

**STATE OF ILLINOIS  
DEPARTMENT OF EMPLOYMENT SECURITY**

**COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2013**

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



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**State of Illinois  
Department of Employment Security  
Compliance Examination  
For the Two Years Ended June 30, 2013**

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**Financial Statement Report:**

The Department's financial statement report for the year ended June 30, 2013, which includes Independent Auditors' Report, Basic Financial Statements and Notes to Financial Statements, and the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* has been issued separately.

**State of Illinois**  
**Department of Employment Security**  
**Compliance Examination**  
**For the Two Years Ended June 30, 2013**

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**State of Illinois  
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**Agency Officials**

Director	Mr. Jay Rowell
Executive Deputy Director, Administration September 19, 2011 to present May 8, 2011 to September 18, 2011	Ms. Barbara Piwowarski Vacant
Executive Deputy Director, Service Delivery	Mr. Amit Singla
Deputy Director, Business Services May 7, 2012 to present	Mr. Gideon Blustein
Assistant Deputy Director, Business Services October 9, 2012 to present July 1, 2012 to October 8, 2012	Ms. Bethani Whiting Vacant
Chief Information Officer (formerly Deputy Director, Information Service) August 17, 2011 to present January 14, 2011 to August 16, 2011	Ms. Monica Carranza Vacant
Assistant Deputy Director, Service Delivery February 1, 2013 to present Previous to February 1, 2013	Mr. Julian Federle Vacant
Chief Financial Officer December 10, 2012 to present Acting, August 22, 2012 to December 9, 2012 Previous to August 22, 2012	Ms. Linda DeMore Mr. L. Briant Coombs Mr. Jon Gingrich
Chief Internal Auditor	Mr. Marcus A. Dodd
Chief Technology Officer	Mr. Thomas Revane
Equal Employment Opportunity Officer Acting, June 1, 2013 to present Previous to June 1, 2013	Ms. Caroline Alamillo Mr. Carlos Charneco
General Counsel	Mr. Joseph P. Mueller
Manager, Accounting Services Division	Mr. L. Briant Coombs
Manager, Economic Information and Analysis Division	Ms. Evelina Loescher, PhD
Manager, Revenue Division	Ms. Lois Cuevas
Manager, Field Operations February 16, 2013 to present February 1, 2013 to February 15, 2013 August 29, 2011 to January 31, 2013 July 1, 2011 to August 28, 2011	Ms. Christine Cornell Vacant Mr. Julian Federle Vacant
Manager, Unemployment Insurance Programs December 16, 2012 to present October 1, 2012 to December 15, 2012 Previous to October 1, 2012	Ms. Trina Taylor Vacant Mr. Frank DeMore

The Department's Administrative offices are located at:

33 South State Street  
Chicago, IL 60603-2802

607 East Adams Street, 9<sup>th</sup> floor  
Springfield, IL 62701-1606



Pat Quinn  
Governor

Jay Rowell  
Director

January 30, 2014

E. C. Ortiz & Co., LLP  
333 S. Des Plaines Street, Suite 2-N  
Chicago, Illinois 60661


Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Department of Employment Security (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements, except as disclosed to the auditors during the engagement. We have performed an evaluation of the Department's compliance with the following assertions during the two-year period ended June 30, 2013. Based on this evaluation, we assert that during the years ended June 30, 2013 and June 30, 2012, the Department has materially complied with the assertions below.

- 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.

Yours truly,


Illinois Department of Employment Security



\_\_\_\_\_  
Jay Rowell, Director



\_\_\_\_\_  
Linda DeMore, Chief Financial Officer



\_\_\_\_\_  
Joseph P. Mueller, Legal Counsel

**State of Illinois  
 Department of Employment Security  
 Compliance Examination  
 For the Two Years Ended June 30, 2013**

**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.

**ACCOUNTANTS' REPORT**

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

Number of	Current Report	Prior Report
Findings	7	7
Repeated findings	4	4
Prior recommendations implemented or not repeated	3	3

**SCHEDULE OF FINDINGS**

Item No.	Page	Description	Finding Type
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
2013-001	13	Inadequate Controls Over Financial Close and Reporting	Material Weakness
<i>FINDINGS (STATE COMPLIANCE)</i>			
2013-002	19	Noncompliance with Unemployment Insurance Act	Noncompliance and Significant Deficiency
2013-003	23	Performance Evaluation Not Completed Timely	Noncompliance and Significant Deficiency
2013-004	25	Interagency Agreement Not Executed in a Timely Manner	Noncompliance and Significant Deficiency
2013-005	26	Untimely Issuance of Eligibility Determination	Noncompliance and Significant Deficiency

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**SCHEDULE OF FINDINGS (CONTINUED)**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE) (CONTINUED)			
2013-006	28	Noncompliance with Statutes and Regulation on Internal Auditing	Noncompliance and Significant Deficiency
2013-007	30	Inadequate Controls Over Travel Reimbursements	Noncompliance and Significant Deficiency
<p>In addition, the following finding which is reported as current findings relating to <i>Government Auditing Standards</i> also meet the reporting requirements for State Compliance.</p>			
2013-001	13	Inadequate Controls Over Financial Close and Reporting	Noncompliance and Material Weakness
PRIOR FINDINGS NOT REPEATED			
A	34	Inadequate Controls Over Computer Security	
B	34	Improper Accounting of Unapplied Credits	
C	34	Failure to Verify Social Security Numbers	
D	35	Inaccurate Balance of Allowance for Uncollectible Accounts for Other Receivables	

**State of Illinois  
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**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference conducted on January 24, 2014. Attending were:

Illinois Department of Employment Security

Jay Rowell, Director

Joseph Mueller, General Counsel (via video conference)

Barbara Piwowarski, Executive Deputy Director, Administration

Amit Singla, Executive Deputy Director, Service Delivery

Monica Carranza, Chief Information Officer

Linda DeMore, Chief Financial Officer

Marcus Dodd, Chief Internal Auditor

Brian Hooper, Legislative Liaison

Kathy Harlan, Audit Liaison

Office of the Auditor General

Thomas Kizziah, Manager

E. C. Ortiz & Co., LLP

Edilberto Ortiz, Partner

Leilani Rodrigo, Partner

Emily Causon, Manager

Marceliana Caragan, IT Manager

Responses to the recommendations were provided by Kathy Harlan, Audit Liaison, in a letter dated January 30, 2014.





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

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Employment Security'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, 2013. 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.

We conducted our examination 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.

In our opinion, 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, 2013. However, the results of our procedures disclosed 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 2013-001 to 2013-007.

### **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 as a basis for designing our examination procedures 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 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 a material weakness 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 item 2013-001 to be a material weakness.

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 2013-002 to 2013-007 to be significant deficiencies.

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

The Department's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine 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, 2013 and June 30, 2012 in Schedules 1 through 13 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, 2013 and June 30, 2012 accompanying supplementary information in Schedules 1 through 13. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2011 accompanying supplementary information in Schedules 3 to 4, Schedule 7, Schedules 9 to 10 and Schedule 12 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, Department management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

C. C. G. & Co. CPAs  
Chicago, Illinois  
January 30, 2014





E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Operating Fund and Special Programs Fund (Individual Nonshared Governmental Funds) of the State of Illinois, Department of Employment Security (Department), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) of the Individual Nonshared Governmental Funds to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Finding as item 2013-001 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Individual Nonshared Governmental Funds of the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Department's Response to Finding**

The Department's response to the finding identified in our audit is described in the accompanying Schedule of Finding. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C. O. G. J. & Co. LLP  
Chicago, Illinois  
January 30, 2014





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Unemployment Compensation Trust Fund (Nonshared Proprietary Fund) of the State of Illinois, Department of Employment Security (Department), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) of the Nonshared Proprietary Fund to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Finding as item 2013-001 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Individual Nonshared Governmental Funds of the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Department's Response to Finding**

The Department's response to the finding identified in our audit is described in the accompanying Schedule of Finding. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*E. C. Grij 3 Co. LLP*  
Chicago, Illinois  
January 30, 2014

**State of Illinois  
Department of Employment Security  
Schedule of Findings  
For the Two Years Ended June 30, 2013**

**Current Finding - *Government Auditing Standards***

**2013-001 Inadequate Controls Over Financial Close and Reporting**

The Department of Employment Security (Department) did not have adequate controls over financial close and reporting to allow management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements in a timely manner.

