



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF LABOR**

Compliance Examination  
 For the Two Years Ended June 30, 2019

Release Date: June 25, 2020

FINDINGS THIS AUDIT: 14	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	8	8	2017	19-8		
Category 2:	2	4	6	2015	19-7	19-9, 19-11, 19-14	
Category 3:	0	0	0	2013	19-6		
TOTAL	2	12	14	2007	19-3, 19-4		
				2005	19-1, 19-2		
				2003	19-5		
FINDINGS LAST AUDIT: 14				1999		19-12	

**INTRODUCTION**

Because of the significance and pervasiveness of the findings described within the report, we expressed an **adverse opinion** on the Department’s compliance with the assertions which comprise a State Compliance examination. The Codification of Statements on Standards for Attestation Engagements (AT-C § 205.72) states a practitioner “should express an adverse opinion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.”

**SYNOPSIS**

- **(19-01)** The Department did not exercise adequate control over its cash receipts and related reporting.
- **(19-02)** The Department did not exercise adequate control over its accounts receivable and related reporting.
- **(19-03)** The Department failed to establish and maintain adequate control over its Special State Trust Fund (Fund 251), which holds unpaid wages due to employees.
- **(19-04)** The Department did not perform adequate and accurate reconciliations during the examination period.

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

{Financial information has been excluded due to the adverse opinion.}

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INADEQUATE CONTROL OVER RECEIPTS**

The Department did not exercise adequate control over its cash receipts and related reporting. According to the State Comptroller's records, the Department remitted \$6,620,900 to the State Treasury during the examination period.

**Unable to provide individual receipt records**

During testing, we noted for Fiscal Year 2018, the Department was unable to provide individual receipt records for the General Revenue Fund (Fund 001), Amusement Ride and Patron Safety Fund (Fund 051), Department of Labor Special State Trust Fund (Fund 251), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), and Wage Theft Enforcement Fund (Fund 885) which reconciled to the *Monthly Revenue Status Report* (SB04) from the Office of the State Comptroller.

**Outdated computer system**

We noted this condition was primarily due to the computer program used by the Department in Fiscal Year 2018 to process receipts, which was outdated and not fully functional. As such, it was difficult for Department staff to track receipts after entry, produce reports of receipts collected, or sort data stored within the system. Due to this condition, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Department's receipts. In addition, due to these limitations, we were unable to conclude the Department's Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller on pages 69-72 were complete and accurate.

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

**Receipts deposited late**

- Three of 60 (5%) receipts tested, totaling \$15,568 were deposited between 3 to 8 days late, even after allowing for the Department's 10-day deposit extension granted by the State Comptroller and State Treasurer.

**Treasurer's drafts remitted late**

- State Treasurer's drafts for 2 of 60 (3%) receipts tested, totaling \$5,500, were remitted to the State Comptroller via a Form C-64 between 182 and 297

days after the Department received the State Treasurer's draft.

**Follow up on NSF check not documented**

- One of 6 (17%) non-sufficient funds (NSF) checks tested, totaling \$889, lacked supporting documentation to substantiate a demand letter for payment was sent by the Department, the payment was eventually collected, appropriate collection activity was pursued, and the vendor's licenses/permits were cancelled or revoked for nonpayment.

**Fees reported did not agree to records**

- Four of 13 (31%) fees on the Department's Fiscal Year 2018 Agency Fee Imposition Report did not trace to the Department's records, with a net over-reported difference of \$1,387 (Finding 1, pages 11-13). **This finding has been repeated since 2005.**

We recommended the Department develop and maintain internal controls over its receipts to ensure the timely collection of revenues and adequate documentation is maintained and readily available for all transactions. In addition, we recommended the Department ensure its accounting records reside within a system capable of generating reports, providing detailed records and balances, and producing transaction listings, which are timely reconciled to the State Comptroller's records and as a part of this reconciliation, any discrepancies should be investigated. Further, we recommended the Department timely establish receivables and initiate collection for NSF checks. Finally, we recommended the Department ensure its annual Fee Imposition Report is accurately prepared.

**Department accepted recommendation**

Department officials accepted our finding and recommendation.

**INADEQUATE CONTROL OVER ACCOUNTS RECEIVABLE**

The Department did not exercise adequate control over its accounts receivable and related reporting. Some of the issues we noted follow:

**Unable to provide certain accounts receivable records**

- The Department was unable to provide detailed individual accounts receivable records for the General Revenue Fund (Fund 001), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), and Wage Theft Enforcement Fund (Fund 885).

**No uncollectible or write-off activity reported**

- During analytical reviews, we noted the Department's *Accounts Receivable Activity* (Form C-97) did not report any amounts considered to be uncollectible and

did not report any write-offs during Fiscal Year 2018 and Fiscal Year 2019.

**Unable to provide an aging schedule**

- The Department was unable to provide an aging schedule to support its Form C-98s.

**No current policies or procedures**

- The Department was unable to provide current policies or procedures for handling and reporting its accounts receivable, tracking and monitoring complaints received, posting delinquent accounts receivable into the Comptroller's Illinois Debt Recovery Offset Portal system or pursuing other debt collection procedures, and writing off uncollectible receivables. (Finding 2, pages 14-17). **This finding has been repeated since 2005.**

We recommended the Department take action to ensure its accounts receivable are properly recorded, collection efforts are made, and accounts receivable reports are properly prepared in accordance with all applicable laws, rules, and regulations.

**Department accepted recommendation**

Department officials accepted our finding and recommendation.

**FAILURE TO ESTABLISH AND MAINTAIN ADEQUATE INTERNAL CONTROL OVER THE SPECIAL STATE TRUST FUND**

The Department failed to establish and maintain adequate control over its Special State Trust Fund (Fund 251), which holds unpaid wages due to employees. As of June 30, 2019, Fund 251 had \$1,508,743 in cash.

