015-003, 2015-004, and 2015-005, we were not able to determine whether the Department's property, cash receipts, and accounts receivable records at June 30, 2015 and June 30, 2014 were complete and appropriately reported. Therefore, we were unable to conclude whether Schedules 4, 5, and 9 were complete.

We have not applied procedures to the June 30, 2013 accompanying supplementary information in Schedules 3, 4, 5, 6, 7, and 9 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Department management and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
June 9, 2016

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-001. **FINDING** (Inadequate controls over revenues and related reporting)

The Illinois Department of Labor (Department) did not exercise adequate controls over revenues and related reporting. We noted the following control weaknesses:

- The Department did not maintain documentation to support amounts reported on its Agency Fee Imposition Reports (Report) prepared for Fiscal Years 2014 and 2015. This resulted in discrepancies with Department records of \$202,104 and \$421,023, respectively. In addition, the Department filed its Fiscal Year 2015 Report 209 days late.
- The Department could not provide records or documentation to support receipts recorded in the Federal Industrial Services Fund (Fund 726) during the first quarter of Fiscal Year 2014. Comptroller records indicated \$531,201 was received for this time period.

The State Records Act (5 ILCS 160/8) requires the head of each agency to establish and preserve records containing adequate and proper documentation of the organization, functions, and essential transactions of the agency. These records should be designed to furnish information to protect the legal and financial rights of the State. The State Comptroller Act (15 ILCS 405/16.2(a)) requires agencies imposing fees to file the Agency Fee Imposition Report Form with the Comptroller at the time the Comptroller specifies. Statewide Accounting Management System (SAMS) (Procedure 33.16.20) requires annual fee data to be submitted to the Comptroller's Office by August 1 of each year.

- The Department could not provide reconciliations of agency receipts to the Monthly Revenue Status Report (SB04) for any months during Fiscal Year 2014 or 2015. This includes 190 monthly reconciliations for eight different funds: General Revenue Fund (001), Amusement Ride and Patron Safety Fund (051), Special State Trust Fund (251), Child Labor Law Enforcement Fund (357), Employee Classification Fund (446), Department of Labor Federal Projects Fund (724), Federal Industrial Services Fund (726), and Wage Theft Enforcement Fund (885).

SAMS (Procedure 25.40.20) requires each agency to reconcile its receipt records to Comptroller reports on a monthly basis and to notify the Comptroller of any irreconcilable differences noted so corrective action can be taken.

- The Department did not process deposits for checks received during the months of March, April, May and June 2015. Per discussion with Department personnel, these checks were held by the Department for deposit at a later date while the Department attempted to resolve errors and discrepancies noted between their records and their clearing account. Department personnel indicated the checks were deposited during Fiscal Year 2016. In addition, the

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-001. **FINDING** (Inadequate controls over revenues and related reporting) –
Continued

Department did not process Treasurer’s Drafts or Receipt Deposit Transmittals for this same time period. We were unable to quantify the dollar value of the activity that was carried over into Fiscal Year 2016 from this time period.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires agencies to deposit into the State Treasury individual receipts exceeding \$10,000 on the same day, an accumulation of receipts of \$10,000 or more within 24 hours, receipts valued between \$500 and \$10,000 within 48 hours, and cumulative receipts valued up to \$500 on the next first or fifteenth day of the month after receipt. 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 administrative controls. These controls are to provide assurance that revenues 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. Good business practices require a well designed system for receipt processing be used to expedite the deposit of receipts and maximize interest earnings.

- The computer program used by the Department to process receipts is outdated and not fully functional. Because of this, it is difficult for the Department to track receipts after entry, produce reports of receipts received, or sort data already in the system. In addition, the Department’s segregation of duties over receipts is not sufficient as the same person responsible for reviewing ledger postings also deposits funds and is responsible for performing reconciliations.

Good internal controls require there be proper segregation of duties between authorization, custody, recordkeeping, and reconciliation functions. Also, equipment, including computer software, should be sufficient to facilitate operations.

- Detail testing could not be completed for refunds received. The Department was unable to provide auditors with a listing of, or supporting documentation for, refunds received during the engagement period.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires each agency to keep a detailed, itemized account of all moneys. The State Records Act (5 ILCS 160/9) requires agency management to establish and maintain an active continuing program for the economical and efficient management of the records of the agency.

- The Department did not timely request a renewal of its deposit extension. The Office of the State Comptroller had approved an extension to the timely deposit

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-001. **FINDING** (Inadequate controls over revenues and related reporting) -
Continued

requirements of the State Officers and Employees Money Disposition Act (30 ILCS 230) for the period of April 23, 2013 through April 23, 2015 for Funds 001, 251, 357, 446, and 885. The Department did not request a renewal of its deposit extension until August 18, 2015, 116 days after the preceding extension expired.

Good business practices require the Department to timely request renewals of extensions in place to facilitate compliance with timely deposit requirements.

We also noted the following weaknesses in receipts processing:

- The Department did not maintain supporting documentation for the date received for 20 of 60 (33%) receipts selected for testing, totaling \$177,641. Therefore, timeliness of deposit could not be determined.
- The Department did not maintain supporting documentation for 18 of 60 (30%) receipts selected for testing, totaling \$1,225,151. As a result, we were unable to test these receipts.
- Receipts deposit transmittals were not submitted timely for 3 of 60 (5%) receipts selected for testing, totaling \$6,254. All three transmittals were submitted 4 days late.

The State Records Act (5 ILCS 160/8) requires each agency to maintain and preserve records containing adequate and proper documentation of all essential transactions of the agency. Further, the State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2) requires each agency to keep a detailed itemized account of all moneys received. This should include: the date of receipt, the payor, the purpose and the amount. SAMS (Procedure 25.10.30) requires Treasurer's Drafts to be remitted to the Office of the State Comptroller. The auditors determined 30 days to be a reasonable time frame. Good internal controls require deposits to be processed timely to increase the balance of funds available for expenditure.

We noted the following weaknesses in returned check processing:

- The Department could not produce documentation of any collection attempt such as a demand letter for payment sent to the vendors for 6 of 10 (60%) returned checks selected for testing, totaling \$6,778.
- The Department provided only an initial demand letter that was sent to the vendor for 2 of 10 (20%) returned checks selected for testing, totaling \$3,500. It

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-001. **FINDING** (Inadequate controls over revenues and related reporting) -
Continued

could not be determined if the funds were eventually collected or if other collection activity was pursued.

Statewide Accounting Management System (SAMS) (Procedure 26.40.10) requires agencies to maintain complete records of all collection efforts related to each past due account.

During the prior examination, Department personnel stated the Department experienced turnover of its entire Fiscal Division staff in Fiscal Year 2013. As a result, there were times when other competing critical projects took precedence over performing all functions timely and effectively. During the current examination, Department personnel stated turnover within their fiscal staff and a lack of transition documentation limited their ability to comply with all applicable requirements.

Failure to file the Agency Fee Imposition Report timely is noncompliance with the State Comptroller Act and reduces the reliability of Statewide fee information. Failure to exercise adequate control over revenues is noncompliance with the State Officers and Employees Money Disposition Act and could result in inaccurate financial reporting. A lack of adequate segregation of duties increases the likelihood that a loss from errors or irregularities could occur and would not be found in the normal course of employees carrying out their assigned duties. Failure to retain documentation to support reported receipt amounts is noncompliance with the State Records Act and could result in receipts being miscategorized or deposited into the incorrect fund. Untimely deposit of receipts delays the State's access and usage of funds and increases the risk of loss or theft. Monthly receipt reconciliations ensure that Department and Comptroller records are both accurate. Documentation of all collection efforts for returned checks are important to support potential legal action against the debtor, or to justify certification of uncollectibility. (Finding Code No. 2015-001, 2013-001, 11-1, 09-1, 07-1, 05-3, 05-5)

RECOMMENDATION

We recommend internal controls over receipts be enforced by the Department to ensure timely collection of revenue occurs and adequate documentation is maintained and readily available for all transactions. We also recommend the Department implement procedures to segregate the duties involved with the receipts processing function. Further, we recommend the Department ensure all receipts and refunds are entered into a system that is able to generate reports, provide balances, and produce transaction listings. Also, monthly reconciliations should be completed and reviewed for accuracy and any differences should be investigated. In addition, the Department should document all collection efforts on returned checks and past due amounts owed and perform timely follow ups on these amounts. Lastly, we

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-001. **FINDING** (Inadequate controls over revenues and related reporting) -
Continued

recommend the Department ensure all Fee Imposition Report Forms are adequately supported and filed timely with the State Comptroller.

DEPARTMENT RESPONSE

The Department accepts the recommendations. Many of the issues noted in the finding either occurred during the prior administration or were due to a lack of internal controls and proper recordkeeping in place under the prior administration. When the Department's current leadership learned of the underlying causes and conditions, it took remedial actions. The Department has undertaken a review of all internal fiscal controls and is working closely with the State's Chief Information Officer in establishing the necessary platform for a new case management and receipts processing and reporting system. During development, the Department will continue to use, to the best of its ability, the current set up for tracking cases, revenues, and payments. The Department intends to make every effort to correct all deficiencies and streamlining all processes that it has the capability and resources to accomplish.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-002. **FINDING** (Inadequate controls over accounts receivable records and related reporting)

The Illinois Department of Labor (Department) did not exercise adequate controls over accounts receivable records and related reporting. We noted the following control weaknesses:

- The Department was unable to provide certain requested accounts receivable records, including a listing of accounts, history of collection attempts, records of billings/collections, or records showing referral of accounts to the Comptroller's Offset system and/or the Attorney General's Office. In the absence of this information, we were unable to determine the accuracy and completeness of accounts receivable activities reported to the Office of the State Comptroller.

Department management provided several statutes to justify the Department's reliance on the Attorney General's Office for all accounts receivable billing and collection activity. Though it is noted in these statutes that the Attorney General is to represent the Department in litigation and civil actions, it is still the Department's responsibility to accurately document, report and initiate collection activity for its accounts receivable.

Statewide Accounting Management System (SAMS) (Procedure 26.20.10) requires agencies to record and maintain detailed information related to each receivable and to maintain documentation of all collection efforts. SAMS (Procedure 26.20.20) states each outstanding receivable due to the State must be aged relative to its formal due date and requires a collection history to be examined regularly to estimate the amount of debt to be deemed uncollectible.

- The Department was unable to provide current policies or procedures for the handling and reporting of receivables. We obtained a draft copy of policies and procedures from the Department dated January 9, 2009. We could not determine if these policies and procedures had been approved by management or were currently practiced by the Department.

SAMS (Procedure 26.40.10) requires each agency to establish their own reasonable and appropriate collection policies in order to effectively collect past due accounts. Good internal controls require a manual of policies and procedures to be used to guide employee actions.

We noted the following reporting weaknesses:

- Four of 8 (50%) Quarterly Summary of Accounts Receivable Reports (C-97) and Aging of Total Gross Receivable Reports (C-98) for the General Revenue Fund contained revenue source codes that were not listed in the SAMS

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-002. **FINDING** (Inadequate controls over accounts receivable records and related reporting) - Continued

Manual.

- Eight of 29 (28%) C-97 and C-98 reports filed by the Department were incomplete. Major revenue source codes for the General Revenue, Child and Day Labor, Employee Classification, and Wage Theft Funds were omitted for the fourth quarter of Fiscal Year 2015.
- Three of 29 (10%) gross receivable totals reported on the C-98 did not match the totals reported on the C-97. Differences ranged from \$1,000 to \$73,000.
- Three of 29 (10%) C-97 reports were not mathematically accurate. Misstatements ranged from \$1,000 to \$2,000.
- Two of 29 (7%) C-98 reports were not mathematically accurate. Differences ranged from \$1,000 to \$13,000.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls. These controls should provide assurance that revenues are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports to maintain accountability over the State's resources.

The Department reported gross receivables totaling \$187,000 and \$83,000 on its June 30, 2015 and June 30, 2014 C-98 reports, respectively.

During the prior examination, Department personnel stated that the Department experienced turnover of its entire Fiscal Division staff in Fiscal Year 2013. As a result, there were times when other competing critical projects took precedence over performing all functions timely and effectively. During the current examination, Department personnel stated turnover within their fiscal staff and a lack of transition documentation limited their ability to comply with all applicable requirements.

Failure to maintain adequate documentation for accounts receivable increases the chances of undetected errors occurring in reporting amounts receivable and the likelihood of accounts receivable not being adequately monitored for collection. In addition, failure to monitor accounts receivable on a regular basis, identify delinquent accounts receivable and report accurate amounts, can result in lost revenues for the State and inaccuracies in Statewide financial reporting. (Finding Code No. 2015-002, 2013-002, 11-2, 09-2, 07-2, 05-4)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-002. **FINDING** (Inadequate controls over accounts receivable records and related reporting) - Continued

RECOMMENDATION

We recommend the Department review all accounts receivables reports to ensure accuracy before timely submission to the Comptroller. In addition, the Department should maintain detailed records and supporting documentation of all billing and collection activity to support accounts receivable balances reported and to accurately estimate amounts that may be uncollectible.