During our audit, we noted the following:

- a) The Department submitted “GAAP Reporting Packages” to the Illinois Office of the Comptroller (Comptroller) 1 to 21 days late. As part of the year-end accounting and financial reporting closing process, State Agencies are required to prepare and submit to the Comptroller “GAAP Reporting Packages” which summarize their yearly financial activities and the status of their funds at year-end. The “GAAP Reporting Packages” are used by the Comptroller to prepare the State’s Basic Financial Statements.
- b) Several errors and omissions during financial close and reporting process were identified for the following funds:

*Title III Social Security and Employment Services Fund (Fund 52)*

- The accrual for outstanding unpaid facilities, statistical, and telecommunication services provided by another governmental agency was understated by \$3.8 million. The Department’s yearend accrual (1) did not include invoices totaling \$4.5 million which have been reviewed and vouchered but not yet paid as of June 30, 2013; and (2) included invoices originally posted in September 2012 and duplicated in June 2013 totaling \$0.7 million.

*Unemployment Compensation Special Administration Fund (Fund 55)*

- Adjusting entries posted by the Comptroller at the request of the Department in relation to a fund transfer made in August of the following fiscal year which increased expenditures and accounts payable, resulting in an overstatement of \$2.9 million.

*Master Bond Fund (Fund 1368)*

- Assets and liabilities were not presented in a classified format to distinguish between current and long-term assets and liabilities. The noncurrent portion of



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**Current Finding - *Government Auditing Standards* (Continued)**

**2013-001 Inadequate Controls Over Financial Close and Reporting (Continued)**

unamortized bond issue cost of \$3.0 million was presented as part of current assets. The noncurrent revenue bonds payable and unamortized bond premium of \$1,106.1 million and \$84.3 million, respectively, were presented as part of current liabilities.

- Financial statement disclosures did not include information related to (1) debt service requirements to maturity and (2) future minimum payments of the debt obligation.
- The “Due to Other Funds” amount in the Statement of Net Position did not agree with the amount presented in the Notes to Financial Statements. An adjusting entry to remove effects of interfund transactions totaling \$62.9 million was not included when summarizing the information presented in the Notes to Financial Statements. The Notes to Financial Statements was subsequently corrected by the Department to present correct amount of “Due to Other Funds.”

*Unemployment Compensation Trust Fund (Fund 1138) and Master Bond Fund (Fund 1368)*

- Eliminating entries for interfund transfers totaling \$323.9 million were not recorded.
- The Department did not present its draft financial statements in accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position were presented as Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets.
- The Notes to Financial Statements included a disclosure on federal expenditures totaling \$1,019.3 million, identified under the American Recovery and Reinvestment Act of 2009 programs. The disclosure was not applicable for the current year’s financial statements.

The Department subsequently corrected the financial statements for the above adjustments and omissions.

**State of Illinois  
Department of Employment Security  
Schedule of Findings  
For the Two Years Ended June 30, 2013**

**Current Finding - *Government Auditing Standards* (Continued)**

**2013-001 Inadequate Controls Over Financial Close and Reporting (Continued)**

We also noted the following:

*Special Programs Fund (Fund 1136)*

- Accounts payable and accrued liabilities was understated by \$0.05 million. The Department recorded benefit payments through July of the following fiscal year while the auditors identified FY 2013 benefit payments paid by the Department through mid-November.

*Unemployment Compensation Trust Fund (Fund 1138)*

- The allowance for uncollectible taxes, interest and penalties was erroneously calculated resulting in an overstatement of \$8.9 million to the allowance for uncollectible taxes, interest and penalties and understatement to contribution revenues.
- The “Receivables - Others” and its related allowance for uncollectible accounts were understated by \$2.0 million. The Department made a yearend adjustment to reconcile the general ledger and subsidiary ledger but failed to include this adjustment in the financial statements resulting in an understatement of these accounts.
- Benefit payments payable was understated \$5.3 million. The Department recorded benefit payments through July of the following fiscal year while the auditors identified FY 2013 benefit payments paid by the Department through mid-November.

These adjustments were not material to the financial statements and were not booked by the Department as of June 30, 2013.

The Statewide Accounting Management System (SAMS) Procedure 27.10.10 states that all State agencies (excluding those agencies whose GAAP reporting packages are completed by the Comptroller’s staff in consultation with agency personnel - referred to as “in-house”) are required to submit annual GAAP reporting packages for any fund or funds in which they expend from and/or deposit receipts. For fiscal year ended June 30, 2013, the GAAP reporting packages due dates for locally held funds was on August 9, 2013 and treasury-held fund on August 16, 2013, except for

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**Current Finding - *Government Auditing Standards* (Continued)**

**2013-001 Inadequate Controls Over Financial Close and Reporting (Continued)**

governmental fund (Fund 52) and proprietary funds (Fund 1138 and Fund 1368) which was extended to September 9, 2013.

Generally accepted accounting principles (GAAP) require that expenditures for goods and services and related payables reported in the financial statements exist and represent valid transactions that occurred during the period. In addition, Procedure 03.50.10 of the SAMS Manual states that expenditures and related liabilities should be recognized in the accounting period in which the liability is incurred.

Paragraph 59 of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments*, states that the eliminations should be made in the statement of activities to remove the doubling up effect of internal service fund activity.

Paragraph 97 of GASB Statement No. 34, *GASB Codification of Governmental Accounting and Financial Reporting Standards* Section 2200.172, also states that the Statement of Net Position should be presented in a classified format to distinguish between current and long-term assets and liabilities.

Paragraph 10 of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, states that government should disclose the following details of debt service requirements to maturity: (a) principal and interest requirements to maturity, presented separately, for each of the five subsequent fiscal years and in five-year increment thereafter. Interest requirements for variable-rate debt should be determined using the rate in effect at the financial statement date. (b) The terms by which interest rates change for variable debt.

Paragraph 8 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, states that the statement of net position should report the residual amount as *net position*, rather than net assets, proprietary or fiduciary fund balance, or equity. Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components—*net investment in capital assets*; *restricted* (distinguishing between major categories of restrictions); and *unrestricted*.

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

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**Current Finding - *Government Auditing Standards* (Continued)**

**2013-001 Inadequate Controls Over Financial Close and Reporting (Continued)**

administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit preparation of accounts and reliable financial and statistical reports. When estimation is used to record financial statement amounts, a subsequent analysis should be performed to determine if the estimate should be updated or corrected to ensure reasonable amounts are being recorded in the financial statements.

Department officials stated that due in large part to federal funding reductions, IDES staff has dropped by a third in the past two years. As a result, over a hundred employees moved into new positions via the bargaining unit contract's layoff provisions. As a result, IDES did not complete the submission of the GAAP reports timely and made errors in presentation. IDES was in contact with the Comptroller and the auditors on dates and status for submission of the reports with the focus on accurate financial information.

The accrual adjustment was due to timing of the expenditures with the Comptroller. The items were submitted for payment in June and thought were paid in June, but were actually paid by the Comptroller on July 3<sup>rd</sup>. The Department's current accounting system does not allow for the recording of payables and assumes paid when submitted to the Comptroller.

The cause for the error on the reporting of the Master Bond fund is due to the agency not having bond reporting in ten years. There were changes in the reporting requirements on bonds since the last time the agency presented financial information resulting in minor errors in presentation.

The GASB Statement No. 63 change resulted in a change in wording from Assets to Position on two schedules. The agency used the draft from the previous year with the incorrect terminology.

The "also noted section" references the Department's agreed estimates for the reporting of accounts payable and accrued liabilities. GAAP requires management to make estimates and assumptions to prepare timely reports. The Department has used the actual amounts through July for the estimate of their liability for over 10 years and the method provides an estimate that is within 0.1% of actual expenditures and, therefore, is a reasonable estimate for GAAP basis financial statement reporting.

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**Current Finding - *Government Auditing Standards* (Continued)**

**2013-001 Inadequate Controls Over Financial Close and Reporting (Continued)**

Inadequate internal controls over financial close and reporting prevent the Department from preparing financial statements in accordance with GAAP and could result in inaccurate, incomplete and untimely preparation of financial statements. Also, management or employees in the normal course of performing their assigned functions may not be able to prevent or detect financial statement misstatements in a timely manner. (Finding Code No. 2013-001)

**Recommendation**

We recommend the Department establish and implement procedures to ensure required financial information is prepared and submitted to the Comptroller in a timely manner. We also recommend the Department improve controls over yearend financial closure and reporting to ensure accurate presentation and disclosure of the Department's financial statements.

**Department Response**

The Department accepts the recommendation. The modest amounts at issue involve a time period in which the Department paid over \$3 billion in unemployment insurance benefits and bonded over \$1.6 billion to support those payments. The discrepancies noted have already been corrected. To improve the process, the Department is already training employees and upgrading portions of its 15 year old accounting systems.

It is important to note that during this time period the Department lost a third of its staff due in large part to federal funding reductions. In addition, over a hundred employees moved into new positions via the bargaining unit contract's layoff provisions. This resulted in reduced staffing as well as inexperienced staff participating in many efforts.