Pursuant to the Illinois Wage Payment and Collection Act (WPCA) (820 ILCS 115/11.5(a)), the Department collects, when necessary, an employee's wages or final compensation due and holds these moneys until the employee (now, claimant) can be located by the Department and properly paid. Additionally, pursuant to the Minimum Wage Law (MWL) (820 ILCS 105/12(b)), the Department collects, when necessary, unpaid minimum wages and overtime due to employees and holds these moneys until the employee (now, claimant) can be located by the Department and properly paid. Finally, the Statewide Accounting Management System (SAMS) (Procedure 05.50.01) notes fiduciary funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, and SAMS (Exhibit 27.50.10-A) notes Fund 251 is an agency type of fiduciary fund.

During our testing, we noted the following:

- Payment requests approved late**

  - Twenty-one of 60 (35%) claimant payment requested tested, totaling \$97,993, were approved for payment between 15 to 103 days after the claimant filed their claim with the Department.
  
- Ledger of claimants could not be reconciled**

  - We were unable to reconcile the Department's ledger of claimants to Fund 251's cash balance from the *Monthly Cash Report* (SB05) prepared by the Comptroller. We noted unreconciled differences of \$605,789 and \$526,628 at June 30, 2018, and June 30, 2019, respectively.
  
- Old activity not handled properly**

  - At June 30, 2019, the Department is holding claimant balances related to as far back as Calendar Year 2003 activity. Each of these balances require a proper disposition by the Department. (Finding 3, pages 18-21). **This finding has been repeated since 2007.**

We recommended the Department take action to ensure:

- Supporting documentation is obtained and preserved, along with the posting of proper accounting entries, when receipts for unclaimed wages are collected and remitted into Fund 251;
- a notation within the Department's records is made to indicate amounts collected pursuant to the WPCA or the MWL when receipts are collected and remitted into Fund 251;
- claimant claims are promptly processed and paid, along with the posting of proper accounting entries, when distributed from Fund 251;
- reconciliations of the total amount due to claimants at the end of each month to the SB05 report are performed and any unreconciled discrepancies are investigated and properly resolved;
- amounts due to claimants older than one year under the MWL are promptly transferred to the General Revenue Fund, with the timely posting of proper accounting entries; and,
- amounts due to claimants under the WPCA are properly handled under the relevant provisions of the Revised Uniform Unclaimed Property Act, with the timely posting of proper accounting entries.

**Department accepted recommendation**

Department officials accepted our finding and recommendation.

## **INADEQUATE AND INACCURATE RECONCILIATIONS**

The Department did not perform adequate and accurate reconciliations during the examination period. Some of the more significant issues we noted follow:

During testing, we found the Department prepared *Monthly Appropriations Status Report* (SB01) reconciliations, but failed to properly update the Department's records for the reconciling differences identified in the Department's SB01 reconciliations.

### **Expenditure records incomplete and/or inaccurate**

When performing a comparison of the Fiscal Year 2018 Comptroller's expenditure records to the Department's Fiscal Year 2018 expenditure records, we noted 1) one salary refund, totaling \$1,910, was recorded within the Comptroller's records, but was not recorded in the Department's records, 2) one expenditure refund, totaling \$894, was recorded within the Comptroller's records, but was not recorded in the Department's records, 3) one voucher, totaling \$119, was recorded in the Comptroller's records, but was incorrectly recorded within the Department's records, and 4) two vouchers, totaling \$198, were recorded on the Department's records, but were not recorded on the Comptroller's records.

When performing a comparison of the Fiscal Year 2019 Comptroller's expenditure records to the Department's Fiscal Year 2019 expenditure records, we noted 1) one salary refund, totaling \$3,334, was recorded within the Comptroller's records, but was not recorded in the Department's records, 2) four expenditure transfers, totaling \$32,182, were recorded within the Comptroller's records, but were not recorded in the Department's records, 3) one voucher, totaling \$15,394, was recorded within the Comptroller's records, but was duplicated within the Department's records, 4) one voucher, totaling \$356,903, was revised in the Comptroller's records, but was not revised in the Department's records, and 5) one voucher, totaling \$66,708, was recorded in the Comptroller's records, but was incorrectly recorded within the Department's records.

We also noted deficiencies in the Department's Non-Shared Funds *Monthly Cash Report* (SB05), *Agency Contract Report* (SC14), and *Obligation Activity Report* (SC15) reconciliations (Finding 4, pages 22-25). **This finding has been repeated since 2007.**

We recommended the Department take action to ensure it timely prepares adequate and accurate reconciliations of its accounting records to the Comptroller's records each month and investigates and resolves all discrepancies.

### **Department accepted recommendation**

Department officials accepted our finding and recommendation.

## **OTHER FINDINGS**

The remaining findings pertain to (1) State property control weaknesses, (2) inadequate control over personal services, (3) noncompliance with the Employee Classification Act, (4) Improper disposal of State records and noncompliance with the Private Employment Agency Act, (5) noncompliance with the Fiscal Control and Internal Auditing Act, (6) noncompliance with statutorily mandated responsibilities, (7) reporting procedural deficiencies, (8) inadequate control over voucher processing, (9) weaknesses regarding the security and control of confidential information and cybersecurity, and (10) lack of disaster contingency planning or testing to ensure the recovery of computer systems. We will review the Department's progress towards the implementation of our recommendations in our next compliance examination.

## **ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2019, as required by the Illinois State Auditing Act. Because of the effect of noncompliance described in Findings 2019-001 through 2019-008, the accountants stated the Department did not materially comply with the requirements described in the report.

This compliance examination was conducted by West & Company, LLC.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK  
Division Director

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

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FRANK J. MAUTINO  
Auditor General

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