DEPARTMENT RESPONSE

The Department accepts the recommendations. Many of the issues noted in the finding either occurred during the prior administration or were due to a lack of internal controls and proper recordkeeping in place under the prior administration. Under the current administration, the Department's leadership has taken steps to implement proper internal controls. The Department is reviewing the basis of receivables reported under the previous administration. The Department intends to identify all forms of debt to the State under our programs and will make every effort to develop a formal billing, collections, and reporting process in accordance with the State Finance Act, the Fiscal Control and Internal Auditing Act, and all relevant SAMS procedures.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-003. **FINDING** (Inadequate controls over Special State Trust Fund)

The Illinois Department of Labor (Department) did not exercise adequate controls over its Special State Trust Fund (Fund 251). The Department operates Fund 251 as an agency fund in the State Treasury. The purpose of this fund is to hold wage claims collected from employers by the Department on behalf of Illinois workers (claimants) and hold those monies until the claimants can be located and properly paid. We noted the following control weaknesses:

- The Department was unable to provide a claim request for the payment processed for one of 60 (2%) expenditures selected for testing in Fund 251, totaling \$4,723.

The Illinois State Records Act (Act) (5 ILCS 160/8 and 9) requires agency heads to preserve records and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and to establish and maintain an active, continuing program for the economical and efficient management of the records.

- The Department did not maintain a ledger of claimants and corresponding dollar amounts comprising the balance held in Fund 251. Comptroller records showed balances of \$2,332,105 and \$1,279,400 held in Fund 251 as of June 30, 2014 and June 30, 2015, respectively.

Statewide Accounting Management System (SAMS) (Procedure 09.40.30) requires agencies to reconcile their records to Comptroller records monthly and the Comptroller's Office should be notified of any irreconcilable differences so necessary corrective action can be taken to locate differences and correct the accounting records.

- Department receipt records were unable to be reconciled to the Comptroller's Monthly Revenue Status (SB04) report for Fiscal Year 2015. The irreconcilable amount noted of \$116,884 is approximately 44% of the total receipts amount reported on the Comptroller's SB04 report as of June 30, 2015. The Department was unable to provide reconciliations to explain the difference noted.

SAMS (Procedure 07.30.20) states the effectiveness of any accounting and financial information system is dependent on the accuracy of data submitted. SAMS further states agency reconciliations are the primary control to ensure the effectiveness and accuracy of data submitted.

- The Department transferred funds, totaling \$1,052,457, from Fund 251 to the General Revenue Fund, via voucher, during the engagement period. However, the Department could not provide documentation to substantiate the funds transferred were held for more than one year. Also, the Department could not

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-003. **FINDING** (Inadequate controls over Special State Trust Fund) - Continued

provide support for how it determined which funds were required to be transferred.

The Minimum Wage Law (Law) (820 ILCS 105/12(b)) states any sum, which is unable to be paid to an employee within one year of recovery, be deposited into the General Revenue Fund.

During the prior examination, Department personnel stated the maintenance of a claimant ledger was very time consuming, and the Department lacked the personnel to maintain such a ledger. In addition, Department personnel stated the Department experienced a complete turnover in staff for the Fiscal Division and had attempted to create a report to show amounts needed to be transferred into the General Revenue Fund. During the current examination, Department personnel stated turnover within their fiscal staff and a lack of transition documentation limited their ability to comply with all requirements.

Failure to exercise adequate control over Fund 251 is noncompliance with the Act and SAMS and could result in inaccurate Statewide financial reporting. In addition, failure to transfer funds held in Fund 251 for more than one year, and to maintain support for these amounts, is noncompliance with the Law. (Finding Code No. 2015-003, 2013-004, 11-4, 09-4, 07-4)

RECOMMENDATION

We recommend the Department maintain detailed records for all Fund 251 transactions. These records should include a ledger of claimants and monthly reconciliations of the balance in the Fund to the State Comptroller's SB04 reports. Finally, we recommend the Department comply with the Minimum Wage Law (820 ILCS 105/12(b)) by transferring the required amounts from Fund 251 to the General Revenue Fund and maintaining documentation of these transfers.

DEPARTMENT RESPONSE

The Department accepts the recommendations. The issues noted in the finding were due to a lack of internal controls and proper oversight of Fund 251 by the Department under prior administrations. The Department's current leadership discovered the inherited issues with the management of Fund 251 and took remedial actions during calendar year 2015 to rectify such issues.

In CY 2015, the Department experienced complete turnover at the executive level and complete turnover at every level of the fiscal section, including the resignation of the Department's Chief Fiscal Officer (CFO) in late February 2015. When the current administration learned of the conditions it inherited, it took immediate steps

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-003. **FINDING** (Inadequate controls over Special State Trust Fund) - Continued

to address the problem. Although unable to locate any documentation of reconciliations of the Department's general ledger and Fund 251 balances against the Comptroller reports from prior administrations, the current CFO and fiscal staff implemented policies and procedures to ensure that such documentation is maintained and that the general ledger and funds are reconciled. The Department also implemented changes to its check-processing procedures to make sure that adequate controls are in place to ensure proper transfers from Fund 251 to the General Revenue Fund in compliance with the Minimum Wage Law (820 ILCS 105/12(b)) and maintain adequate documentation. The Department also retained an independent accounting firm to conduct an audit, which confirmed that all funds were properly placed into and transferred out of Fund 251 during CY 2015.

The Department intends to maintain adequate controls and documentation and to continue these new policies and procedures to comply with the Minimum Wage Law (820 ILCS 105/12(b)) by transferring the required amounts from Fund 251 to the General Revenue Fund with documentation of these future transfers.

Under previous administrations, numerous audits found repeated reconciliation and documentation problems with Fund 251. In the spirit of good government and transparency, the current administration is committed to restoring the public's confidence in the Department's management of this special trust fund.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-004. **FINDING** (Failure to perform adequate and/or accurate reconciliations)

The Illinois Department of Labor (Department) did not perform adequate and/or accurate expenditure and/or cash balance reconciliations during the examination period. The Department operated 8 funds during the examination period: the General Revenue Fund (Fund 001), the Amusement Ride and Patron Safety Fund (Fund 051), the Special State Trust Fund (Fund 251), the Child Labor Law Enforcement Fund (Fund 357), the Employee Classification Fund (Fund 446), the Department of Labor Federal Projects Fund (Fund 724), the Federal Industrial Services Fund (Fund 726), and the Wage Theft Enforcement Fund (Fund 885). The Department should have performed 190 expenditure reconciliations during Fiscal Years 2014 and 2015. We noted the following:

- The Department failed to prepare 106 of 190 (56%) monthly reconciliations to the Comptroller's Monthly Appropriation Status (SB01) report. As a result, we were only able to test 84 monthly reconciliations.
- The Department failed to prepare the cumulative portion of the monthly reconciliation to the SB01 report for 33 of 84 (39%) reconciliations performed.
- Twenty-six of 84 (31%) monthly reconciliations prepared by the Department did not actually reconcile with the SB01 report.
- Twenty-five of 84 (30%) monthly reconciliations were not signed or dated. As a result, we could not determine if the reconciliations were prepared in a timely manner.
- Department personnel signed off on 6 of 84 (7%) monthly reconciliations prior to the end of the month for which activity was being reconciled.
- Five of 84 (6%) monthly reconciliations performed by the Department were not prepared in a timely manner.
- The Department did not reconcile to the correct ending balance on 1 of 84 (1%) monthly reconciliations performed. The balances agreed to each other but were overstated by \$100.
- We were unable to determine the date the Department prepared the Fund 001 January 2014 monthly reconciliation. The reconciliation was dated March 20, 2014, but was later crossed out and no new date was indicated. Therefore, we were unable to determine if the reconciliation was prepared in a timely manner.

We also noted the Department should have performed 168 reconciliations of

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-004. **FINDING** (Failure to perform adequate and/or accurate reconciliations) -
Continued

Department records to fund balance information maintained by the Office of the State Comptroller and reported on the monthly Cash Reports (SB05). However, no such reconciliations were performed. The Department utilized seven non-shared funds during Fiscal Years 2014 and 2015: Funds 051, 251, 357, 446, 724, 726, and 885. Total combined cash balances for those funds as of June 30, 2014 and June 30, 2015 were \$3,433,837 and \$2,137,867, respectively.

Lastly, during our comparison of Comptroller expenditure records to Department expenditure records, we noted:

- Forty vouchers, totaling \$45,272, were reversed or voided in the Comptroller records, but were not reversed in Department records.
- One voucher, totaling \$29, was reversed or voided in Department records but was not reversed in Comptroller records.
- Eighty-eight vouchers, totaling \$866,227, were included in Department records but did not appear in Comptroller records.
- Thirty-two vouchers, totaling \$1,043,687, were included in Comptroller records but did not appear in Department records.

Statewide Accounting Management System (SAMS) (Procedure 11.40.20) requires each State agency to reconcile appropriation expenditures monthly and notify the Office of the Comptroller (Comptroller) of irreconcilable differences. SAMS (Procedure 09.40.30) requires each State agency to reconcile the ending balance of available cash per the agency's records with the ending balance of available cash per SAMS for each fund maintained by statewide accounting system on a monthly basis.

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 controls to provide assurance that expenditures are properly recorded and accounted for.

Good internal controls require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for necessary management reports. The State Records Act (5 ILCS 160/9) requires the head of each State agency to establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.

During the prior examination, Department personnel stated it was the Department's goal to perform all functions in a timely and effective manner, but due to turnover

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-004. **FINDING** (Failure to perform adequate and/or accurate reconciliations) -
Continued

and staffing shortages, other competing critical projects took precedence over that goal. During the current examination, Department personnel cited turnover and staffing shortages as barriers to compliance.

Failure to maintain accurate and complete expenditure records could result in expenditures made in excess of available appropriations. Failure to perform adequate monthly reconciliations of expenditures and fund balances between Department records and Comptroller records impairs the Department's and the Comptroller's ability to identify possible errors and take corrective action to ensure accurate accounting for Department expenditures. Further, failure to perform and document accurate monthly reconciliations and retain related supporting documentation is noncompliance with the State Records Act. (Finding Code No. 2015-004, 2013-006, 11-7, 09-5, 07-6)

RECOMMENDATION

We recommend the Department implement procedures to ensure all monthly reconciliations are complete, accurate, and prepared in a timely manner and update expenditure records when circumstances warrant. Further, we recommend the Department maintain all reconciliations and supporting documentation as required by the State Records Act.

DEPARTMENT RESPONSE

The issues noted in the finding were due to a lack of internal controls and proper oversight of by the Department under the prior administration. The Department's current leadership discovered the inherited issues and is continuing its efforts to remedy the deficiencies identified in the findings. The Department has been involved in reconciling expenditures and cash receipts from prior years since the change in administration and fiscal positions during the 3rd and 4th quarters of Fiscal Year 2015. For the current transactions, the Department has implemented reconciliations of the expenditure data from the Accounting Information System (AIS) to the Comptroller's SB01 appropriation status report for all payables. On the receipts side, the Department has implemented reconciliations of Department transmittals to the Treasurer's deposit record and the Comptroller's monthly SB04 and SB05 reports.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-005. **FINDING** (State property control weaknesses)

The Illinois Department of Labor (Department) did not exercise adequate control over the accuracy, completeness, and timeliness of State property records and related reporting. We noted the following:

- We were unable to reconcile equipment additions reported on the Department's Quarterly Reports of State Property (C-15s) to equipment expenditures noted on records maintained by the Office of the State Comptroller. Differences noted totaled \$6,500 in Fiscal Year 2014 and \$14,254 in Fiscal Year 2015. In addition, Department personnel were unable to provide support for additions, deletions, and transfers reported on the C-15s.

Statewide Accounting Management System (SAMS) (Procedure 29.10.30) requires C-15s to present the total cost of State property reflected on the agency's records as of the reporting date and reconcile the beginning balance of State property to ending balance.

- Two of 8 (25%) C-15s filed with the Office of the State Comptroller during the examination period were not filed timely. They were filed 9 and 18 days late.

SAMS (Procedure 29.20.10) requires C-15s to be submitted no later than the last day of the month following the last day of the quarter.

- The Department did not perform a physical inventory of all property items and certify the inventory to the Department of Central Management Services (DCMS) during Fiscal Year 2015 as required. The certification was due to DCMS by July 1, 2015. In addition, the Department could not provide a complete property listing as of June 30, 2015 to us for testing purposes.

The State Property Control Act (30 ILCS 605/6.04) requires State agencies to annually, and upon at least 30 days notice, make an actual physical inventory check of all items or property under the agency's jurisdiction and control and certify the inventory with DCMS. The State Property Control Act (30 ILCS 605/7.3) also requires agencies to report transferable or obsolete property to DCMS so it may be disposed of or made available to other State agencies that have need or use for the property.

- Equipment items purchased on 5 vouchers selected for testing, totaling \$13,934, could not be located on the Department's property listing.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) requires agencies to adjust property records within 30 days of acquisition, change or deletion of equipment items. Good internal controls require a proper internal control structure be established to help safeguard assets and ensure the

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-005. **FINDING** (State property control weaknesses) – Continued

accuracy and reliability of accounting data.

- Four vouchers, totaling \$157 were processed by the Department for equipment items having unit values less than \$100. These vouchers utilized detail object codes reserved only for equipment items over \$100.

The State Finance Act (30 ILCS 105/20) states that equipment includes all expenditures having a unit value exceeding \$100. Further, SAMS (Procedure 11.50.30) includes narrative descriptions of all detail expenditure accounts.