**State of Illinois  
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Schedule of Findings  
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**Current Findings - State Compliance**

**2013-002 Noncompliance with Unemployment Insurance Act**

The Department of Employment Security (Department) did not fully comply with Unemployment Insurance Act (Act).

During our examination, we noted the following:

- In relation to the Social Security Retirement Task Force, the Department:
  - (a) appointed 2 members on April 26, 2013, which is after 60 days of the effective date of the mandate of November 18, 2011;
  - (b) held only two of at least three required public hearings; and
  - (c) has not reported its findings and recommendations to the Governor and General Assembly by December 31, 2012.
  
- In relation to the Economic Data Task Force, the Department:
  - (a) appointed 1 member on July 17, 2013, which is after 60 days of the effective date of the mandate of January 1, 2013;
  - (b) held only one of at least three required public hearings;
  - (c) has not reported its findings and recommendations to the Governor and General Assembly by June 30, 2013; and
  - (d) has not designated each member of the Task Force and each Department employee as an agent of Bureau of Labor Statistics (BLS) pursuant to the federal Confidential Information Protection and Statistical Efficiency Act of 2002.
  
- The Department has not provided the Department of Financial and Professional Regulation (DFPR) a list of individuals or entities that, for the most recently completed calendar year, report to the Department as paying wages to workers.
  
- The Department has identified Earnfare Program in its website with a brief description of the program and provides a hyperlink to the Department of Human Services' (DHS) website which provides more details. However, the Department did not promote the Earnfare Program to employers and recruit public and private employers to participate.

The Act (820 ILCS 405/611.1) states that the Social Security Retirement Pay Task Force shall consist of 13 members appointed by January 18, 2012. The Director shall serve as ex-officio chairman and shall appoint two members, one from the employee class and one from the employing class. The Task Force shall hold at least 3 public hearings and shall report its findings and recommendations to the Governor and the General

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**Current Findings - State Compliance (Continued)**

**2013-002 Noncompliance with Unemployment Insurance Act (Continued)**

Assembly no later than December 31, 2012, and shall be dissolved upon submission of the report.

The Act (820 ILCS 405/1900.2(a) thru (e)) also states that the Director shall appoint five members, one from the employee class, one from the employer class, two academic researchers, and one employee from the United States Bureau of Labor to the Economic Data Task Force by March 2, 2013, or 60 days after the effective date of January 1, 2013. The Task Force shall hold at least three public hearings as part of its analysis. The Task Force shall report its findings and recommendations to the Governor and the General Assembly no later than June 30, 2013, and shall be dissolved upon submission of the report. Each member of the Task Force and each Department employee must be designated as an agent of BLS pursuant to the federal Confidential Information Protection and Statistical Efficiency Act of 2002, as a condition of being able to participate in any activities of the Task Force.

The Act (820 ILCS 405/1900(p)) also states that the Department shall provide to the DFPR a list of individuals or entities that, for the most recently completed calendar year, report to the Department as paying wages to workers. The list shall be deemed confidential and may not be disclosed to any other person.

The Act (820 ILCS 405/1704.1) also states that the Department shall cooperate with the DHS to advertise and promote the Earnfare Program to all employers, recruit public and private employers to participate in the Earnfare Program, refer recruited employers to the DHS for contract negotiations, and notify the DHS of available job listings as they occur.

Department officials stated in relation to the Social Security Retirement Task Force, a) these members were appointed by the Senate Minority Leader; IDES had no control over when the task force members submitted their choices; b) IDES had to wait on the appointment of the final members to hold the first task force hearing. The task force is scheduled to hold the 3rd meeting at the end of 2013; and c) IDES could not produce a report due to the reasons mentioned above; the task force has not had sufficient time to provide a recommendation.

In relation to the Economic Data Task Force, a) IDES had to wait on a suggestion of appointee from the U.S. BLS; b) scheduling conflicts with board members, the late submission of the BLS representative and the federal government shutdown, one of the



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**Current Findings - State Compliance (Continued)**

**2013-002 Noncompliance with Unemployment Insurance Act (Continued)**

members is a U.S. BLS employee, all played a role in preventing the task force from meeting the requirement; c) related to the explanations above, the task force has not yet had enough time to provide findings and recommendations; and d) it was determined at the first meeting that no actual confidential data would be discussed at the meetings since the task force agreed that they would be focused on discussing the issues conceptually.

The Department currently does not have a Shared Data Agreement with the DFPR. The DFPR has not requested data nor the Department provided any.

Department officials stated that IDES has not been promoting or recruiting for the Earnfare program, because the DHS has not been accepting new employers into the program in the last three years. Under the circumstances, IDES will continue to a) refrain from recruiting employers for the program; and b) work to repeal the recruitment/promotion requirement in Section 1704.1.

Failure to timely appoint members and hold the required public hearings of the Social Security Retirement Pay Task Force and the Economic Data Task Force contributed to the delay in submission of its report. Failure to submit timely recommendations to the Governor precludes the Governor's Office from performing oversight functions over the Task Forces and results in noncompliance with the statute. In addition, failure to designate each member of the Economic Data Task Force as an agency of BLS results in noncompliance with the statute. Failure to promote the Earnfare Program and submit the required list to the DFPR resulted in noncompliance with the Act. (Finding Code No. 2013-002 and 11-3)

**Recommendation**

We recommend the Department comply with the Act by fulfilling the requirements of the task forces; expediting the processing of a new Shared Data Agreement and submitting the required list to the DFPR; and continuing with corrective actions in promoting the Earnfare Program or seek legislative remedy.



**State of Illinois  
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**Current Findings - State Compliance (Continued)**

**2013-002 Noncompliance with Unemployment Insurance Act (Continued)**

**Department Response**

The Department accepts the finding.

**Social Security Retirement Pay Task Force**

PA 97-621, which established the Task Force, required the Director and various other State officials to appoint members. The Task Force was to begin to conduct business upon the appointment of all members. The final appointments were not made until February 28, 2013 – two months after the statutory deadline for the Task Force’s report and more than a year after the Director had made his appointments. The Task Force has conducted three meetings so far. The Department will continue to work with the Task Force in the hope of solving the issue the Task Force was established to address.

**Economic Data Task Force**

The Department will continue to work with the Task Force to address the issue the Task Force was established to handle. As the finding notes, the members were not designated as agents of BLS in part because it was determined they would not examine any data deemed confidential under state or federal law.

**Section 1900P**

Federal confidentiality requirements would prohibit the Department of Employment Security (IDES) from simply sending the Department of Financial and Professional Regulation (DFPR) the information described in Section 1900P, absent a shared data agreement that spelled out DFPR’s responsibility to safeguard it. See, 20 CFR 603.10. Section 1900N of the Unemployment Insurance Act allows the Department to require an entity to enter into a shared data agreement as a condition of receiving information protected by Section 1900. Given that DFPR apparently does not need the information covered by Section 1900P, IDES has not pursued the multiple administrative steps that would be required to grant DFPR access to the information. For the reasons noted above, the Department will work to repeal this requirement.

**Earnfare Program**

For the reasons noted in the finding, the Department will continue to work to repeal Section 1704.1.

**State of Illinois  
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Schedule of Findings  
For the Two Years Ended June 30, 2013**

**Current Findings - State Compliance (Continued)**

**2013-003 Performance Evaluation Not Completed Timely**

The Department of Employment Security (Department) did not conduct employee performance evaluations in accordance with the Illinois Administrative Code and Department policies.

During our review of 99 personnel files for FY 2012 and FY 2013, we noted the following:

- Eight (8%) employees did not have performance evaluations on file in FY 2012.
- Ten (10%) employees did not have performance evaluations on file in FY 2013.
- Twenty-four (24%) performance evaluations reviewed for FY 2012 were not timely submitted. Performance evaluations were submitted 2 to 170 days late.
- Twenty-eight (28%) performance evaluations reviewed for FY 2013 were not timely submitted. Performance evaluations were submitted 1 to 224 days late.
- Six (6%) performance evaluations for FY 2012 were not stamped approved by Human Resource Management (HRM).

The Illinois Administrative Code (80 Ill. Admin. Code 302.270(d)) requires that, for a certified employee, each agency shall prepare an employee performance evaluation not less often than annually. The Illinois Administrative Code (80 Ill. Admin. Code 310.450(c)) also requires that evaluations be completed prior to when annual merit increases are awarded. In addition, the Department's personnel manual requires the Department to complete performance evaluations for newly appointed employees upon completion of the first probationary period (3 months) and 15 days prior to the completion of the final probationary period (6 months). Performance evaluations are due once a year thereafter on the first day of the month in which the employee's anniversary date falls. Further, the Department Procedures Manual 2020.30 states that performance evaluations should be processed sufficiently in advance so that they are normally received by Department's HRM at least two weeks prior to the date they are due. Upon review, the HRM should affix the Department Director's signature.

