



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF LABOR

State Compliance Examination
 For the Two Years Ended June 30, 2023

Release Date: March 28, 2024

FINDINGS THIS AUDIT: 12	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	3	4	2021		23-10, 23-11	
Category 2:	3	5	8	2019		23-8	
Category 3:	0	0	0	2015		23-9	
TOTAL	4	8	12	2013	23-4		
FINDINGS LAST AUDIT: 12				2007	23-2		
				2005	23-1		
				2003		23-12	

INTRODUCTION

Because of the significance and pervasiveness of the findings described within the report, we (the accountants) expressed an **adverse opinion** on the Department of Labor’s compliance with the specified requirements 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

- **(23-01)** The Department of Labor (Department) did not exercise adequate control over its accounts receivable and related reporting.
- **(23-02)** The Department failed to establish and maintain adequate internal control over its Special State Trust Fund (Fund 251), which holds unpaid wages due to employees.

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.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER ACCOUNTS
RECEIVABLE**

The Department of Labor (Department) did not exercise adequate control over its accounts receivable and related reporting.

During testing, we noted the following:

**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).

Unable to provide an aging schedule

- 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 2022 and Fiscal Year 2023. The Department started Fiscal Year 2022 with approximately \$1.3 million in accounts receivable, which went to zero as of June 30, 2022 after making negative adjustments, totaling approximately \$1 million, to change accounts receivable to zero.

**Lack of policies or procedures for
reporting Accounts Receivable**

- The Department was unable to provide an aging schedule to support its *Aging of Total Gross Receivables* (Form C-98).
- 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.

**Accountants unable to determine if
the Department's records were
sufficiently precise and detailed**

Due to these conditions, 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 § 205.36) to test the Department's accounts receivable.

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 the following tests and noted the following:

- The Department was unable to provide supporting documentation for additions or collections reported on Form C-97 reports during Fiscal Years 2022 and 2023.

- Six of 8 (75%) Form C-97 tested did not have documentation retained to indicate the individual who prepared and supervisor review of the forms.
- Two of 8 (25%) Form C-97 tested did not have documentation retained to indicate the dates the forms were filed with the Comptroller.
- Two of 8 (25%) Form C-97 were filed 12 and 13 days late.
- Two of 8 (25%) Form C-97 tested were not submitted to the Comptroller. (Finding 1, pages 10-12) **This finding has been reported 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 the finding

The Department accepted the recommendation and stated they will work on reconciling the audit definition of an account receivable with legal standards for when a fine, penalty, or fee becomes due and collectible by the Department.

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, 2023, Fund 251 had \$1,593,905 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:

Claimant payments were approved 14 to 32 days after determination

- Eight of 60 (13%) claimant payments tested, totaling \$59,164, were approved for payment between 14 to 32 days after the Department determined the monies were owed to the claimant.

Unreconciled difference of \$1,487,630 and \$1,554,686 at June 30, 2022 and June 30, 2023, respectively

Claimant balances held

- 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 \$1,487,630 and \$1,554,686 at June 30, 2022, and June 30, 2023, respectively.
- At June 30, 2023, the Department was holding claimant balances related to activity in previous Fiscal Years. Each of these balances required a proper disposition by the Department. (Finding 2, pages 13-15) **This finding has been reported since 2007.**

We recommended the Department take action to ensure:

- claimant payments 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 the finding

The Department accepted the recommendation and stated they have updated several of the statutes they enforce (Illinois Wage Payment and Collection Act and Illinois Minimum Wage Act) as well as its administrative rules to clarify the timeline and process for distributing funds to wage claimants and identifying those funds for which the claimant/employee cannot be located. They also recently developed an updated internal policy regarding when unclaimed funds should be sent to the Illinois State Treasurer’s Unclaimed Property Fund.

OTHER FINDINGS

The remaining findings pertain to receipt processing internal controls not operating effectively; inadequate control over personal services, monthly reconciliations, and census data; failure to fully utilize the State’s Enterprise Resources Planning System; weaknesses in cybersecurity programs and practices; change management, information technology access and state property; and 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 State compliance examination.

ACCOUNTANT’S OPINION

The accountants conducted a State compliance examination of the Department for the two years ended June 30, 2023, as required by the Illinois State Auditing Act. Because of the effect of noncompliance described in Findings 2023-001 through 2023-004, the accountants stated the Office did not materially comply with the requirements described in the report.

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

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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