- During forwards testing (list to floor), we noted the following:
 - Eighteen of 40 (45%) items selected for testing could not be located within the Department's Springfield location. A total value for these items could not be determined due to missing acquisition prices in the property listing.
 - The property listing did not include an acquisition price for 12 of 40 (30%) items tested. As such, a value for these items could not be determined.
 - The property listing did not include an acquisition date for 8 of 40 (20%) items tested. A total value for these items could not be determined due to missing acquisition prices in the property listing.
 - Location codes noted on the property listing for 5 of 40 (13%) items tested did not match the locations where these items were physically located within the Department. A total value for these items could not be determined due to missing acquisition prices in the property listing.
 - Three of 40 (8%) items selected for testing, totaling \$6,757, had been deemed obsolete and were no longer in use by the Department
 - The property listing included multiple items under the same tag number for 3 of 40 (8%) items selected for testing, totaling \$2,591.
 - Two of 40 (5%) items selected for testing were not tagged and could not be positively identified in the Department's Springfield location. A total value for these items could not be determined due to missing acquisition prices in the property listing.
- During backwards testing (floor to list), we noted the following:
 - The physical locations for 25 of 40 (63%) items selected for testing did not match the locations noted for these items on the property listing. A total value for these items could not be determined due to missing acquisition prices in the property listing.
 - The property listing did not include an acquisition price for 15 of 40 (38%) items selected for testing. As such, a value for these items could not be determined.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-005. **FINDING** (State property control weaknesses) – Continued

- The property listing did not include an acquisition date for 14 of 40 (35%) items selected for testing. A total value for these items could not be determined due to missing acquisition prices in the property listing.
 - Item descriptions contained in the property listing for 3 of 40 (8%) items selected for testing, totaling \$1,270, did not agree to the actual item observed.
 - The property listing included multiple items under the same tag number for 2 of 40 (5%) items selected for testing, totaling \$2,914.
 - One of 40 (3%) items selected for testing, totaling \$3,385, had been deemed obsolete and was no longer in use by the Department.
 - One of 40 (3%) items selected for testing and in use at the Department's Springfield location was not tagged and could not be positively identified. As such, a value for this item could not be positively determined.
- The Department could not locate supporting documentation for additions and deletions selected for testing. Support could not be located for 6 of 6 (100%) additions selected, totaling \$682, and 15 of 15 (100%) deletions selected, totaling \$7,269.

The Department reported holding equipment balances of \$977,461 and \$902,308 on their June 30, 2015 and June 30, 2014 C-15 reports, respectively.

The State Records Act (5 ILCS 160/8) requires each agency head to preserve records containing adequate and proper documentation of the essential transactions of the agency. The State Records Act (5 ILCS 160/9) also requires each agency head to establish, and maintain an active, continuing program for the economical and efficient management of the records of the agency. Statewide Accounting Management Systems (SAMS) (Procedure 29.10.10) requires detailed property records be maintained by each agency. These records should be organized and include: cost (or other value), acquisition date, date placed into service, location, and tag number in addition to other required information.

During the prior examination, Department personnel stated that the errors were because many of the items being referenced were not purchased, but were acquired from CMS salvage many years ago when older inventory did not always contain the level of detail now required. During the current examination, Department personnel stated turnover within their fiscal staff and a lack of transition documentation limited their ability to comply with all applicable requirements.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-005. **FINDING** (State property control weaknesses) – Continued

Failure to exercise adequate control over property and to maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. In addition, inaccurate and untimely reporting on the C-15 reports could lead to inaccuracies and delays in Statewide financial information. Equipment that is not properly tagged could lead to improper use of assets. Also, the absence of accurate inventory and property control records may result in incorrect accounting information, unnecessary equipment expenditures, inaccurate financial reporting and incomplete records regarding specific property items. Charging expenditures to incorrect detail object codes could result in improper uses of appropriations. Finally, failure to provide adequate documentation for equipment additions and deletions results in noncompliance of the State Records Act. (Finding Code No. 2015-005, 2013-003, 11-3, 09-3, 07-3, 05-7, 03-6)

RECOMMENDATION

We recommend the Department strengthen controls over the recording and reporting of State property by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. In addition, the Department should ensure all equipment is accurately and timely recorded on the Department's property records, equipment additions are properly tagged and charged to proper detail object codes, and the Department should maintain documentation of any equipment additions, deletions and transfers. Lastly, we recommend the Department thoroughly review all reports prepared from internal records for accuracy before timely submission to the Comptroller and DCMS.

DEPARTMENT RESPONSE

The Department accepts the recommendations. Current administration staff is unable to comment on the root cause of deficiencies under the prior administration and is making every effort to remedy the deficiencies identified in the findings. The Department has made, and will continue to make, a concerted effort to improve controls over the recording and reporting of State property. The Department performed a complete inventory of its offices, including properly tagging all items and marking their correct location on inventory records. Fiscal staff also will charge all expenditures to the proper detail object codes going forward.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-006. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Illinois Department of Labor (Department) did not comply with the Fiscal Control and Internal Auditing Act (FCIAA). We noted the following:

- The Department did not maintain an internal audit function as required by the FCIAA (30 ILCS 10/2001). During testing, we noted the Department had not appointed a chief internal auditor and did not maintain a full-time program of internal auditing.

The FCIAA (30 ILCS 10/2001) requires each designated State agency, including the Department, to maintain a full-time program of internal auditing.

- The Department did not timely submit its FCIAA certifications for Fiscal Years 2014 and 2015. The Department's Fiscal Year 2014 certification was filed on January 14, 2015, which is 258 days late. The Department's Fiscal Year 2015 certification was filed on July 2, 2015, which is 62 days late.

The FCIAA (30 ILCS 10/3003) requires all State agencies to transmit to the Auditor General a certification which states the agency's systems of internal controls are in compliance with Section 3002 of the FCIAA. This certification is to be submitted by May 1 of each year.

- The Department could not locate any supporting documentation for the Fiscal Year 2014 certification, and the Department did not maintain sufficient supporting documentation for the Fiscal Year 2015 certification.

Statewide Accounting Management System (SAMS) (Procedure 02.50.40) requires State agencies to document the methods used, the personnel involved and their roles, the key factors considered, and the conclusions reached in order to provide a permanent record of the internal controls evaluation.

Department personnel stated an internal audit function has not been established due to budget constraints. Department personnel stated the reports were not submitted timely due to significant turnover in executive and fiscal positions. In addition, Department personnel stated adequate supporting documentation was not maintained due to a misunderstanding of requirements and oversight.

Failure to maintain a full-time program of internal auditing and timely submit the FCIAA certification is noncompliance with State statute. In addition, failure to maintain adequate documentation is noncompliance with SAMS. (Finding Code No. 2015-006)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-007. **FINDING** (Lack of disaster contingency planning or testing to ensure recovery of computer systems)

The Department of Labor (Department) had not developed a comprehensive disaster recovery plan or performed testing during the audit period.

The Department carries out its mission through the use of Information Technology. Computer systems that support the Department's mission include the Prevailing Wage Program and the Carnival Inspection Systems.

In April of 2015, the auditors received a one paragraph document in response to a request for a Disaster Recovery Plan. After discussions of the deficiency with the Department, the auditors received a Disaster Recovery Details document dated May 26, 2015. The auditors reviewed the Disaster Recovery Details document and noted:

- The Plan indicated the Department's applications would need to be recovered within 72 hours; however, upon further communication the Department determined they would need to review the timeframe for recovery in order to align with the State's recovery objectives.
- The Plan did not outline:
 - Detailed recovery goals,
 - Detailed recovery procedures,
 - Criteria for declaring a disaster,
 - Staff responsibilities and contact information,
 - Alternate facilities,
 - Equipment needs,
 - Disaster recovery coordinator information,
 - Recovery scripts for applications, testing requirements,
 - Responsibilities of the Department or the Department of Central Management Services, and
 - Manual processes to continue operations without computer systems.

Additionally, the Department had not conducted disaster recovery testing over its environment during the audit period or verified the accuracy of backups.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorses the formal development and testing of disaster recovery plans. Tests of disaster recovery plans (and the associated documentation of the test results) verify that the plan, procedures, and resources provide the capability to recover critical systems within the required timeframe.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-007. **FINDING** (Lack of disaster contingency planning or testing to ensure recovery of computer systems) – Continued

IT across the State of Illinois has historically been disjointed and outdated. During the FY14-FY15, the Department lacked the staff, resources, and specific IT funding to fully support its IT operations and make any sort of improvements beyond day-to-day maintenance. The senior development staffer retired, leaving the CIO as the only individual in-house on staff to handle daily customer support matters as well as larger agency IT requirements and policies. DOL is a fully consolidated agency for IT purposes, relying on the Department of Central Management Services Bureau of Communications and Computer Services (CMS BCCS) for all of its IT infrastructure and support services.

Failure to adequately develop and test the disaster recovery plans leaves the Department exposed to the possibility of major disruptions of services. (Finding Code No. 2015-007)

RECOMMENDATION

The Department should develop a detailed plan which addresses their computer operations. The plan should include at a minimum:

- Criteria for the declaration of a disaster,
- Detailed procedures for recovering all their systems,
- Recovery time objective or recovery point objective in accordance with the State's objective,
- Staff assignments and clear guidelines outlining their responsibilities, and
- Detailed recovery goals.

In addition, the Department should perform a comprehensive test of their Disaster Recovery Plan.

DEPARTMENT RESPONSE

The Department accepts the facts and recommendations. In January 2016, the Department hired a new Chief Information Officer and has posted positions for two additional IT staff to provide IT support, including compliance with disaster recovery planning and testing requirements. The Department has already taken steps to provide the details, as outlined in the finding, to the existing disaster recovery plan and will continue to work towards compliance with disaster recovery planning and testing requirements. The creation of the new Department of Innovation and Technology and the state-wide IT transformation efforts being spearheaded by the Governor's Chief Information Officer will help to remedy many of the technology-related issues noted in this finding and other audit findings.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-008. **FINDING** (Inadequate controls over personal services)

The Illinois Department of Labor (Department) failed to maintain proper controls over personal services. During testing, we noted the following:

- Ten of 13 (77%) employees tested did not receive performance evaluations as required. Ten annual performance evaluations for eight employees were not completed by the Department. Additionally, three probationary evaluations for two employees were not completed by the Department. Further, 6 of 13 (46%) employees tested had performance evaluations that were between 18 and 142 days late.

The Illinois Department of Labor Policy Manual (Manual) requires certified employees to be evaluated once a year. Additionally, the Manual requires employees serving a six-month probationary period to be evaluated at the end of their third month and again at the end of 5 ½ months of employment. Further, the Illinois Administrative Code (80 Ill. Adm. Code 302.270) requires the Department to prepare an evaluation on employees not less often than annually.

- Six of 13 (46%) employees tested did not have leave requests properly approved in advance of the requested day off. We noted 13 instances when leave time was approved between 1 and 127 days after the leave had occurred. These leave requests included vacation time, personal time, and authorized absences.

The Department of Labor Policy Manual requires that vacation and personal time be approved in advance of the requested day off. Further, the Illinois Administrative Code (80 Ill. Adm. Code 303.350) requires employees to provide advance notice of absence from work whenever possible.

- Sick time was not approved within a reasonable amount of time for 4 of 13 (31%) employees tested. Requests were approved between 4 and 16 days after the sick leave had occurred.

Standards of good business practices require leave requests to be approved in a timely manner.

- The Department was unable to provide eTime attendance records for 3 of 13 (23%) employees tested.

The State Officials and Employees Ethics Act (5 ILCS 430/5-5(c)) requires State employees to periodically submit time sheets documenting the time spent each day on official State business and further states these time sheets may be submitted on paper, electronically, or both and must be maintained by the applicable fiscal office for a period of at least two years.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-008. **FINDING** (Inadequate controls over personal services) – Continued

- Three of 13 (23%) employees tested lacked proper authorizations for miscellaneous payroll deductions. Missing authorizations included:
 - Withholding Allowance Certification Card (Form W-4)
 - Union dues withholding authorization
 - Deferred compensation withholding authorization
 - Charitable donations withholding authorization

Statewide Accounting Management System (SAMS) (Procedure 23.20.05) requires all State agencies have on file a properly completed Federal/Illinois W-4 for all active employees. In addition, the State Salary and Annuity Withholding Act (5 ILCS 365/4-5) requires each Office and Department that prepares a payroll voucher shall provide to its employees forms authorizing the withholding from salary, wages or annuity. These withholdings include union dues, deferred compensation, and retirement. Further, the Voluntary Payroll Deductions Act (5 ILCS 340/4) states that employees are to authorize withholdings of wages for contributions to various organizations.

- One of 13 employees (8%) tested did not have a personnel application in their personnel file; therefore, we were unable to determine if it was properly completed.

The State Records Act (5 ILCS 160/8) requires the head of each agency ensure records are prepared and maintained which contain documentation of the agency's transactions.

- Auditors were unable to locate documentation in personnel files to support gross pay for 1 of 13 (8%) employees tested.

Good business practices require proper documentation of gross pay be maintained in the employee's personnel file to ensure salary payment is correct and free from error.

Department personnel stated that adequate procedures and mechanisms had not been established by preceding administrations to ensure timely submission of evaluations, approval of leaves, and other personnel services. Senior management and staff turnover in addition to lack of resources also contributed to the inability to track, process, and follow up with supervisors.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. Failure to timely conduct performance evaluations undermines the ability

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-008. **FINDING** (Inadequate controls over personal services) – Continued

of management to monitor employee development and communicate performance expectations. Failure to approve leave requests in a timely manner could result in inaccuracies, in employee time and attendance records, going undetected or not being timely detected. Failure to maintain accurate attendance records is noncompliance with the State Officials and Employees Ethics Act. Failure to maintain employee payroll deduction authorizations could result in payroll deductions not reflecting current authorizations. In addition, failure to document gross pay could result in erroneous salary payments. Lastly, failure to maintain employee personnel applications is noncompliance with the State Records Act. (Finding Code 2015-008, 2013-008)

RECOMMENDATION

We recommend the Department conduct employee performance evaluations timely. We recommend leave requests be approved prior to the leave or upon the employee's return in cases when sick time is used. In addition, we recommend the Department strengthen controls to ensure employee personnel files are complete and payroll deductions are properly authorized. Further, we recommend the Department implement controls to ensure attendance records are properly maintained.