Department officials stated that during FY 2012 and FY 2013 IDES rolled out performance evaluation training for supervisors Statewide and has improved the process of sending reminder notices to highlight days past due. As a result, the

**State of Illinois  
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**Current Findings - State Compliance (Continued)**

**2013-003 Performance Evaluation Not Completed Timely (Continued)**

number of past due evaluations has been reduced by approximately 65%. However, as a result of staffing shortages as well as the layoff of over 150 staff during FY 2013, IDES was unable to reach 100% compliance.

Employee performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations. The evaluation measures actual work performance against the performance criteria established at the beginning of the appraisal period. Without timely completion of an employee performance evaluation, the employee would not be provided with formal feedback or assessment of his or her performance, and areas for improvements and current year's performance goals and objectives may not be identified and communicated in a timely manner. Furthermore, employee performance evaluations serve as a foundation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. (Finding Code No. 2013-003, 11-4, 09-7, 07-3, 05-5 and 03-2)

**Recommendation**

We recommend the Department comply with the Illinois Administrative Code and Department policies by completing annual and probationary performance evaluations in a timely manner.

**Department Response**

We accept the recommendation and continue to be committed to eliminating this finding. As mentioned above, during FY2012 and FY2013 the agency rolled out performance evaluation training for supervisors statewide and improved the process of sending reminder notices to highlight days past due. As a result, the number of past due evaluations has been reduced by approximately 65%.

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**Current Findings - State Compliance (Continued)**

**2013-004 Interagency Agreement Not Executed in a Timely Manner**

The Department of Employment Security (Department) did not execute its intergovernmental agreements with other State agencies in a timely manner.

During our review of interagency agreements, we noted 4 of 8 (50%) Intergovernmental Agreements for Utilization of Leased Space (IGAs) were signed after the effective date of the lease. The IGAs were signed between 57 and 201 days after the start of the lease term.

Good business practices require that a properly signed two party agreement be executed prior to commencement of services for both contracts and interagency agreements.

Department officials stated interagency agreements involve local, regional and central office staff and thus the process to create and approve the agreements is cumbersome and results in timeliness issues such as the ones noted in this finding. During late FY 2013 and early FY 2014, IDES has been working on updating and streamlining the interagency agreement creation/approval process to eliminate the timeliness issues.

Failure to execute contracts or interagency agreements in a timely manner could compromise the Department's oversight and public accountability. Significant work could be performed and costs incurred before the public is made aware of the specifics of the contract and may also expose the State to potential liability. (Finding Code No. 2013-004, 11-5, 09-4, 07-2 and 05-8)

**Recommendation**

We recommend the Department improve its process for timely executing intergovernmental agreements.

**Department Response**

We accept the recommendation and will continue to improve and streamline the approval process in order to eliminate this finding. These IGAs cover leased space as well as services that each governmental entity will provide. Due to federal funding cuts, IDES changed what services were provided at each location. Those changes required additional negotiations with these governmental entities which led to delays in executing the agreements.

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**Current Findings - State Compliance (Continued)**

**2013-005 Untimely Issuance of Eligibility Determination**

The Department of Employment Security (Department) did not issue eligibility determinations within the prescribed timeframe.

In FY 2013, we noted the Department did not meet the acceptable coverage of at least 80% for timely non-monetary determinations in 21 days. The Department's quarterly performance was between 61% and 73%.

The Code of Federal Regulation (20 CFR Part 640.3) states that a State law include provisions for such methods of administration as will reasonably insure the full payment of unemployment benefits for eligible claimants with the greatest promptness that is administratively feasible.

Unemployment Insurance Program Letter No. 14-05 issued by the Employment and Training Administration (ETA) Advisory System of the U.S. Department of Labor states that non-monetary determinations made within 21 days of issue-detection date are considered timely, and ETA considers a State's performance to be acceptable if 80 percent of all non-monetary determinations are completed within 21 days.

Department officials stated due in large part of federal funding reductions, IDES staff has dropped by a third in the past two years. As a result, over a hundred employees moved into new positions via the bargaining unit contract's layoff provisions. As a result, IDES did not complete these tasks timely.

Failure to issue eligibility determinations within prescribed timeframes could result in improper payment or withholding of unemployment compensation. (Finding Code No. 2013-005, 11-6 and 09-6)

**Recommendation**

We recommend the Department implement procedures to ensure all eligibility determinations are made within the prescribed timeframes.

**Department Response**

We accept the recommendation. Federal funding reductions led to staff reductions that have adversely impacted timeliness. To address this issue, IDES is moving to a new model of service delivery for unemployment services. It relies largely on

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**Current Findings - State Compliance (Continued)**

**2013-005 Untimely Issuance of Eligibility Determination (Continued)**

internet claims filing combined with telephone customer support. Currently, nearly 90% of unemployment insurance claims are filed online or via the telephone. We anticipate that the new service model as well as load-balancing will improve determination completion timeframes.

It is important to note that during this time period, IDES lost a third of its staff due in large part to federal funding reductions. In addition, over a hundred employees moved into new positions via the bargaining unit contract's layoff provisions. This resulted in reduced staffing as well as inexperienced staff participating in many efforts.

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**Current Findings - State Compliance (Continued)**

**2013-006 Noncompliance with Statutes and Regulation on Internal Auditing**

The Department of Employment Security (Department) did not ensure that its internal auditing program fully complied with the requirements of the Fiscal Control and Internal Auditing Act (FCIAA) and International Standards for the Professional Practice of Internal Audit.

During our review of the Department's Internal Audit, we noted there were no written reports completed and submitted to the Department Director detailing how the internal audit plan for FY 2012 and FY 2013 was carried out. We also noted there were no formal procedures in monitoring and ensuring corrective actions were implemented by management.

The FCIAA (30 ILCS 10/2003) states that by September 30 of each year, the chief internal auditor shall submit to the chief executive officer a written report detailing how the audit plan for that year was carried out, the significant findings, and the extent to which recommended changes were implemented.

The International Standards for the Professional Practice of Internal Auditing (Section 2500) states that the chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management. The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

Department officials stated that the Director received the audit reports for each of the internal audits that were conducted in the FY 2012 and FY 2013 plan. Internal Audit did not consolidate those reports into one document detailing how the plan was carried out. The Deputy Director for the audited area participates in an exit conference with the auditors. That Deputy Director is responsible for ensuring corrective actions are taken. The Director instituted an informal annual consolidation of all audit findings that are reviewed with the Deputy Directors to monitor the status of the findings.

Failure to submit to the Department Director the required annual written report precludes the Director from performing oversight functions over the Department and results in noncompliance with the statute. A lack of formal procedures in monitoring

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For the Two Years Ended June 30, 2013**

**Current Findings - State Compliance (Continued)**

**2013-006 Noncompliance with Statutes and Regulation on Internal Auditing (Continued)**

audit results may result in untimely implementation of corrective actions. (Finding Code No. 2013-006)

**Recommendation**

We recommend the Department comply with the requirements of the FCIAA and International Standards for the Professional Practice of Internal Audit by establishing formal procedures in monitoring audit results and submitting annual reports to the Director detailing how the internal audit plan was carried out.

**Department Response**

We accept the recommendation. The Department is establishing a formal procedure to follow-up on open internal audit findings. It is important to note the Director received the audit reports for each of the internal audits. Further, the Deputy Director participated in the internal audit exit conference and works to ensure the findings are addressed.



**State of Illinois  
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Schedule of Findings  
For the Two Years Ended June 30, 2013**

**Current Findings - State Compliance (Continued)**

**2013-007 Inadequate Controls Over Travel Reimbursements**

The Department of Employment Security (Department) did not have adequate controls over travel reimbursements to employees.

During our review of 40 travel vouchers totaling \$70,965, we noted the following:

- Nine vouchers (22%) for in-State lodging reimbursements totaling \$5,200 (excluding city/county/State taxes) exceeded the maximum amount allowed by the Governor's Travel Control Board. The lodging rates were exceeded by \$7 to \$59 per night or \$1,100 in total. These vouchers did not include a note in the "comments" field to support Department's approval for the excessive lodging rates. These vouchers also lacked documentation to support that State "preferred" hotels were contacted.
- One voucher (2%) did not include place and time of departure and arrival for five instances where per diem totaling \$105 were claimed.
- One voucher (2%) included a \$38 transportation reimbursement which was supported by a receipt but did not match the date and approximate time of the travel.
- One voucher (2%) included out-of-State airplane transportation reimbursement totaling \$1,815 (including taxes), for a first class outgoing flight. This is \$515 (40%) over the amount approved by the Governor's Office of Management and Budget for airfare.

We also noted eight In-State Travel Authorization Form (Form FI-02a) totaling \$8,700 were not approved by the traveler's supervisor/manager at least 24 hours before the travel; and one FI-02a Form amounting \$388 was not dated by the supervisor/manager of the traveler.

The Governor's Travel Control Board Rules on lodging exceptions states that agencies may process requests for excessive lodging charges without approval from the Governor's Travel Control Board provided the request is in compliance with the travel rules. A request is considered in compliance if a) in the City of Chicago, a minimum of five preferred hotels were contacted; or b) in all other areas within the State of Illinois, a minimum of three preferred hotels were contacted. If the request is determined to be in compliance, agencies may process the claim provided a) a note is

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For the Two Years Ended June 30, 2013**

**Current Findings - State Compliance (Continued)**

**2013-007 Inadequate Controls Over Travel Reimbursements (Continued)**

placed in the “comments” field on the travel voucher to reflect agency approval of the excessive lodging amount; and b) agencies maintain documentation of the justification for all excessive lodging approvals.

The Governor’s Travel Control Board Rules (Rules) (80 Ill. Admin. Code 2800.240) states that all claims for the reimbursement of travel expenses shall be submitted on authorized reimbursement forms (Form C-10) and shall be itemized accordingly. When applicable, the travel voucher shall show in the space provided the dates and times of travel, the points of departure and destination, the mode of transportation, the cost of the transportation secured, lodging, meals per diem and other expenses. If meals or per diem are not claimed, times of arrival and departure are not required. Travel vouchers shall be supported by receipts in all instances for railroad and airplane transportation, lodging, taxis, and all other items in excess, individually, of \$10.00 except for meals. Guidelines outlined in the Rules in completing travel voucher states that required receipts clearly indicating travel vendor, dates, times, dollar amounts, etc., must be attached to the voucher.

In addition, Subpart C, Section 3000.300 (c) of the Travel Regulation Council Rules (80 Ill. Admin. Code 3000.300) states that arrangements on airplanes, trains, or boats shall be the least costly reasonably available alternative.

Department Procedures Manual Section 3001.35, states that in order to monitor and control the amount of travel expenses incurred by the Department, all staff and management are required to complete an In-State Travel Authorization Form (Form FI-02a), for all in-State travel costing greater than \$50. Travelers must submit a completed and signed In-State Travel Authorization to their immediate supervisor or manager for approval. The Director has expressly delegated the approval/signature of the form FI-02a to the supervisor/manager of the traveler. Requests should be submitted at least 24 hours in advance of the travel date. Any requests for travel submitted less than 24 hours in advance must include an additional explanation for the late submission in the space provided.

Department officials stated various travel vouchers were incomplete or in error with respect to the Department’s policy and procedures and rules of the Governor’s Travel Control Board and Council due to staff being in new roles or new to the Department and were not aware of the rules. Additional training is being planned. The form FI-

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For the Two Years Ended June 30, 2013**

**Current Findings - State Compliance (Continued)**

**2013-007 Inadequate Controls Over Travel Reimbursements (Continued)**

02a is a new requirement this year. Currently, all staff is required to complete this form in advance.

The pre-approval of in-State travel for those in constant travel status based on their job descriptions is being reviewed by IDES. The purpose of the form was to control unknown travel costs. For those required to travel as a regular part of their duties, this requirement is overly burdensome.

With respect to the out-of-State first class airplane transportation, there were mitigating circumstances. The person was a new employee and travel was required at the last minute. There were no other flights available due to the late notice of the meeting. When the ticket was purchased online, there was no indication that it was a first class ticket. Another traveler for the same trip submitted a request to the travel control board and received approval, but the new employee was not aware of the requirement.

Failure to have approval prior to travel and failure to require submission of evidence on conference hotels may result in payment of unauthorized travel expenditures. Absence of an established time frame for submission of travel reimbursements results in delay in the processing and recording of travel expenditures.

Inadequate documentation, unsupported and excessive travel reimbursements, and late approval of travel vouchers may result in payment of unauthorized travel expenditures and noncompliance with the Governor's Travel Control Board Rules, Travel Regulation Council Rules, and Department's Procedures. (Finding Code No. 2013-007)

**Recommendation**

We recommend the Department comply with the Governor's Travel Control Board Rules, Travel Regulation Council Rules, and Department Procedures. We also recommend the Department strengthen procedures in processing travel reimbursements to ensure vouchers are properly and adequately supported and travel applications are approved in advance.

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For the Two Years Ended June 30, 2013**

**Current Findings - State Compliance (Continued)**

**2013-007 Inadequate Controls Over Travel Reimbursements (Continued)**

**Department Response**

The Department accepts the recommendations. The Department recognizes that travel is an important component of how we meet our mission. The Department works to ensure that the most cost effective method of travel is used as well as that we follow proper procedures. To that end, the Department will conduct additional training on the state's travel policies to ensure compliance.

**State of Illinois  
Department of Employment Security  
Prior Findings Not Repeated  
For the Two Years Ended June 30, 2013**

**A. Inadequate Controls Over Computer Security**

In the prior engagement, the Department of Employment Security (Department) had inadequate controls over the security and use of Super IDs. The Information Services Division programmers were sharing and using Super ID almost daily in the Production environment for resolving transactional or application-related problems that occurred during batch processing. Since the Super IDs were shared, the individual accountability over its use was limited.

Status: Partially implemented

During the current engagement, The Department made significant improvements and implemented measures to reduce reliance on the usage of Super IDs as indicated in the decline in the number of instances of Super ID usage. In addition, the Department implemented an approval process for using Super ID which provides sufficient information to determine the nature of changes made using the Super ID. The transaction logs of Super ID usage were reviewed by the Data Processing Analyst and the review ensured each entry in the log was supported by a written approval of the use of the Super ID. This finding has been moved to IM2013-013. (Finding Code No. 12-1, 11-1, 10-1, 09-2 and 08-2)

**B. Improper Accounting of Unapplied Credits**

In the prior engagement, the Department of Employment Security (Department) did not properly account for unapplied credits relating to unemployment tax contributions received from other State agencies and component units, totaling to \$4.9 million.

Status: Implemented

During the current engagement, no significant exceptions were noted in relation to our sample testing of unapplied credits. (Finding Code No. 12-2)

**C. Failure to Verify Social Security Numbers**

In the prior engagement, the Department of Employment Security (Department) did not verify social security numbers (SSNs) of new claimants. The Department made benefits payments of approximately \$2.9 million to claimants with Social Security Numbers reported as potentially invalid by the Social Security Administration.

Status: Implemented

During the current engagement, the Department implemented an electronic online system of verification of claimant's SSN. (Finding Code No. 11-7)

**State of Illinois  
Department of Employment Security  
Prior Findings Not Repeated  
For the Two Years Ended June 30, 2013**

**D. Inaccurate Balance of Allowance for Uncollectible Accounts for Other Receivables**

In the prior engagement, the Department of Employment Security (Department) understated its allowance for uncollectible accounts for other receivables by \$9.5 million.

Status: Implemented

During the current year engagement, the Department developed a process to evaluate the reasonableness of the accounting estimate. (Finding Code No. 11-2)

**State of Illinois  
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Compliance Examination  
For the Two Years Ended June 30, 2013**

**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
    - Fiscal Year Ended June 30, 2013
    - Fiscal Year Ended June 30, 2012
  - Notes to Schedules of Appropriations, Expenditures and Lapsed Balances
  - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  - Comparative Schedule of Receipts, Disbursements and
    - Fund Balance (Cash Basis) - Locally-Held Funds
  - Schedule of Changes in State Property
  - Comparative Schedule of Cash Receipts
  - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
  - Analysis of Significant Variations in Expenditures
  - Analysis of Significant Variations in Receipts
  - Analysis of Significant Lapse Period Spending
  - Analysis of Significant Account Balances
  - Analysis of Accounts Receivable
- Analysis of Operations (Not Examined):
  - Agency Functions and Planning Program (Not Examined)
  - Average Number of Employees (Not Examined)
  - Annual Cost Statistics (Not Examined)
  - Emergency Purchases (Not Examined)
  - Service Efforts and Accomplishments (Not Examined)
  - Unemployment Rates (Not Examined)

The Accountants' 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, 2013 and June 30, 2012 in Schedules 1 through 13. However, the accountants do not express an opinion on the supplementary information. The accountants' 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 Employment Security**  
**Schedule of Appropriations, Expenditures and Lapsed Balances**  
**Appropriations for Fiscal Year 2013**  
**Fourteen Months Ended August 31, 2013**