DEPARTMENT RESPONSE

The Department accepts the recommendations. Many of the issues noted in the finding either occurred during the prior administration or were due to a lack of internal controls and proper recordkeeping in place under the prior administration. When the Department's current administration learned of these inherited conditions, it took steps to remedy deficiencies. The current Chief of Staff and HR Manager have made a concerted effort to make sure all senior staff understands the importance of completing evaluations in a timely manner and approving time requests pursuant to the Illinois Administrative Code, Department policies, and any applicable collective bargaining agreements. The Department will continue to make every effort to ensure compliance.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-009. **FINDING** (Inadequate controls over voucher processing)

The Illinois Department of Labor (Department) did not exercise adequate controls over voucher processing. We noted the following:

- Eighty-seven of 301 (29%) vouchers tested, totaling \$251,515, were approved for payment 4 to 229 days late.
- Seventeen of 301 (6%) vouchers tested, totaling \$44,673, were not signed or dated by the receiving officer.
- Twenty-one of 301 (7%) vouchers tested were not properly approved by the Department. Eighteen of the 21 vouchers, totaling \$25,932, were not signed by the agency head. Three of the 21 vouchers, totaling \$8,586, were not dated by the agency head.

The Illinois Administrative Code (74 Ill. Adm. Code 900.70) requires all agencies to approve proper bills or deny bills with defects, in whole or in part, within 30 days of receipt. In addition, Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the agency head signature and date be documented on all vouchers before being sent to the Office of the State Comptroller for processing.

Additionally, the Department could not locate 22 of 323 (7%) vouchers, totaling \$96,963, which were selected for testing.

The State Records Act (5 ILCS 160/9) requires the head of each agency to establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.

During the prior examination, Department personnel stated it was the Department's goal to perform all functions in a timely and effective manner; however, due to turnover and staffing shortages, other competing projects took precedence. During the current examination, Department personnel cited the same challenges as barriers to compliance.

Failure to approve vouchers timely could subject the State to unnecessary interest charges. The lack of complete document approval, including a signature by the agency head and a signature by the receiving officer, reduces the overall control over expenditures and may lead to inappropriate expenditures. Failure to maintain vouchers is noncompliance with the State Records Act. (Finding Co. 2015-009, 2013-005, 11-5, 09-11, 07-12, 05-9, 03-2, 01-1, 99-1)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-009. **FINDING** (Inadequate controls over voucher processing) – Continued

RECOMMENDATION

We recommend the Department implement procedures to ensure all vouchers are approved timely in accordance with the Illinois Administrative Code. Further, the Department should comply with SAMS procedures by having the agency head and receiving officer sign and date each voucher. Finally, we recommend the Department develop procedures to ensure Department records are maintained as required.

DEPARTMENT RESPONSE

The Department accepts the recommendations. The Fiscal Officer was replaced in late March of 2015 and the Department began reviewing all responsibilities and procedures within the office. The Department filled fiscal vacancies and has taken steps toward correcting fiscal processes. The Department continues to review potential changes and expects to make additional improvements to procedures in the future.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-010. **FINDING** (Incomplete and inaccurate agency workforce reports)

The Illinois Department of Labor (Department) did not include complete and accurate information on its Fiscal Year 2013 and Fiscal Year 2014 Agency Workforce Reports (Report) submitted to the Office of the Governor and the Office of the Secretary of State. We noted the following:

- The Department inaccurately calculated amounts and percentages reported on its FY13 and FY14 reports. Twenty-two instances were noted.
- The Department failed to calculate amounts and percentages for the “Professional,” “Contractual,” and “Position Openings” categories on the FY13 and FY14 reports.
- The Department failed to calculate percentages for three categories on the FY13 and FY14 reports. Thirty-six instances were noted.
- The Department was unable to provide support for the number of employees reported on the FY13 and FY14 reports.

The State Employment Records Act (5 ILCS 410/15) requires State agencies to collect and maintain information and annually publish reports which include specified demographic and salary data regarding State employees.

In addition, the Department did not timely submit its FY13 and FY14 reports to the Office of the Secretary of State; the reports were one and six days late respectively. The State Employment Records Act (5 ILCS 410/20) requires all State agencies to file, by January 1 of each year, a copy of the Agency Workforce Report with the Office of the Secretary of State.

Department personnel stated the reports were inaccurate, incomplete, and late due to oversight by the responsible personnel.

Failure to include complete and accurate information on the Department’s Agency Workforce Reports could deter efforts by State officials, administrators, and residents to achieve a more diversified State workforce and is noncompliance with State statute. In addition, failure to timely submit the report to the Office of the Secretary of State and maintain supporting documentation used to prepare the reports is noncompliance with State statute. (Finding Code No. 2015-010)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-010. **FINDING** (Incomplete and inaccurate agency workforce reports) - Continued

RECOMMENDATION

We recommend the Department implement controls over its Agency Workforce Reports to ensure they are complete and accurate and supporting documentation is maintained. We also recommend the Department submit the report to the Office of the Secretary of State timely, as required by statute. Lastly, we recommend the Department file corrected reports with the Secretary of State and Office of the Governor as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2).

DEPARTMENT RESPONSE

The Department accepts the recommendations. When the Department's current administration learned of the conditions it inherited, it proactively put controls in place and took action to prepare correct workforce reports for FY15. As a result of these actions, the FY15 Agency Workforce Report was filed prior to the January 1, 2016 deadline and records of supporting documentation used to prepare the report have been retained. The Department will make every effort to maintain these controls for submissions of all future Agency Workforce Reports.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-011. **FINDING** (Noncompliance with the Employee Classification Act)

The Illinois Department of Labor (Department) did not maintain adequate records of its compliance with the Employee Classification Act (Act) (820 ILCS 185/43). The Act, effective January 1, 2014, requires any contractor for which either an individual, sole proprietor, or partnership is performing construction services to report all payments made to that individual, sole proprietor, or partnership if the recipient of payment is not classified as an employee. The Act specifies the reports must be submitted to the Department on or before January 31 following the taxable year in which the payment was made. Subsequent to this examination period, this deadline was changed to April 30 by P.A. 99-303, effective August 6, 2015. Department records indicate they received a total of 754 reports for the taxable year ended December 31, 2014.

Our testing included samples of reports the Department deemed "complete" and "incomplete." We noted the following in our testing of reports the Department determined to be complete:

- Seven of 40 (18%) reports selected for testing were not submitted timely. The reports were submitted 2 to 17 days late.
- Four of 40 (10%) reports selected for testing were not date stamped when received. As a result, we could not determine if the reports were filed timely.
- Three of 40 (8%) reports selected for testing were not actually complete reports. In these instances, the reports were filed electronically. We noted the reports were either unable to be opened because the file was corrupted, or the email submission lacked the report attachment.
- Two of 40 (5%) reports selected for testing omitted pertinent information about nonemployees who were paid for construction services performed. Missing information included names, addresses, FEINs, amounts paid, and/or services rendered.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law. Good internal controls require a careful review of reported information to ensure completeness and timeliness.

In our testing of reports the Department determined to be incomplete, we noted the following:

- The Department was unable to provide a copy of the letter sent to the contractors who filed incomplete reports for 6 of 6 (100%) instances tested.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-011. **FINDING** (Noncompliance with the Employee Classification Act) – Continued

- In addition, the Department did not assess penalties for incomplete submissions, as authorized by the Act (820 ILCS 185/43(c)). Further, the Department did not refer the matters to an administrative law judge to schedule a formal hearing in accordance with the Illinois Administrative Procedure Act (5 ILCS 100/10).

Department personnel stated the reports were inaccurate, incomplete, and late due to oversight by the responsible personnel.

Failure to properly review Employee Classification Act reports for timeliness and completeness could result in the Department overlooking contractor violations of the Act. Failure to notify the contractor, in writing, of the Department's finding that the contractor has failed to file a report or has filed an incomplete report and assess contractor with civil penalties is noncompliance with the Employee Classification Act and could result in lost revenue to the State. (Finding Code No. 2015-011)

RECOMMENDATION

We recommend the Department develop procedures for the review of all reports to ensure compliance with the Employee Classification Act. In addition, we recommend the Department notify contractors of violations and assess penalties for violations of the Act as required.

DEPARTMENT RESPONSE

The Department accepts the recommendations. The reporting requirement provision of the ECA (Sec. 43) took effect during a period of time in which the Department was experiencing complete executive and managerial turnover. The prior administration did not implement procedures or controls to ensure adequate compliance with the new provision. When the Department's current administration learned of these inherited conditions, the Department took steps to remedy these deficiencies including legislative and administrative solutions such as requiring submissions to be filed with the Department electronically, and moving the reporting deadline to April 30th, after the tax filing season. The Department has established procedures and controls to review submissions and to keep records of outgoing correspondence in relation to the administration and enforcement of the ECA. The Department will continue to make every effort to ensure compliance with the administration and enforcement of the ECA.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-012. **FINDING** (Inadequate controls over travel expenditures)

The Illinois Department of Labor (Department) did not exercise adequate controls over its travel expenditures. We noted the following:

- Four of 40 (10%) vouchers tested, totaling \$831, were not properly signed and/or dated by the traveler's immediate supervisor.
- Nine of 40 (23%) vouchers tested, totaling \$699, contained direct billed expenses that were not properly itemized on the voucher.
- One of 40 (3%) vouchers tested, totaling \$241, included reimbursements for lodging in amounts which differed from appropriate travel allowances. In this instance, the traveler was overpaid \$7.
- Two additional vouchers selected for testing, totaling \$328, were not submitted timely by the traveler. In these instances, the vouchers were submitted 4 and 31 days late.

The Governor's Travel Control Board (Board) Rules (80 Ill. Adm. Code 2800.260(b)) requires items directly billed to the State be itemized on the employee's travel voucher along with reimbursable items. All columns on the travel voucher are to be totaled and cross-footed, with the direct-billed total being deducted from the cross-footed total. The remaining balance will be the amount reimbursed to the employee. The Board's Rules (80 Ill. Adm. Code 2800 Appendix A) include reimbursement rates for lodging for each Illinois county or region. In addition, the Board's Rules (80 Ill. Adm. Code 2800.240(f)) require all copies of the travel voucher to be signed by the individual who incurred the expense and their supervisor.

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 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 resources. The Department of Labor Policy Manual requires travel vouchers to be submitted within 60 days after the expenses were paid or incurred. Further, the Department of Labor Policy Manual states vouchers not meeting the 60 day requirement should be deleted, returned to the Department and processed as payroll with applicable taxes deducted.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-012. **FINDING** (Inadequate controls over travel expenditures) – Continued

During the prior examination, Department personnel stated the Department’s goal was to process travel expenditures in a timely manner, but staffing shortages made this an ongoing challenge. During the current examination, Department personnel stated the issues noted were due to staffing shortages and a lack of general oversight of travel.

Failure to exercise adequate internal controls over travel expenditures may increase the risk of processing errors and result in untimely and inaccurate information on agency obligations and excessive payments to claimants. Our sample testing indicates excess payments to travelers totaled \$7. (Finding Code No. 2015-012, 2013-007, 11-8, 09-6, 07-11)

RECOMMENDATION

We recommend the Department carefully and timely review travel vouchers to ensure accuracy and reasonableness of reported information prior to payment and that vouchers are reviewed to ensure all applicable Department policies are met. In addition, we recommend the Department periodically remind all employees of the allowable lodging rates set forth in the travel regulations. Lastly, we recommend the Department obtain reimbursement from the employee that was overpaid.

DEPARTMENT RESPONSE

The Department accepts the recommendations. When the Department’s current administration learned of the underlying causes and conditions it inherited relating to travel expenditures, the Department took steps to improve oversight and control of travel vouchers. The Department circulated the “Travel Guide for State of Illinois Employees” to all Department staff and all employees were required to acknowledge their receipt of the policy. Additionally, IDOL has designated a Travel Coordinator for the agency. The Travel Coordinator periodically reviews vouchers and advises on compliance with travel policies. Finally, after increasing fiscal staff levels, the Department’s fiscal section has implemented increased oversight and scrutiny of travel vouchers. It is the intention of the Department to ensure accuracy and reasonableness of travel claims prior to payment and to comply with all applicable rules and policies regarding travel.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-013. **FINDING** (Failure to maintain leave of absence documentation)

The Illinois Department of Labor (Department) did not maintain adequate documentation to substantiate employee leaves of absence.

We selected a sample of 5 employees who took leaves of absence during the examination period. Between the 5 employees included in our sample, a total of 8 leaves of absence were tested. We noted the following:

- The Department was unable to provide a leave of absence authorization or any other documentation to support the leave of absence status for 4 of 8 (50%) leaves of absence tested. As a result, we were unable to determine whether the employees were removed from payroll during the correct time period or if the Department of Central Management Services was contacted and voluntary payroll deductions were properly handled.
- The Department was unable to determine leave of absence dates or provide leave of absence support for 2 of 8 (25%) leaves of absence tested.