	Final Appropriations (Note 1)	Expenditures through June 30	Lapse Period Expenditures 07/01/13 - 08/31/13	Total Expenditures	Lapsed Balances
<b>TITLE III SOCIAL SECURITY AND EMPLOYMENT SERVICES FUND - 052</b>					
Central Administration	\$ 16,302,700	\$ 12,741,765	\$ 104,266	\$ 12,846,031	\$ 3,456,669
Finance and Administration	123,007,900	72,125,842	4,830,402	76,956,244	46,051,656
Workforce Development	188,825,200	147,801,991	2,359,715	150,161,706	38,663,494
Trust Fund Unit	1,734,300	43,311	1,483,110	1,526,421	207,879
Total	329,870,100	232,712,909	8,777,493	241,490,402	88,379,698
<b>UNEMPLOYMENT COMPENSATION SPECIAL ADMINISTRATION FUND - 055</b>					
Workforce Development	27,850,000	27,776,176	-	27,776,176	73,824
<b>GENERAL REVENUE FUND - 001</b>					
Trust Fund Unit	24,000,000	19,868,163	-	19,868,163	4,131,837
<b>ROAD FUND - 011</b>					
Trust Fund Unit	1,900,000	1,900,000	-	1,900,000	-
<b>NON-DEPARTMENT FUND</b>					
IMSA Income Fund - 768	16,700	-	-	-	16,700
Total Appropriated	\$ 383,636,800	282,257,248	8,777,493	291,034,741	\$ 92,602,059
<b>NON-APPROPRIATED</b>					
Unemployment Compensation Special Administration Fund - 055		637,138	78,599	715,737	
Total Non-Appropriated		637,138	78,599	715,737	
Grand Total - ALL FUNDS		\$ 282,894,386	\$ 8,856,092	\$ 291,750,478	

See Notes to Schedules of Appropriations, Expenditures and Lapsed Balances.



**State of Illinois**  
**Department of Employment Security**  
**Schedule of Appropriations, Expenditures and Lapsed Balances**  
**Appropriations for Fiscal Year 2012**  
**Seventeen Months Ended November 30, 2012**

	Final Appropriations (Note 2)	Expenditures through June 30	Lapse Period Expenditures 07/01/12 - 11/30/12	Total Expenditures	Lapsed Balances
<b>TITLE III SOCIAL SECURITY AND EMPLOYMENT SERVICES</b>					
<b>FUND - 052</b>					
Central Administration	\$ 15,162,100	\$ 13,668,301	\$ 18,543	\$ 13,686,844	\$ 1,475,256
Finance and Administration	107,879,500	65,070,796	628,396	65,699,192	42,180,308
Workforce Development	191,743,100	158,952,684	3,817,545	162,770,229	28,972,871
Trust Fund Unit	1,734,300	87,192	31,158	118,350	1,615,950
Federal Stimulus - ARRA	4,000,000	-	-	-	4,000,000
<b>Total</b>	<b>320,519,000</b>	<b>237,778,973</b>	<b>4,495,642</b>	<b>242,274,615</b>	<b>78,244,385</b>
<b>UNEMPLOYMENT COMPENSATION SPECIAL ADMINISTRATION</b>					
<b>FUND - 055</b>					
Workforce Development	14,100,000	14,153,302	-	14,153,302	(53,302)
<b>GENERAL REVENUE FUND - 001</b>					
Trust Fund Unit	24,000,000	24,000,000	-	24,000,000	-
<b>ROAD FUND - 011</b>					
Trust Fund Unit	1,900,000	1,900,000	-	1,900,000	-
<b>NON-DEPARTMENT FUND</b>					
IMSA Income Fund - 768	16,700	-	-	-	16,700
<b>Total Appropriated</b>	<b>\$ 360,535,700</b>	<b>277,832,275</b>	<b>4,495,642</b>	<b>282,327,917</b>	<b>\$ 78,207,783</b>
<b>NON-APPROPRIATED</b>					
Unemployment Compensation Special Administration Fund - 055		600,347	61,076	661,423	
<b>Total Non-Appropriated</b>		<b>600,347</b>	<b>61,076</b>	<b>661,423</b>	
<b>Grand Total - ALL FUNDS</b>		<b>\$ 278,432,622</b>	<b>\$ 4,556,718</b>	<b>\$ 282,989,340</b>	

See Notes to Schedules of Appropriations, Expenditures and Lapsed Balances.

**State of Illinois  
Department of Employment Security  
Compliance Examination  
For the Two Years Ended June 30, 2013**

**Notes to Schedules of Appropriations, Expenditures and Lapsed Balances**

**1. Appropriation Authorization, FY 2013**

Appropriation amounts were authorized by Public Act 97-0727, as approved by the Governor on June 30, 2012, and by Public Act 90-0001 as approved by the Governor on February 7, 2013 pursuant to Article IV, Section 9(d) of the Illinois Constitution of 1970. Pursuant to Section 13.2 of the State Finance Act (Act), the sum of transfers among line item appropriations shall not exceed 2% of the aggregate appropriation. Based on the Office of the Comptroller (Comptroller) records, the Department's transfer appropriation during the year did not exceed this ceiling.

**2. Appropriation Authorization, FY 2012**

Appropriation amounts were authorized by Public Act 97-0057, as approved by the Governor on June 30, 2011, pursuant to Article IV, Section 9(d) of the Illinois Constitution of 1970. Pursuant to Section 13.2 of the Act, the sum of transfers among line item appropriations shall not exceed 2% of the aggregate appropriation. Based on the Comptroller records, the Department's transfer totaling \$840,000 did not exceed this ceiling.

**3. Basis of Accounting**

Data contained in these schedules have been taken from the Department's financial statements.

The Comptroller's Statewide Accounting Management System (SAMS) controls expenditures by line item as established in approved appropriation bills. Budgets are essentially on the cash basis, modified for expenditures during the lapse period.

**4. Non-Department Funds**

Funds under this title are not controlled by the Department. However, State appropriation laws pertaining to these funds give the Department authority to appropriate monies for unemployment benefits claimed by employees of these funds.

**SCHEDULE 3**  
(CONTINUED)

**State of Illinois**  
**Department of Employment Security**  
**Compliance Examination**  
**For the Two Years Ended June 30, 2013**

**Notes to Schedules of Appropriations, Expenditures and Lapsed Balances**  
(Continued)

**5. Directors and Board of Review Salaries Paid from Title III Social Security and Employment Services Fund**

The Department directly pays its Director and Board of Review from the Title III Social Security and Employment Services Fund appropriations. The appropriations and expenditures are as follows for the fiscal year ended June 30:

	<u>Director</u>	<u>Board of Review</u>	<u>Total</u>
2013			
Appropriation	\$ 142,200	\$ 75,000	\$ 217,200
Expenditures	<u>142,339</u>	<u>69,654</u>	<u>211,993</u>
Lapse	<u>\$ (139)</u>	<u>\$ 5,346</u>	<u>\$ 5,207</u>
2012			
Appropriation	\$ 142,200	\$ 75,000	\$ 217,200
Expenditures	<u>142,339</u>	<u>72,612</u>	<u>214,951</u>
Lapse	<u>\$ (139)</u>	<u>\$ 2,388</u>	<u>\$ 2,249</u>
2011			
Appropriation	\$ 142,200	\$ 75,000	\$ 217,200
Expenditures	<u>142,200</u>	<u>75,000</u>	<u>217,200</u>
Lapse	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

**State of Illinois**  
**Department of Employment Security**  
**Comparative Schedule of Net Appropriations, Expenditures**  
**and Lapsed Balances**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**

	Fiscal Year Ended June 30		
	2013 PA 97-0727 & PA 98-0001	2012 PA 97-0057	2011 PA 96-0956 & PA 96-0957
<b>CENTRAL ADMINISTRATION</b>			
Title III Social Security and Employment Services Fund:			
Appropriations (net of transfers)	\$ 16,302,700	\$ 15,162,100	\$ 14,077,500
Expenditures:			
Personal services	7,279,058	8,392,685	8,145,466
Contribution to State Employee's Retirement System	2,765,863	2,870,429	2,280,534
Contribution to Social Security	537,053	616,866	599,323
Contributions to group insurance	1,949,863	1,613,103	1,485,307
Contractual services	114,305	102,158	253,327
Travel	33,606	67,378	40,918
Telecommunications services	166,283	24,225	79,721
Total Expenditures	12,846,031	13,686,844	12,884,596
Lapsed Balances	\$ 3,456,669	\$ 1,475,256	\$ 1,192,904
<b>FINANCE AND ADMINISTRATION</b>			
Title III Social Security and Employment Services Fund:			
Appropriations (net of transfers)	\$ 123,007,900	\$ 107,879,500	\$ 106,395,700
Expenditures:			
Personal services	19,278,133	20,111,100	19,024,288
Contribution to State Employee's Retirement System	7,330,927	6,894,711	5,327,873
Contribution to Social Security	1,414,493	1,471,728	1,393,686
Contribution to group insurance	5,575,957	4,342,442	3,751,528
Contractual services	39,901,597	30,833,671	37,845,769
Travel	33,865	50,696	58,889
Commodities	145,835	380,405	615,887
Printing	877,081	930,421	1,715,911
Equipment	28,133	76,438	90,928
Telecommunications services	2,320,666	516,199	2,061,628
Operation of automotive equipment	49,557	91,381	92,373
America's Labor Market Information System	-	-	10,741
Total Expenditures	76,956,244	65,699,192	71,989,501
Lapsed Balances	\$ 46,051,656	\$ 42,180,308	\$ 34,406,199

**SCHEDULE 4**  
**(CONTINUED)**

**State of Illinois**  
**Department of Employment Security**  
**Comparative Schedule of Net Appropriations, Expenditures**  
**and Lapsed Balances (Continued)**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**

	Fiscal Year Ended June 30		
	2013 PA 97-0727 & PA 98-0001	2012 PA 97-0057	2011 PA 96-0956 & PA 96-0957
<b>WORKFORCE DEVELOPMENT</b>			
Title III Social Security and Employment Services Fund:			
Appropriations (net of transfers)	\$ 188,825,200	\$ 191,743,100	\$ 189,317,400
Expenditures:			
Personal services	75,999,670	87,993,784	90,849,646
Contribution to State Employee's Retirement System	28,911,210	30,116,943	25,440,226
Contribution to Social Security	5,612,200	6,489,391	6,679,663
Contributions to group insurance	26,223,941	22,403,535	19,632,889
Contractual services	7,250,276	11,902,012	718,371
Travel	411,289	844,951	520,429
Commodities	-	3,806	-
Equipment	-	75,553	-
Telecommunications services	5,649,641	2,924,267	5,243,307
Employment security automation	-	-	1,061,435
Benefit Information System	-	-	7,198,562
Awards and grants	10,051	6,288	6,821
Tort claims	93,428	9,699	6,659
Refunds	-	-	555
Total Expenditures	<u>150,161,706</u>	<u>162,770,229</u>	<u>157,358,563</u>
Lapsed Balances	<u>\$ 38,663,494</u>	<u>\$ 28,972,871</u>	<u>\$ 31,958,837</u>
Unemployment Compensation Special Administration Fund:			
Appropriations (net of transfers)	\$ 27,850,000	\$ 14,100,000	\$ 14,100,000
Expenditures:			
Legal assistance required by law	2,026,073	2,153,302	1,522,234
For deposit into Title III Social Security and Employment Services Fund	25,750,000	12,000,000	12,000,000
Interest penalty	103	-	-
Total Expenditures	<u>27,776,176</u>	<u>14,153,302</u>	<u>13,522,234</u>
Lapsed Balances	<u>\$ 73,824</u>	<u>\$ (53,302)</u>	<u>\$ 577,766</u>
<b>TOTAL WORKFORCE DEVELOPMENT</b>			
Appropriations (net of transfers)	\$ 216,675,200	\$ 205,843,100	\$ 203,417,400
Expenditures	177,937,882	176,923,531	170,880,797
Lapsed Balances	<u>\$ 38,737,318</u>	<u>\$ 28,919,569</u>	<u>\$ 32,536,603</u>

**State of Illinois  
Department of Employment Security  
Comparative Schedule of Net Appropriations, Expenditures  
and Lapsed Balances (Continued)  
For the Fiscal Years Ended June 30, 2013, 2012 and 2011**

	Fiscal Year Ended June 30		
	2013 PA 97-0727 & PA 98-0001	2012 PA 97-0057	2011 PA 96-0956 & PA 96-0957
<b>TRUST FUND UNIT</b>			
<b>General Revenue Fund:</b>			
Appropriations (net of transfers)	\$ 24,000,000	\$ 24,000,000	\$ 68,907,700
Expenditures:			
Unemployment compensation benefits to former State employees	19,868,163	24,000,000	-
Governors' discretionary appropriation	-	-	53,991,661
Operational expenses	-	-	6,907,700
Total Expenditures	19,868,163	24,000,000	60,899,361
Lapsed Balances	\$ 4,131,837	\$ -	\$ 8,008,339
<b>Road Fund:</b>			
Appropriations (net of transfers)	\$ 1,900,000	\$ 1,900,000	\$ 1,900,000
Expenditures:			
Unemployment compensation benefits to Department of Transportation employees	1,900,000	1,900,000	1,900,000
Lapsed Balances	\$ -	\$ -	\$ -
<b>Title III Social Security and Employment Services Fund:</b>			
Appropriations (net of transfers)	\$ 1,734,300	\$ 1,734,300	\$ 1,734,300
Expenditures:			
Unemployment compensation benefits to former State employees	1,526,421	118,350	194,923
Lapsed Balances	\$ 207,879	\$ 1,615,950	\$ 1,539,377
<b>Illinois Math and Science Academy Income Fund:</b>			
Appropriations (net of transfers)	\$ 16,700	\$ 16,700	\$ 16,700
Expenditures:			
Unemployment compensation benefits to former State employees	-	-	16,700
Lapsed Balances	\$ 16,700	\$ 16,700	\$ -



**SCHEDULE 4  
(CONTINUED)**

**State of Illinois  
Department of Employment Security  
Comparative Schedule of Net Appropriations, Expenditures  
and Lapsed Balances (Continued)  
For the Fiscal Years Ended June 30, 2013, 2012 and 2011**

	Fiscal Year Ended June 30		
	2013 PA 97-0727 & PA 98-0001	2012 PA 97-0057	2011 PA 96-0956 & PA 96-0957
<b>TOTAL TRUST FUND UNIT</b>			
Appropriations (net of transfers)	\$ 27,651,000	\$ 27,651,000	\$ 72,558,700
Expenditures	23,294,584	26,018,350	63,010,984
Lapsed Balances	<u>\$ 4,356,416</u>	<u>\$ 1,632,650</u>	<u>\$ 9,547,716</u>
<b>FEDERAL STIMULUS - ARRA</b>			
Appropriations (net of transfers)	\$ -	\$ 4,000,000	\$ 16,200,000
Expenditures:			
Pursuant to applicable - ARRA	-	-	3,522,173
Administrative expenses - ARRA	-	-	8,914,001
Total Expenditures	-	-	12,436,174
Lapsed Balances	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ 3,763,826</u>
<b>GRAND TOTALS - ALL DIVISIONS</b>			
Appropriations (net of transfers)	\$ 383,636,800	\$ 360,535,700	\$ 412,649,300
Expenditures	291,034,741	282,327,917	331,202,052
Lapsed Balances	<u>\$ 92,602,059</u>	<u>\$ 78,207,783</u>	<u>\$ 81,447,248</u>
<b>SUMMARY BY FUND - Expenditures</b>			
General Revenue Fund	\$ 19,868,163	\$ 24,000,000	\$ 60,899,361
Title III Social Security and Employment Services Fund	241,490,402	242,274,615	254,863,757
Unemployment Compensation Special Administration Fund	27,776,176	14,153,302	13,522,234
Road Fund	1,900,000	1,900,000	1,900,000
IMSA Income Fund	-	-	16,700
Total Expenditures	<u>\$ 291,034,741</u>	<u>\$ 282,327,917</u>	<u>\$ 331,202,052</u>

**State of Illinois  
Department of Employment Security  
Comparative Schedule of Net Appropriations, Expenditures  
and Lapsed Balances (Continued)  
For the Fiscal Years Ended June 30, 2013, 2012 and 2011**