The State Records Act (5 ILCS 160/8) requires the Department to preserve records containing adequate and proper documentation of the essential transactions of the Department to protect the legal and financial rights of the State. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds are safeguarded against waste, loss, unauthorized use, and misappropriation. In addition, good business practice requires proper internal controls, such as a supervisor review, be established to prevent improper payments to persons on a leave of absence and if overpayments occurred, a process to recoup those payments timely.

Department personnel stated documentation for the leaves of absence was not maintained due to oversight.

Failure to adequately document leaves of absence could result in overpayments to employees. In addition, failure to preserve proper documentation is noncompliance with State statute. (Finding Code No. 2015-013)

RECOMMENDATION

We recommend the Department maintain and keep documentation for all leaves of absence as required.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-013. **FINDING** (Failure to maintain leave of absence documentation) – Continued

DEPARTMENT RESPONSE

The Department accepts the recommendations. The previous administration did not create and/or maintain the paperwork for the leaves of absence tested. The Department's current administration and human resources staff are creating and maintaining appropriate documentation of all personnel transactions, including leaves of absence.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-014. **FINDING** (Inadequate monitoring and controls over contract and grant agreements)

The Illinois Department of Labor (Department) did not adequately monitor and exercise appropriate controls over grant agreements. The Department received an appropriation totaling \$20,000,000 in Fiscal Year 2015 for grants to State and local agencies and community providers for at-risk community support programs, after school programs, and youth employment opportunities. The Department then entered into two intergovernmental grant agreements with the Department of Human Services (DHS) and the Department of Commerce and Economic Opportunity (DCEO) for \$6,500,000 and \$5,000,000, respectively, for grants to community providers for the purposes described above.

The Department, in consultation with DHS, also executed agreements to distribute a total of 35 grants, totaling \$8,114,642, directly to community providers. However, in January 2015, all grant funds were stopped for additional review under a directive from the Governor's Office. After this review, 20 of the 35 grants, totaling \$763,616, were released by the Department.

We noted the Department did not receive all of the documentation from DHS or DCEO necessary to properly monitor the intergovernmental grant agreements, to ascertain the degree to which program goals were met, or to ensure the monies spent by DHS and DCEO were, in fact, from the amounts the Department gave them for these purposes. Both of the intergovernmental grant agreements required DHS and DCEO to provide the Department with a final report upon expiration of the agreements on expenditures associated with managing and administering the programs. The Department could not locate documentation substantiating that these final reports were received.

In addition, for both of the intergovernmental grant agreements, the Department could not locate documentation substantiating the funds not expended or obligated by June 30, 2015 were returned to the Department within 45 calendar days as required by the Illinois Grant Funds Recovery Act.

In addition, for the grants awarded by the Department directly to community providers, we noted deficiencies in the records maintained and/or prepared by the Department as follows:

- For 1 of 10 (10%) grants tested, with released amounts of \$184,179, the Department could not locate all documentation substantiating Expenditure Documentation Forms (EDFs) were submitted by the grantees on a monthly basis to report all grant expenditures.
- Contract Obligation Documents (C-23s) prepared for 6 of 10 (60%) grants tested, totaling \$1,693,544, did not contain evidence of approval by Department personnel before they were submitted to the Office of the State

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-014. **FINDING** (Inadequate monitoring and controls over contract and grant agreements) – Continued

Comptroller.

The Illinois Grant Funds Recovery Act (Act) (30 ILCS 705/4(b)) requires grant agreements, in excess of \$25,000, include provisions requiring the filing of, at a minimum, quarterly reports describing the progress of the program and use of expenditures of grant funds. The Act also requires grant agreements to contain a provision that all funds remaining at the end of the grant agreement be returned to the grantor within 45 days. Further, good internal controls requires grant agreement reports and documents be properly reviewed to ensure provisions are being fulfilled by the grantee and to prevent improper expenditures.

Statewide Accounting Management Systems (SAMS) (Procedure 15.20.10) states the name of the individual who authorized the obligation should be entered at the bottom of each C-23 document submitted to the State Comptroller.

Department personnel stated that historically, grant administration and monitoring have not been a part of the Department's responsibilities and thus, procedures and mechanisms had not been established by preceding administrations to ensure that grants were administered properly. Senior management and staff turnover also contributed to the lack of information regarding the grants being communicated to incoming management and staff.

Inadequate monitoring of grants could result in improper expenditures by the Department for services and reports not received. Also, inadequate grant monitoring is noncompliance with the Illinois Grant Funds Recovery Act. C-23 documents are submitted to the State Comptroller and are used to establish and maintain a file of individual obligations by agency and account. Failure to approve C-23 documents could lead to inaccurate record keeping and may result in loss of State funds. In addition, in accordance with the Illinois Procurement Code (30 ILCS 500/20-80), the State Comptroller can refuse to issue a warrant for payment for contractual agreements, which includes C-23 documents, not filed appropriately with their office. (Finding Code No. 2015-014)

RECOMMENDATION

We recommend the Department properly monitor all grant agreements to ensure required reports are filed by the grantee and reviewed. Also, we recommend the Department ensure that unused grant funds be returned within 45 days of the end of the grant period. Further, we recommend the Department ensure all contract documents are signed before submission to the State Comptroller's Office.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

2015-014. **FINDING** (Inadequate monitoring and controls over contract and grant agreements) – Continued

DEPARTMENT RESPONSE

The Department accepts the recommendations. Historically, grant administration and monitoring have not been a part of the Department's statutory responsibilities, and thus, prior administrations established no procedures or mechanisms to ensure that the grants were administered properly. Consequently, this lack of established procedures and mechanisms fostered an inadequate transition as the current administration did not receive any information regarding the status of these grants from the prior administration.

Furthermore, in CY 2015, the Department experienced complete turnover at the executive level and complete turnover at every level of the fiscal section, including the departure of the Department's Chief Fiscal Officer (CFO). Despite finding inadequate historical documentation, the new CFO and fiscal staff, at the direction of the new Director, acted quickly to establish better controls and documentation practices and to meet reporting requirements going forward.

The grant to the Department was apparently a unique action, which is not likely to recur. If the Department is given such responsibilities over grants in the future, the current administration will be prepared to employ proper fiscal controls and monitoring. The Department intends to monitor all future grant agreements and ensure the proper contractual and reporting requirements are completed.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2015

PRIOR FINDINGS NOT REPEATED

A. **FINDING** (Nonpayment of revolving funds)

During the prior examination, the Illinois Department of Labor (Department) failed to make payments on amounts owed to revolving funds. Specifically, the Department failed to pay \$11,716 owed to the Facilities Management Revolving Fund.

During the current examination, our sample voucher testing did not reveal instances of non-payment to revolving funds. (Finding Code No. 2013-009)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures and Lapsed Balances - 2015
 - Schedule of Appropriations, Expenditures and Lapsed Balances - 2014
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Schedule of Changes in State Property (Not Examined)
 - Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller (Not Examined)
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending
 - Analysis of Accounts Receivable (Not Examined)

- Analysis of Operations (Not Examined):
 - Agency Functions and Planning Program (Not Examined)
 - Average Number of Employees (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2015 and June 30, 2014 accompanying supplementary information in Schedules 1 through 9. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

Fourteen Months Ended August 31, 2015

P.A. 98-0681 FISCAL YEAR 2015	Appropriations (Net After Transfers)	Expenditures Through 6/30/15	Lapse Period		Balances Lapsed
			Expenditures 7/01/15 - 8/31/15	Total Expenditures	
APPROPRIATED FUNDS					
General Revenue Fund - 001					
Personal Services	\$ 5,673,000	\$ 5,277,423	\$ 20,081	\$ 5,297,504	\$ 375,496
State Contributions to Social Security	400,400	387,508	1,803	389,311	11,089
Contractual Services	255,100	229,927	22,985	252,912	2,188
Travel	102,600	45,487	23,189	68,676	33,924
Commodities	10,400	2,411	242	2,653	7,747
Printing	2,400	12	274	286	2,114
Equipment	26,600	-	-	-	26,600
Electronic Data Processing	15,600	844	727	1,571	14,029
Telecommunications Services	100,700	45,151	12,875	58,026	42,674
Operation of Automotive Equipment	2,900	80	-	80	2,820
Awards and Grants	19,614,642	12,000,947	262,669	12,263,616	7,351,026
Total General Revenue Fund	\$ 26,204,342	\$ 17,989,790	\$ 344,845	\$ 18,334,635	\$ 7,869,707
Amusement Ride and Patron Safety Fund - 051					
Personal Services	\$ 102,000	\$ -	\$ -	\$ -	\$ 102,000
State Contributions to State Employees	43,200	-	-	-	43,200
Retirement System	7,800	-	-	-	7,800
State Contributions to Social Security	46,000	-	-	-	46,000
Group Insurance	10,000	1,595	-	1,595	8,405
Contractual Services	10,000	4,344	5,602	9,946	54
Travel	2,000	176	-	176	1,824
Commodities	5,000	1,995	-	1,995	3,005
Printing	1,800	-	-	-	1,800
Electronic Data Processing	3,000	42	-	42	2,958
Telecommunications Services					
Total Amusement Ride and Patron Safety Fund	\$ 230,800	\$ 8,152	\$ 5,602	\$ 13,754	\$ 217,046

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

Fourteen Months Ended August 31, 2015

P.A. 98-0681 FISCAL YEAR 2015	Appropriations (Net After Transfers)	Expenditures Through 6/30/15	Lapse Period Expenditures 7/01/15 - 8/31/15	Total Expenditures	Balances Lapsed
Child Labor Enforcement Trust Fund - 357					
Personal Services	\$ 290,600	\$ 213,610	\$ 8	\$ 213,618	\$ 76,982
State Contributions to State Employees					
Retirement System	123,000	90,598	4	90,602	32,398
State Contributions to Social Security	22,200	15,623	1	15,624	6,576
Group Insurance	115,000	78,621	-	78,621	36,379
Contractual Services	12,000	5,082	6,627	11,709	291
Travel	15,000	2,829	461	3,290	11,710
Commodities	5,000	4,828	-	4,828	172
Printing	10,000	-	2,583	2,583	7,417
Equipment	2,000	-	-	-	2,000
Telecommunications Services	10,000	551	-	551	9,449
Total Child Labor Enforcement Trust Fund	\$ 604,800	\$ 411,742	\$ 9,684	\$ 421,426	\$ 183,374
Employee Classification Fund - 446					
Personal Services	\$ 120,000	\$ 26,123	-	\$ 26,123	\$ 93,877
State Contributions to State Employees					
Retirement System	50,800	11,060	-	11,060	39,740
State Contributions to Social Security	9,200	1,998	-	1,998	7,202
Group Insurance	46,000	-	-	-	46,000
Contractual Services	25,000	1,820	-	1,820	23,180
Travel	3,000	-	-	-	3,000
Commodities	5,000	-	-	-	5,000
Printing	5,000	-	-	-	5,000
Equipment	2,000	-	-	-	2,000
Electronic Data Processing	4,800	-	-	-	4,800
Telecommunications Services	5,000	-	-	-	5,000
Total Employee Classification Fund	\$ 275,800	\$ 41,001	\$ -	\$ 41,001	\$ 234,799

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

Fourteen Months Ended August 31, 2015

P.A. 98-0681 FISCAL YEAR 2015	Appropriations (Net After Transfers)	Expenditures Through 6/30/15	Lapse Period		Balances Lapsed
			Expenditures 7/01/15 - 8/31/15	Total Expenditures	
Federal Projects Fund - 724					
Administration of Federal Projects	\$ 2,000,000	\$ 802,138	\$ 122,801	\$ 924,939	\$ 1,075,061
Total Federal Projects Fund	\$ 2,000,000	\$ 802,138	\$ 122,801	\$ 924,939	\$ 1,075,061
Federal Industrial Services Fund - 726					
Contractual Services	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Administration of Occupational Safety and Health Administration Program	2,970,000	1,445,852	166,006	1,611,858	1,358,142
Total Federal Industrial Services Fund	\$ 3,000,000	\$ 1,445,852	\$ 166,006	\$ 1,611,858	\$ 1,388,142
Wage Theft Enforcement Fund - 885					
Personal Services	\$ 84,000	\$ 60,761	\$ -	\$ 60,761	\$ 23,239
State Contributions to State Employees					
Retirement System	35,600	25,726	-	25,726	9,874
State Contributions to Social Security	6,400	4,449	-	4,449	1,951
Group Insurance	46,000	25,658	-	25,658	20,342
Contractual Services	20,000	4,797	-	4,797	15,203
Travel	1,000	-	-	-	1,000
Commodities	3,000	-	-	-	3,000
Printing	5,000	-	-	-	5,000
Equipment	-	-	-	-	-
Electronic Data Processing	1,500	-	-	-	1,500
Telecommunications Services	3,000	-	-	-	3,000
Total Wage Theft Enforcement Fund	\$ 205,500	\$ 121,391	\$ -	\$ 121,391	\$ 84,109
Total - All Appropriated Funds	\$ 32,521,242	\$ 20,820,066	\$ 648,938	\$ 21,469,004	\$ 11,052,238

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

Fourteen Months Ended August 31, 2015

P.A. 98-0681 FISCAL YEAR 2015	Appropriations (Net After Transfers)	Expenditures Through 6/30/15	Lapse Period		Balances Lapsed
			Expenditures 7/01/15 - 8/31/15	Total Expenditures	
NON-APPROPRIATED FUNDS					
Department of Labor Special State Trust Fund - 251 Net Pay Claims	\$ 1,316,889	\$ 1,316,889	\$ 7,057	\$ 1,323,946	
Total - All Non-Appropriated Funds		<u>\$ 1,316,889</u>	<u>\$ 7,057</u>	<u>\$ 1,323,946</u>	
GRAND TOTAL ALL FUNDS		<u>\$ 22,136,955</u>	<u>\$ 655,995</u>	<u>\$ 22,792,950</u>	

Note 1: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.
 Note 2: We noted the Department did not perform reconciliations and update expenditure records as required. As a result, this schedule was prepared from records maintained by the State Comptroller. See Finding No. 2015-004 for further details.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2014

Fourteen Months Ended August 31, 2014

P.A. 98-0050 FISCAL YEAR 2014	Appropriations		Lapse Period		Balances Lapsed
	(Net After Transfers)	Expenditures Through 6/30/14	Expenditures 7/01/14 - 8/31/14	Total Expenditures	
APPROPRIATED FUNDS					
General Revenue Fund - 001					
Personal Services	\$ 5,803,600	\$ 4,656,094	\$ 56,192	\$ 4,712,286	\$ 1,091,314
State Contributions to Social Security	409,600	341,356	4,201	345,557	64,043
Contractual Services	341,450	249,125	32,605	281,730	59,720
Travel	89,300	66,375	21,929	88,304	996
Commodities	11,320	7,138	537	7,675	3,645
Printing	3,450	2,263	140	2,403	1,047
Equipment	1,280	-	1,229	1,229	51
Electronic Data Processing	6,000	1,366	4,634	6,000	-
Telecommunications Services	74,800	30,885	36,422	67,307	7,493
Operation of Automotive Equipment	700	671	-	671	29
Total General Revenue Fund	\$ 6,741,500	\$ 5,355,273	\$ 157,889	\$ 5,513,162	\$ 1,228,338
Child Labor Enforcement Trust Fund - 357					
Personal Services	\$ 306,900	\$ 219,034	\$ 2,472	\$ 221,506	\$ 85,394
State Contributions to State Employees Retirement System	123,800	88,442	997	89,439	34,361
State Contributions to Social Security	23,500	16,009	189	16,198	7,302
Group Insurance	115,000	80,442	-	80,442	34,558
Contractual Services	7,900	3,458	1,143	4,601	3,299
Travel	10,000	3,576	226	3,802	6,198
Commodities	14,400	7,665	204	7,869	6,531
Printing	1,000	-	-	-	1,000
Equipment	2,000	-	-	-	2,000
Telecommunications Services	3,000	306	2,308	2,614	386
Total Child Labor Enforcement Trust Fund	\$ 607,500	\$ 418,932	\$ 7,539	\$ 426,471	\$ 181,029

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2014

Fourteen Months Ended August 31, 2014

P.A. 98-0050 FISCAL YEAR 2014	Appropriations (Net After Transfers)	Expenditures Through 6/30/14	Lapse Period		Balances Lapsed
			Expenditures 7/01/14 - 8/31/14	Total Expenditures	
Employee Classification Fund - 446					
Personal Services	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
State Contributions to State Employees Retirement System	30,200	-	-	-	30,200
State Contributions to Social Security	5,800	-	-	-	5,800
Group Insurance	23,000	-	-	-	23,000
Contractual Services	1,500	-	-	-	1,500
Travel	-	-	-	-	-
Commodities	-	-	-	-	-
Printing	-	-	-	-	-
Equipment	-	-	-	-	-
Electronic Data Processing	1,200	-	-	-	1,200
Telecommunications Services	1,000	-	-	-	1,000
Total Employee Classification Fund	\$ 137,700	\$ -	\$ -	\$ -	\$ 137,700
Federal Projects Fund - 724					
Administration of Federal Projects	\$ 2,000,000	\$ 1,082,022	\$ 20,986	\$ 1,103,008	\$ 896,992
Total Federal Projects Fund	\$ 2,000,000	\$ 1,082,022	\$ 20,986	\$ 1,103,008	\$ 896,992
Federal Industrial Services Fund - 726					
Contractual Services	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
Administration of Occupational Safety and Health Administration Program	2,970,000	1,674,151	13,749	1,687,900	1,282,100
Total Federal Industrial Services Fund	\$ 3,000,000	\$ 1,704,151	\$ 13,749	\$ 1,717,900	\$ 1,282,100

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2014

Fourteen Months Ended August 31, 2014

P.A. 98-0050 FISCAL YEAR 2014	Appropriations (Net After Transfers)	Expenditures Through 6/30/14	Lapse Period		Balances Lapsed
			Expenditures 7/01/14 - 8/31/14	Total Expenditures	
Wage Theft Enforcement Fund - 885					
Personal Services	\$ 85,000	\$ -	\$ -	\$ -	\$ 85,000
State Contributions to State Employees Retirement System	34,300	-	-	-	34,300
State Contributions to Social Security	6,500	-	-	-	6,500
Group Insurance	23,000	-	-	-	23,000
Contractual Services	-	-	-	-	-
Travel	-	-	-	-	-
Commodities	-	-	-	-	-
Printing	-	-	-	-	-
Equipment	-	-	-	-	-
Electronic Data Processing	-	-	-	-	-
Telecommunications Services	-	-	-	-	-
Total Wage Theft Enforcement Fund	\$ 148,800	\$ -	\$ -	\$ -	\$ 148,800
Total - All Appropriated Funds	\$ 12,635,500	\$ 8,560,378	\$ 200,163	\$ 8,760,541	\$ 3,874,959
<u>NON-APPROPRIATED FUNDS</u>					
Department of Labor Special State Trust Fund - 251					
Net Pay Claims		\$ 622,478	\$ 3,773	\$ 626,251	
Total - All Non-Appropriated Funds		\$ 622,478	\$ 3,773	\$ 626,251	
GRAND TOTAL ALL FUNDS		\$ 9,182,856	\$ 203,936	\$ 9,386,792	

Note 1: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 2: We noted the Department did not perform reconciliations and update expenditure records as required. As a result, this schedule was prepared from records maintained by the State Comptroller. See Finding No. 2015-004 for further details.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2015	2014	2013
	P.A. 98-0681	P.A. 98-0050	P.A. 97-0731
<u>APPROPRIATED FUNDS</u>			
General Revenue Fund - 001			
Appropriations (Net of Transfers)	\$ 26,204,342	\$ 6,741,500	\$ 6,316,500
Personal Services	\$ 5,297,504	\$ 4,712,286	\$ 4,564,191
State Contributions to Social Security	389,311	345,557	333,512
Contractual Services	252,912	281,730	360,567
Travel	68,676	88,304	87,372
Commodities	2,653	7,675	11,086
Printing	286	2,403	10,490
Equipment	-	1,229	1,451
Electronic Data Processing	1,571	6,000	31,452
Telecommunications	58,026	67,307	124,735
Operation of Automotive Equipment	80	671	-
Awards and Grants	12,263,616	-	-
Other Purposes	-	-	1,369
Employee Classification Act	-	-	311,945
Total Expenditures	\$ 18,334,635	\$ 5,513,162	\$ 5,838,170
Lapsed Balances	<u>\$ 7,869,707</u>	<u>\$ 1,228,338</u>	<u>\$ 478,330</u>
Amusement Ride and Patron Safety Fund - 051			
Appropriations (Net of Transfers)	\$ 230,800	\$ -	\$ -
Personal Services	\$ -	\$ -	\$ -
State Contributions to State Employees Retirement System	-	-	-
State Contributions to Social Security	-	-	-
Group Insurance	-	-	-
Contractual Services	1,595	-	-
Travel	9,946	-	-
Commodities	176	-	-
Printing	1,995	-	-
Electronic Data Processing	-	-	-
Telecommunications Services	42	-	-
Total Expenditures	\$ 13,754	\$ -	\$ -
Lapsed Balances	<u>\$ 217,046</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2015	2014	2013
	P.A. 98-0681	P.A. 98-0050	P.A. 97-0731
Child Labor Enforcement Trust Fund - 357			
Appropriations (Net of Transfers)	\$ 604,800	\$ 607,500	\$ 586,700
Personal Services	\$ 213,618	\$ 221,506	\$ 221,854
State Contributions to State Employees			
Retirement System	90,602	89,439	93,146
State Contributions to Social Security	15,624	16,198	16,255
Group Insurance	78,621	80,442	100,112
Contractual Services	11,709	4,601	4,089
Travel	3,290	3,802	6,145
Commodities	4,828	7,869	2,156
Printing	2,583	-	995
Equipment	-	-	156
Telecommunications Services	551	2,614	2,473
Total Expenditures	\$ 421,426	\$ 426,471	\$ 447,381
Lapsed Balances	\$ 183,374	\$ 181,029	\$ 139,319
Employee Classification Fund - 446			
Appropriations (Net of Transfers)	\$ 275,800	\$ 137,700	\$ 48,000
Personal Services	\$ 26,123	\$ -	\$ -
State Contributions to State Employees			
Retirement System	11,060	-	-
State Contributions to Social Security	1,998	-	-
Group Insurance	-	-	-
Contractual Services	1,820	-	-
Travel	-	-	-
Commodities	-	-	-
Printing	-	-	-
Equipment	-	-	-
Electronic Data Processing	-	-	-
Telecommunications Services	-	-	-
Total Expenditures	\$ 41,001	\$ -	\$ -
Lapsed Balances	\$ 234,799	\$ 137,700	\$ 48,000

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2015	2014	2013
	P.A. 98-0681	P.A. 98-0050	P.A. 97-0731
Federal Projects Fund - 724			
Appropriations (Net of Transfers)	\$ 2,000,000	\$ 2,000,000	\$ 1,590,100
Administration of Federal Projects	\$ 924,939	\$ 1,103,008	\$ 1,483,409
Total Expenditures	\$ 924,939	\$ 1,103,008	\$ 1,483,409
Lapsed Balances	\$ 1,075,061	\$ 896,992	\$ 106,691
Federal Industrial Services Fund - 726			
Appropriations (Net of Transfers)	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Contractual Services	\$ -	\$ 30,000	\$ 29,700
Administration of Occupational Safety and Health Administration Program	1,611,858	1,687,900	1,713,193
Total Expenditures	\$ 1,611,858	\$ 1,717,900	\$ 1,742,893
Lapsed Balances	\$ 1,388,142	\$ 1,282,100	\$ 1,257,107
Wage Theft Enforcement Fund - 885			
Appropriations (Net of Transfers)	\$ 205,500	\$ 148,800	\$ 30,000
Personal Services	\$ 60,761	\$ -	\$ -
State Contributions to State Employees Retirement System	25,726	-	-
State Contributions to Social Security	4,449	-	-
Group Insurance	25,658	-	-
Contractual Services	4,797	-	-
Travel	-	-	-
Commodities	-	-	-
Printing	-	-	-
Electronic Data Processing	-	-	-
Telecommunications Services	-	-	-
Total Expenditures	\$ 121,391	\$ -	\$ -
Lapsed Balances	\$ 84,109	\$ 148,800	\$ 30,000

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2015	2014	2013
	P.A. 98-0681	P.A. 98-0050	P.A. 97-0731
GRAND TOTAL - ALL APPROPRIATED FUNDS			
Appropriations (Net of Transfers)	\$ 32,521,242	\$ 12,635,500	\$ 11,571,300
Total Expenditures	\$ 21,469,004	\$ 8,760,541	\$ 9,511,853
Lapsed Balances	\$ 11,052,238	\$ 3,874,959	\$ 2,059,447
<u>NON-APPROPRIATED FUNDS</u>			
Special State Trust Fund - 251			
Net Pay Claims	\$ 1,323,946	\$ 626,251	\$ 2,170,551
Total All Non-appropriated Funds	\$ 1,323,946	\$ 626,251	\$ 2,170,551
GRAND TOTAL EXPENDITURES - ALL FUNDS	\$ 22,792,950	\$ 9,386,792	\$ 11,682,404
General Revenue Fund - 001 State Comptroller State Officers' Salaries			
Appropriations (Net of Transfers)	\$ 346,900	\$ 346,900	\$ 346,900
Director	\$ 121,568	\$ 124,090	\$ 124,090
Assistant Director	98,494	113,141	9,428
Chief Factory Inspector	21,741	52,179	35,358
Superintendent of Safety Inspection Education	41,409	28,632	35,840
Total Expenditures	\$ 283,213	\$ 318,042	\$ 204,716
Lapsed Balances	\$ 63,687	\$ 28,858	\$ 142,184

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
SCHEDULE OF CHANGES IN STATE PROPERTY (NOT EXAMINED)
For the Two Years Ended June 30, 2015

	<u>Equipment</u>
Balance at July 1, 2013	\$ 859,769
Additions	43,006
Deletions	(467)
Net Transfers	<u>-</u>
Balance at June 30, 2014	902,308
Additions	75,153
Deletions	-
Net Transfers	<u>-</u>
Balance at June 30, 2015	<u><u>\$ 977,461</u></u>

Note: The above schedule has been derived from property reports submitted to the Office of the Comptroller. We were unable to reconcile the property records submitted to the Office of the Comptroller to records maintained within the Department. See Finding Code No. 2015-005.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION SCHEDULE OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)**
For the Fiscal Years Ended June 30,

<u>General Revenue - 001</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Private Employment Agencies Inspection Fees	\$ 73,225	\$ 89,105	\$ 94,024
Carnival and Amusement Ride Inspection Fees	-	80,855	257,964
Carnival and Amusement Ride Fines	-	5,000	6,250
Nurse Agencies	51,250	60,000	58,250
Miscellaneous	1,556,901	4,975	72,993
Civil Penalties	-	250	4,000
Fines and Penalties	278,996	505,233	256,977
Pollution Control Fines	-	130	-
Total cash receipts per Department	<u>1,960,372</u>	<u>745,548</u>	<u>750,458</u>
Less - In transit at End of Year	*	*	(51,784)
Plus - In transit at Beginning of Year	*	*	-
Adjustments - Other	*	*	(113)
Total cash receipts per State Comptroller's Records	<u><u>\$ 1,056,113</u></u>	<u><u>\$ 751,334</u></u>	<u><u>\$ 698,561</u></u>
<u>Amusement Ride and Patron Safety - 051</u>			
Carnival and Amusement Ride Inspection Fees	\$ 88,050	\$ 46,530	\$ -
Carnival and Amusement Ride Fines	1,935	5,150	-
Total cash receipts per Department	<u>89,985</u>	<u>51,680</u>	<u>-</u>
Less - In transit at End of Year	*	*	-
Plus - In transit at Beginning of Year	*	*	-
Total cash receipts per State Comptroller's Records	<u><u>\$ 99,945</u></u>	<u><u>\$ 212,130</u></u>	<u><u>\$ -</u></u>
<u>Department of Labor Special State Trust Fund - 251</u>			
Collection of Labor Law Claims	\$ 384,841	\$ 1,048,076	\$ 2,179,572
Total cash receipts per Department	<u>384,841</u>	<u>1,048,076</u>	<u>2,179,572</u>
Less - In transit at End of Year	*	*	(15,588)
Plus - In transit at Beginning of Year	*	*	-
Adjustments - Prior Year Warrant Voids	*	*	19,005
Total cash receipts per State Comptroller's Records	<u><u>\$ 267,957</u></u>	<u><u>\$ 1,047,102</u></u>	<u><u>\$ 2,182,989</u></u>
<u>Child Labor Enforcement Trust Fund - 357</u>			
Civil Penalties	\$ 38,233	\$ 53,875	\$ 28,675
Day Labor Agency Fees	531,550	488,500	479,075
Total cash receipts per Department	<u>569,783</u>	<u>542,375</u>	<u>507,750</u>
Less - In transit at End of Year	*	*	-
Plus - In transit at Beginning of Year	*	*	-
Total cash receipts per State Comptroller's Records	<u><u>\$ 325,250</u></u>	<u><u>\$ 523,963</u></u>	<u><u>\$ 507,750</u></u>

* Note: Data presented is considered not examined. See Finding Code No. 2015-001 and the Independent Accountant's Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION SCHEDULE OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)**
For the Fiscal Years Ended June 30,

<u>Employee Classification Fund - 446</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Civil Penalties	\$ 43,879	\$ 65,982	\$ 153,896
Total cash receipts per Department	43,879	65,982	153,896
Less - In transit at End of Year	*	*	-
Plus - In transit at Beginning of Year	*	*	-
Total cash receipts per State Comptroller's Records	<u>\$ 20,947</u>	<u>\$ 66,637</u>	<u>\$ 153,896</u>
<u>Department of Labor Federal Projects Fund - 724</u>			
Administration of Federal Project	\$ 880,977	\$ 1,020,145	\$ 1,571,710
Total cash receipts per Department	880,977	1,020,145	1,571,710
Less - In transit at End of Year	-	-	*
Plus - In transit at Beginning of Year	-	-	*
Total cash receipts per State Comptroller's Records	<u>\$ 880,977</u>	<u>\$ 1,020,145</u>	<u>\$ 1,580,377</u>
<u>Federal Industrial Services Fund - 726</u>			
Administration of Federal Project	\$ 1,579,700	\$ 1,196,000	\$ 1,779,598
Total cash receipts per Department	1,579,700	1,196,000	1,779,598
Less - In transit at End of Year	-	*	-
Plus - In transit at Beginning of Year	-	*	-
Total cash receipts per State Comptroller's Records	<u>\$ 1,579,700</u>	<u>\$ 1,727,201</u>	<u>\$ 1,779,598</u>
<u>Wage Theft Enforcement Fund - 885</u>			
Administrative Fees	\$ 46,704	\$ 48,634	\$ 84,299
Fines and Penalties	841	4,385	-
Total cash receipts per Department	47,545	53,019	84,299
Less - In transit at End of Year	(250)	(250)	(250)
Plus - In transit at Beginning of Year	250	250	-
Adjustments	*	*	-
Total cash receipts per State Comptroller's Records	<u>\$ 26,065</u>	<u>\$ 56,544</u>	<u>\$ 84,049</u>
TOTAL RECEIPTS - ALL FUNDS PER STATE COMPTROLLER RECORDS	<u>\$ 4,256,954</u>	<u>\$ 5,405,056</u>	<u>\$ 6,987,220</u>

* Note: Data presented is considered not examined. See Finding Code No. 2015-001 and the Independent Accountant's Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2015

Significant variances in expenditures were determined to be changes of \$15,000 and at least 20% between fiscal years. Explanations for items meeting these criteria appear below.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2015 AND 2014

General Revenue Fund - 001

Travel

Travel expenditures decreased during Fiscal Year 2015 as the Department began charging travel related to carnival and amusement ride inspections to the Amusement Ride and Patron Safety Fund (Fund 051). Prior to Fiscal Year 2015, all carnival and amusement ride related travel was charged to the General Revenue Fund (Fund 001).

Awards and Grants

Awards and grants expenditures during Fiscal Year 2015 were due to the Department receiving a one-time appropriation to provide grants for youth development programs.

Special State Trust Fund - 251

Net Pay Claims

The Department of Labor Special State Trust Fund (Fund 251) operates to hold wages collected on behalf of Illinois workers when a Department investigation indicates workers were not properly paid in accordance with labor laws. The amounts of claims paid in a given fiscal year fluctuates greatly, depending on the number of allegations received, the outcome of Department investigations, and the rate at which employers pay the Department monies owed. In addition, during Fiscal Year 2015, the Department transferred funds totaling \$880,932 to the General Revenue Fund (Fund 001) via voucher for certain monies held in the fund. State statute requires monies to be deposited into the General Revenue Fund (Fund 001) if the workers cannot be located within six months of collection for violations of minimum wage laws.

Employee Classification Fund - 446

Personal Services

Personal services expenditures increased during Fiscal Year 2015 due to an employment position being allocated to this fund. Department personnel stated the payroll position had been previously paid from the General Revenue Fund (Fund 001).

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2015

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2015 AND 2014, continued

Federal Industrial Services Fund - 726

Contractual Services

During Fiscal Year 2014, the Department leased vehicles from the State Garage Revolving Fund (Fund 303), and the related expenditures were charged to this appropriation. During Fiscal Year 2015, the Department continued to lease vehicles from the State Garage Revolving Fund (Fund 303). However, the expenditures were made from a different appropriation received for this fund, instead of the contractual services appropriation received.

Wage Theft Enforcement Fund - 885

Personal Services, State Contributions to State Employees Retirement System, and Group Insurance

Expenditures for personal services and related costs increased during Fiscal Year 2015 due to an employment position being allocated to this fund from the General Revenue Fund (Fund 001). Department personnel stated the payroll position had been previously paid from the General Revenue Fund (Fund 001), but the specific employee affected performed duties more directly related to the Wage Theft Enforcement Fund (Fund 885).

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2014 AND 2013

General Revenue Fund - 001

Contractual Services, Electronic Data Processing, Telecommunications, and Employee Classification Act

The decrease in contractual services, electronic data processing, telecommunications, and Employee Classification Act expenditures during Fiscal Year 2014 was due to the related expenditures being allocated to other State funds more directly related to the goods and services being acquired.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2015

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2014 AND 2013, continued

Special State Trust Fund - 251

Net Pay Claims

The Department of Labor Special State Trust Fund (Fund 251) operates to hold wages collected on behalf of Illinois workers when a Department investigation indicates workers were not properly paid in accordance with labor laws. The amounts of claims paid in a given fiscal year fluctuates greatly, depending on the number of allegations received, the outcome of Department investigations, and the rate at which employers pay the Department monies owed.

Federal Projects Fund - 724

Administration of Federal Projects

The expenditures charged to this appropriation pertain to a federal grant program, which requires matching State funds. A reduction in the State funds available for expenditure in Fiscal Year 2014 resulted in a decrease in federal funding received for this program.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2015

Significant variances in receipts were determined to be changes of \$5,000 and at least 20% between fiscal years. Explanations for items meeting these criteria appear below.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2015 AND 2014

General Revenue Fund (001)

Carnival and Amusement Ride Inspection Fees

Fees collected and deposited generally vary from year to year based on inspections requested and deemed required. In addition, the Amusement Ride and Patron Safety Fund (Fund 051) was established during Fiscal Year 2014, and the Department began depositing the receipts collected for these fees into Fund 051 in the middle of the fiscal year. No fees of this type were deposited into the General Revenue Fund (Fund 001) during Fiscal Year 2015.

Carnival and Amusement Ride Fines

Fines collected and deposited generally vary from year to year based on violations noted during routine and special inspections. In addition, the Amusement Ride and Patron Safety Fund (Fund 051) was established during Fiscal Year 2014, and the Department began depositing the fines collected into Fund 051 in the middle of the fiscal year. No fines of this type were deposited into the General Revenue Fund (Fund 001) during Fiscal Year 2015.

Miscellaneous

Receipts totaling \$880,932 recorded in the General Revenue Fund (Fund 001) consisted of monies transferred from the Special State Trust Fund (Fund 251). These monies were collected on behalf of Illinois workers who were not paid properly in accordance with minimum wage laws. However, the workers could not be located and paid by the Department timely. State statute requires these monies to be deposited in the General Revenue Fund (Fund 001) if the workers cannot be located within six months of collection. The remaining variance could not be explained from our review of the Department's records.

Fines and Penalties

Fines and penalties generally vary from year to year, based on the numbers of violations noted and the varying fines or penalties assessed for each type of violation.

Amusement Ride and Patron Safety Fund (051)

Carnival and Amusement Ride Inspection Fees

Inspection fees collected vary from year to year, based on the number of inspections requested and deemed required. Fees recorded increased by \$41,520 due to the creation of the Amusement Ride and Patron Safety Fund (Fund 051) during Fiscal Year 2014. Prior to the establishment of

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2015

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2015 AND 2014, continued

Amusement Ride and Patron Safety Fund (051), continued

Fund 051, all fees collected were deposited into the General Revenue Fund (Fund 001). Pursuant to the Amusement Ride and Attraction Safety Act, ride inspection fees collected began posting to Fund 051 instead of the General Revenue Fund (Fund 001) during Fiscal Year 2014. Receipts activity recorded during Fiscal Year 2014 represents a partial year's worth of inspection activity, where activity recorded during Fiscal Year 2015 represents a full year's worth of inspection activity.

Department of Labor Special State Trust Fund (251)

Collection of Labor Law Claims

The Department of Labor Special State Trust Fund (Fund 251) operates to hold wages collected on behalf of Illinois workers when a Department investigation indicates workers were not properly paid in accordance with labor laws. The amounts of claims collected in a given fiscal year fluctuates greatly, depending on the number of allegations received, the outcome of Department investigations, and the rate at which employers pay the Department monies owed.

Child Labor Enforcement Trust Fund (357)

Civil Penalties

Civil penalties collected generally vary from year to year, based on the number of violations noted and the varying fines or penalties assessed for each type of violation.

Employee Classification Fund (446)

Civil Penalties

Civil penalties collected generally vary from year to year, based on the number of violations noted and the varying fines or penalties assessed for each type of violation.

Federal Industrial Services Fund (726)

Administration of Federal Project

Receipts recorded in the Federal Industrial Services Fund increased by \$383,700 due to an increase in available grant funding from the United States Department of Labor. These funds were used for increases in retirement, group insurance, scientific equipment, statistical services and payments to the State Garage Revolving Fund (Fund 303).

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2015

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2014 AND 2013

General Revenue Fund (001)

Carnival and Amusement Ride Inspection Fees

Fees collected and deposited generally vary from year to year based on inspections requested and deemed required. The fees reported in Fiscal Year 2013 represent an entire year's worth of inspections, where the fees reported in Fiscal Year 2014 only reflect a partial year's worth of inspections. Remaining amounts collected in Fiscal Year 2014 were deposited into Fund 051, which was established during Fiscal Year 2014.

Miscellaneous

Receipts recorded decreased by \$68,018 due primarily to coding errors. These errors resulted in some receipts recorded as miscellaneous items during Fiscal Year 2013, instead of being properly recorded as fees and penalties. Department personnel detected this issue and resolved the matter during Fiscal Year 2014.

Fines and Penalties

Fines and penalties generally vary from year to year, based on the numbers of violations noted and the varying fines or penalties assessed for each type of violation.

Amusement Ride and Patron Safety Fund (051)

Carnival and Amusement Ride Inspection Fees

Inspection fees collected fluctuate from year to year based on the number of inspections requested and deemed required. Fees totaling \$46,530 were recorded in the Amusement Ride and Patron Safety Fund (Fund 051) during Fiscal Year 2014 due to the establishment of Fund 051, pursuant to the Amusement Ride and Attraction Safety Act. The activity recorded represents a partial year's worth of activity. Prior to the establishment of Fund 051, all fees collected were deposited into the General Revenue Fund (Fund 001). This practice continued for a portion of Fiscal Year 2014 until Fund 051 was ready for use by the Department.

Carnival and Amusement Ride Fines

Fines collected fluctuate from year to year based on the number of violations noted and the timing of collections received from the violator. Fines totaling \$5,150 were recorded in the Amusement Ride and Patron Safety Fund (Fund 051) during Fiscal Year 2014 due to the establishment of Fund 051, pursuant to the Amusement Ride and Attraction Safety Act. The activity recorded represents a partial year's worth of activity. Prior to the establishment of Fund 051, all fines collected were deposited into the General Revenue Fund (Fund 001). This practice continued for a portion of Fiscal Year 2014 until Fund 051 was ready for use by the Department.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2015

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2014 AND 2013, continued

Department of Labor Special State Trust Fund (251)

Collection of Labor Law Claims

The amount of claim receipts decreased by \$1,131,496 due to an overall decrease in wage claim complaints by employees and decreased collections by the Department pursuant to the Wage Payment and Collection Act.

Child Labor Enforcement Trust Fund (357)

Civil Penalties

Civil penalties collected generally vary from year to year, based on the number of violations noted and the varying fines or penalties assessed for each type of violation.

Employee Classification Act (446)

Civil Penalties

Civil penalties collected generally vary from year to year, based on the number of violations noted and the varying fines or penalties assessed for each type of violation.

Department of Labor Federal Projects Fund (724)

Administration of Federal Project

Activity recorded in this category pertains to a federal grant program, which requires matching State funds. A reduction in the State funds available for expenditure in Fiscal Year 2014 resulted in a decrease in federal funding received for this program.

Federal Industrial Services Fund (726)

Administration of Federal Project

Receipts recorded during Fiscal year 2014 decreased by \$583,598 due to a decrease in grant funding available from the United States Department of Labor.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2015

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2014 AND 2013, continued

Wage Theft Enforcement Fund (885)

Administrative Fees

Fees collected decreased by \$35,665 largely due to caseload changes. The Wage Theft Enforcement Fund (Fund 885) was created, pursuant to the Illinois Wage Payment and Collection Act, during Fiscal Year 2012. Wage claim cases take approximately six months to one year to be processed. Therefore, there was an initial backlog of claims resolved during Fiscal Year 2013, which resulted in fewer cases pending during Fiscal Year 2014 and fewer fees collected.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2015

Lapse period spending exceeding 20% of total annual expenditures and \$10,000 was determined to be significant. Explanations for items meeting these criteria appear below.

FISCAL YEAR 2015

General Revenue Fund - 001

Travel

Travel expenditures during the lapse period were due to processing a significant number of travel vouchers for Department staff travel which occurred at the end of the fiscal year. In addition, the Department received and processed a larger number of invoices during the lapse period for rental car usage during the examination period.

Telecommunications

Telecommunications expenditures during the lapse period were due to Department personnel clearing up a backlog of telecommunication bills. Department personnel stated the backlog of bills had accumulated due to employee turnover and training.

FISCAL YEAR 2014

General Revenue Fund - 001

Travel

Travel expenditures during the lapse period were due to a significant number of carnival inspections which took place close to the end of the fiscal year. The travel vouchers for these inspections were submitted and processed during the lapse period.

Telecommunications

Telecommunications expenditures during the lapse period were due to Department personnel clearing up a backlog of telecommunication bills. Department personnel stated the backlog of bills had accumulated due to employee turnover and training, as well as delays in obtaining all necessary signatures and approvals over the detailed billings.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF ACCOUNTS RECEIVABLE (NOT EXAMINED)
For the Fiscal Years Ended June 30,
(Amounts Expressed in Thousands)

<u>General Revenue Fund (Fund 001)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current	\$ -	\$ -	\$ -
1-30 days	-	3	34
31-90 days	-	1	-
91-180 days	-	9	-
181 days to 1 year	14	6	-
Over 1 year	<u>55</u>	<u>56</u>	<u>-</u>
Gross Accounts Receivable Balance	\$ 69	\$ 75	\$ 34
Less: Estimated Uncollectibles	-	-	-
Net Accounts Receivable Balance	<u>\$ 69</u>	<u>\$ 75</u>	<u>\$ 34</u>
<u>Child Labor Enforcement Fund (Fund 357)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current	\$ -	\$ -	\$ -
1-30 days	-	1	-
31-90 days	-	-	-
91-180 days	-	-	-
181 days to 1 year	-	-	1
Over 1 year	<u>1</u>	<u>-</u>	<u>3</u>
Gross Accounts Receivable Balance	\$ 1	\$ 1	\$ 4
Less: Estimated Uncollectibles	-	-	3
Net Accounts Receivable Balance	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>

Note: Data presented is considered not examined. The above schedule has been derived from reports submitted to the Office of the State Comptroller. We were unable to properly verify the accuracy of such reports. See Finding No. 2015-002 and the Independent Accountant's Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF ACCOUNTS RECEIVABLE (NOT EXAMINED)
For the Fiscal Years Ended June 30,
(Amounts Expressed in Thousands)

<u>Employee Classification Fund (Fund 446)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current	\$ -	\$ -	\$ -
1-30 days	-	-	-
31-90 days	-	-	-
91-180 days	-	-	-
181 days to 1 year	-	-	-
Over 1 year	<u>1</u>	<u>2</u>	<u>-</u>
Gross Accounts Receivable Balance	\$ 1	\$ 2	\$ -
Less: Estimated Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Accounts Receivable Balance	<u><u>\$ 1</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ -</u></u>
<u>Wage Theft Enforcement Fund (Fund 885)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current	\$ -	\$ -	\$ -
1-30 days	-	1	-
31-90 days	-	-	-
91-180 days	116	1	-
181 days to 1 year	-	1	-
Over 1 year	<u>-</u>	<u>2</u>	<u>-</u>
Gross Accounts Receivable Balance	\$ 116	\$ 5	\$ -
Less: Estimated Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Accounts Receivable Balance	<u><u>\$ 116</u></u>	<u><u>\$ 5</u></u>	<u><u>\$ -</u></u>

Note: Data presented is considered not examined. The above schedule has been derived from reports submitted to the Office of the State Comptroller. We were unable to properly verify the accuracy of such reports. See Finding No. 2015-002 and the Independent Accountant's Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
DEPARTMENT FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2015
(Not Examined)

FUNCTIONS

The Illinois Department of Labor (Department) was created in 1917 through the Civil Administrative Code and is given its statutory authorization through 20 ILCS 5 and 20 ILCS 1505. The Department administers and enforces various Illinois Labor Laws such as regulation of wages, hours, working conditions, minors in the work force, and licensing of employers in certain businesses. Safeguarding the public interest is performed by the Department through regulation of amusement rides, employment agencies, and nurse registries. The mission of the Department is to promote and protect the rights, wages, welfare, working conditions, safety and health of Illinois workers through enforcement of State labor laws, to safeguard the public through regulation of amusement rides, and to ensure compliance with all other labor standards.

Departmental operations are carried out through the following seven divisions:

1. The Administration Division provides support services and overall administrative resources to each of the program divisions. These support services include legislative, fiscal and budget management, procurement, electronic data processing, personnel, ethics, and affirmative action.
2. The Legal Division was formed in 1997 as a separate group. The Legal Division carefully maintains a strict separation between its hearings and advocacy functions. The Legal Division is determined to improve legal oversight of other divisions, including the issuance of violations after investigations, and to better control legal determinations and opinions issued to the public, such as in response to prevailing wage inquiries.

The administrative law judges convene informal hearings to determine if any laws administered and enforced by the Department have been violated, to attempt to resolve such matters equitably, and to decide whether there is sufficient evidence to recommend court action. This group also convenes formal administrative hearings to adjudicate a party's individual legal rights, duties, or privileges.

The Chief Legal Counsel and Assistant Legal Counsel prosecute on behalf of, or defends, the Director and the Department in formal administrative hearings; drafts and analyzes legislation; promulgates regulations; writes articles and issues opinion letters; oversees the Department's lawsuits handled by the Office of the Illinois Attorney General and various State's Attorney's offices; and provides advice and training for the Director and the Department's staff.

The Legal Division administers "Alternative Claims Resolution" (ACR). This program helps expedite the processing of wage claims filed with the Department. The Legal Division also administers "Court Review." This program ensures that the Department only refers its strongest cases to the Office of the Illinois Attorney General and the various State's Attorneys' offices for prosecution.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
DEPARTMENT FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2015
(Not Examined)

FUNCTIONS, continued

3. The Equal Opportunity Workforce Division administers the Equal Pay Act, the Victims Economic Security and Safety Act (VESSA), the Private Employment Agencies Act, and the Nurse Agency Licensing Act.
4. The Fair Labor Standards Division is responsible for the administration and enforcement of nine State labor laws, including the Minimum Wage/Overtime Law, Wage Payment and Collection Act, Child Labor Law, and the Day and Temporary Labor Services Act. The focus of the division is to ensure that workers are paid at the appropriate rate and in a timely manner, to assist workers in the collection of unpaid or underpaid wages, and to protect minors and day laborers from harmful or abusive working conditions.
5. The Conciliation and Mediation Division (Con/Med) is responsible for the administration and enforcement of four state labor laws, including the Prevailing Wage Act, the Employee Classification Act, the Labor Arbitration Services Act, and the Worker Adjustment and Retraining Notification Act (WARN). The focus of the division is to ensure that workers are paid the appropriate prevailing wage rate on publicly-funded construction projects, to ensure that construction workers are not misclassified as independent contractors, and to ensure workers are given 60 days advance notice of plant closings or mass layoffs. Con/Med also provides arbitration and mediation services to employers and unions upon request.
6. The Public Employee Safety Division (Illinois OSHA) protects the health and safety of public employees through the inspection, investigation, and evaluation of public facilities and working conditions to ensure compliance with occupational safety and health standards and conducts educational and advisory activities to assure safe and healthy working conditions. Illinois OSHA is divided into two sub-divisions with staff split between Chicago and Springfield.
7. The Carnival and Amusement Ride Safety division is responsible for the annual inspection of amusement rides and amusement attractions that are open to the public to ensure that safety standards are met, including criminal history records checks and sex offender registry checks on carnival workers employed in Illinois.

PLANNING PROGRAM

The Department reviews and revises its fiscal year strategic plan annually. The Department's strategic plan delineates priorities and initiatives on which the Department will be focusing its efforts. The plan outlines five key high-level priorities. They are as follows:

1. Administer all State labor laws effectively.
2. Assure minimum wage, overtime wages, and wage claims are properly paid.
3. Promote and enforce the Equal Pay Act.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
DEPARTMENT FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2015
(Not Examined)

PLANNING PROGRAM, continued

4. Assure prevailing wage is paid, when required.
5. Inspect public buildings and amusement rides for health & safety violations.

MONITORING

The Department uses the Governor's Office of Management and Budget Performance Reporting System and Process to develop and manage performance metrics to help assess the Department's performance and progress in specific areas. For each metric, a specific benchmark has been established to help assess the Department's performance. Management and Department staff members evaluate the Department's progress in each of these areas on a monthly or quarterly basis, depending on the nature of the metric.

SPECIAL STATE TRUST FUND

The Department operates the Special State Trust Fund (Fund 251) as an agency fund in the State Treasury. The purpose of Fund 251 is to hold wage claims collected from employers by the Department on behalf of Illinois workers (claimants) and hold those monies until the claimants can be located and properly paid. According to records maintained by the Office of the Comptroller, the balances in Fund 251 as of June 30, 2014 and June 30, 2015 were \$2,332,105 and \$1,279,400 respectively.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
AVERAGE NUMBER OF EMPLOYEES
For the Two Years Ended June 30, 2015
(Not Examined)

The following table, prepared from Department records, presents the average number of employees, by region, for the Fiscal Years ended June 30:

<u>Region</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
1	58	54	55
2	-	1	1
3	-	-	1
4	2	2	2
5	1	1	1
6	1	1	1
7	25	23	23
10	1	1	-
11	2	5	6
Total Average Full Time Employees	<u>90</u>	<u>88</u>	<u>90</u>

Note: The Department underwent significant administration and structural changes during the examination period. Due to the administration turnover, Department officials were unable to classify employees from Fiscal Years 2013 and 2014 in a manner consistent with the structure in place for Fiscal Year 2015. During the next examination period, Department officials stated they will be able to identify employees and present average numbers of employees by function.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Fiscal Years Ended June 30,
(Not Examined)

A summary of operating statistics, prepared from Department records, is presented below.

	Fiscal Year		
	2015	2014	2013
<u>PUBLIC SAFETY</u>			
Number of employees impacted by remediation of hazardous conditions	*	199,234	**
Actual public workplace related fatality rate	*	10.0	**
Number of inspections/visits for occupational safety/health	*	1,152	**
Number of accidents on amusement Equipment	*	26.0	**
Number of amusement ride inspections for public safety	*	3,790	**
<u>FAIR LABOR STANDARDS</u>			
Number of cases filed for enforcement by the Department and Fair Labor Standards enforcement	*	5,102	**
Amount of money collected on behalf of workers (in millions)	*	\$7,856	**
Number of outreaches to public bodies, contractors and labor management organizations	*	70.0	**
Number of cases completed	*	7,208	**

* The Department did not submit service efforts and accomplishments data to the Office of the State Comptroller for Fiscal Year 2015.

** Metrics used to measure the Department's performance were modified for the Fiscal Year 2014 reporting period. Data for Fiscal Year 2013 for the new reporting categories was not available.