	Fiscal Year Ended June 30		
	2013	2012	2011
	PA 97-0727 & PA 98-0001	PA 97-0057	PA 96-0956 & PA 96-0957
ALL FUNDS			
Appropriations (net of transfers)	\$ 383,636,800	\$ 360,535,700	\$ 412,649,300
Expenditures			
Personal services	102,556,861	116,497,569	118,019,400
Contribution to State Employee's Retirement System	39,008,000	39,882,083	33,048,633
Contribution to Social Security	7,563,746	8,577,985	8,672,672
Contributions to group insurance	33,749,761	28,359,080	24,869,724
Contractual services	47,266,178	42,837,841	38,817,467
Travel	478,760	963,025	620,236
Commodities	145,835	384,211	615,887
Printing	877,081	930,421	1,715,911
Equipment	28,133	151,991	90,928
Telecommunications services	8,136,590	3,464,691	7,384,656
America's Labor Market Information System	-	-	10,741
Employment security automation	-	-	1,061,435
Benefit Information System	-	-	7,198,562
Legal assistance required by law	2,026,073	2,153,302	1,522,234
For deposit into Title III Social Security and Employment Services Fund	25,750,000	12,000,000	12,000,000
Unemployment compensation benefits to former State employees	23,294,584	26,018,350	2,111,623
Operation of automotive equipment	49,557	91,381	92,373
Governor's discretionary appropriation	-	-	53,991,661
Operational expenses	-	-	6,907,700
Awards and grants	10,051	6,288	6,821
Tort claims	93,428	9,699	6,659
Refunds	-	-	555
Interest penalty	103	-	-
Pursuant to applicable - ARRA	-	-	3,522,173
Administrative expenses - ARRA	-	-	8,914,001
Total Expenditures	<u>291,034,741</u>	<u>282,327,917</u>	<u>331,202,052</u>
Lapsed Balances	<u>\$ 92,602,059</u>	<u>\$ 78,207,783</u>	<u>\$ 81,447,248</u>

**State of Illinois**  
**Department of Employment Security**  
**Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis)**  
**Locally Held Funds for Special Programs**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

	Fiscal Year Ended June 30, 2013			
	Cash	Cash	Cash	Cash
	Balance	Receipts	Disbursements	Balance
	July 1, 2012			June 30, 2013
Trade Readjustment Act	\$ (15,692)	\$ 7,238,740	\$ 7,225,364	\$ (2,316)
Disaster Unemployment Assistance	-	-	-	-
Alternative Trade Adjustment Act	(1,977)	1,029,707	1,068,956	(41,226)
<b>Total Special Program Fund</b>	<b>\$ (17,669)</b>	<b>\$ 8,268,447</b>	<b>\$ 8,294,320</b>	<b>\$ (43,542)</b>

	Fiscal Year Ended June 30, 2012			
	Cash	Cash	Cash	Cash
	Balance	Receipts	Disbursements	Balance
	July 1, 2011			June 30, 2012
Trade Readjustment Act	\$ (76,555)	\$ 11,883,815	\$ 11,822,952	\$ (15,692)
Disaster Unemployment Assistance	-	149,496	149,496	-
Alternative Trade Adjustment Act	(1,504)	1,119,403	1,119,876	(1,977)
<b>Total Special Program Fund</b>	<b>\$ (78,059)</b>	<b>\$ 13,152,714</b>	<b>\$ 13,092,324</b>	<b>\$ (17,669)</b>

Note: The negative cash balance is due to the timing of federal drawdown. The drawdowns were based on direct deposits and debit cards issued in FY 2013 and FY 2012.

**State of Illinois**  
**Department of Employment Security**  
**Schedule of Changes in State Property**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

Fiscal Year Ended June 30, 2013					
	Balance July 1, 2012	Additions	Deletions	Net Transfers	Balance June 30, 2013
Equipment	\$ 20,046,226	\$ 12,400	\$ 2,355	\$ (2,599,358)	\$ 17,461,623

Fiscal Year Ended June 30, 2012					
	Balance July 1, 2011	Additions	Deletions	Net Transfers	Balance June 30, 2012
Equipment	\$ 21,638,103	\$ 187,869	\$ (1,182)	\$ (1,778,564)	\$ 20,046,226

Note: Additions and deletions were reconciled to property reports submitted to the Office of the Comptroller (Comptroller) by the Department. The positive FY 2013 deletion represents correction of previously deleted items. This summary schedule was prepared using State property records required by the Illinois Administrative Code (Code). The capitalization policy in the Code is different than the capitalization policy established by the Comptroller for financial reporting in accordance with generally accepted accounting principles.

**State of Illinois**  
**Department of Employment Security**  
**Comparative Schedule of Cash Receipts**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**

<u>Descriptions of Receipts</u>	<u>Fiscal Year Ended June 30</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>TITLE III SOCIAL SECURITY AND EMPLOYMENT</b>			
<b>SERVICES FUND - 052</b>			
U. S. Department of Labor	\$ 228,127,896	\$ 239,796,724	\$ 220,827,374
U. S. Department of Education			
Federal Stimulus Package	-	172,961	14,401,368
Fund transfers - Unemployment Compensation			
Special Administration Fund	11,900,000	12,000,000	12,000,000
Miscellaneous	123,706	1,096,851	18,919
State of Illinois	2,000,000	-	-
Health Care and Family Services	4,884	4,884	4,884
Other states	35,000	45,000	217,000
Fines, penalties or violations	11,281	9,966	10,956
Returned petty cash fund	-	-	100
Subscriptions and publications	180	1,260	1,620
One stop participants	370,961	427,965	503,776
Reimbursement/Jury duty and recoveries	4,494	5,894	3,116
General Revenue Fund	-	80,000	-
Copy fees	4,409	6,965	5,899
Shared data access fees	-	-	1,665
Labor market information	2,778	9,250	4,160
Commerce and Economic Opportunity	36,249	167,349	389,213
Investment income repurchase agreements	5,291	2,982	6,232
Prior year refunds and voids	5,329	22,234	17,180
Total Fund (052)	<u>\$ 242,632,458</u>	<u>\$ 253,850,285</u>	<u>\$ 248,413,462</u>
<b>UNEMPLOYMENT COMPENSATION SPECIAL</b>			
<b>ADMINISTRATION FUND - 055</b>			
Employer tax contribution penalties	\$ 16,482,040	\$ 14,301,549	\$ 13,500,414
Unemployment insurance	1,332,723	1,314,251	1,189,381
Judgement interest/UI claim	206,728	153,264	135,871
IPTIP UC special administration	3,862	2,388	4,343
Total Fund (055)	<u>\$ 18,025,353</u>	<u>\$ 15,771,452</u>	<u>\$ 14,830,009</u>

**State of Illinois**  
**Department of Employment Security**  
**Reconciliation Schedule of Cash Receipts to**  
**Deposits Remitted to the State Comptroller**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Title III Social Security and Employment Services Fund - 052		
Cash receipts per Department	\$ 242,632,458	\$ 253,850,285
Less: Investment income	<u>(5,291)</u>	<u>(2,982)</u>
Deposits remitted to the State Comptroller	<u>\$ 242,627,167</u>	<u>\$ 253,847,303</u>

	<u>2013</u>	<u>2012</u>
Unemployment Compensation Administration Fund - 055		
Cash receipts per Department	\$ 18,025,353	\$ 15,771,452
Less: Investment income	<u>-</u>	<u>-</u>
Deposits remitted to the State Comptroller	<u>\$ 18,025,353</u>	<u>\$ 15,771,452</u>

Note: To avoid deposits in transit, monies are requested from the federal government no more than three business days before disbursement.



**SCHEDULE 9**

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Variations in Expenditures**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

Pages 50 through 52 present comparative balances based on the audited financial statements. The explanation for significant fluctuations (greater than or equal to 20% and \$1,000) in expenditures is as follows:

**INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS**

**SPECIAL PROGRAMS FUND**

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2013	2012	Amount	%
Employment and economic development	\$ 8,120	\$ 13,164	\$ (5,044)	(38%)

The decrease in employment and economic development expenditures was due to fewer people being eligible and collecting Trade Readjustment Act and Alternative Trade Adjustment Assistance benefits.

**OPERATING FUND**

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2012	2011	Amount	%
Capital outlays	\$ 29	\$ 2,729	\$ (2,700)	(99%)

The decrease in capital outlays expenditures was due to the portion of IBIS expenditures that were capitalized in FY 2011.

**INDIVIDUAL NONSHARED PROPRIETARY FUNDS**

**UNEMPLOYMENT COMPENSATION TRUST FUND**

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2013	2012	Amount	%
Benefit payments and refunds	\$3,560,948	\$5,041,591	\$(1,480,643)	(29%)
Operating interest expense	2,351	46,040	(43,689)	(95%)
Nonoperating interest expense	24,020	-	24,020	100%
Amortization expense	2,327	-	2,327	100%
Transfers out	19,910	15,638	4,272	27%

**SCHEDULE 9**  
(CONTINUED)

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Variations in Expenditures (Continued)**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

The decrease in benefit payments and refunds expense was due to lower benefits paid attributable to fewer claimants filing for unemployment benefits.

The decrease in operating interest expense was due to the issuance of bonds to pay for federal advances and interest associated with the federal advances.

The increase in nonoperating interest expense was due to the issuance of bonds to pay for federal advances.

The increase in amortization expense was due to the issuance of bonds to pay for federal advances.

The increase in transfers out was due to the unemployment insurance (UI) penalties earned from those employers that did not comply with the new electronic filing procedures that started in January 2013.

Account Description	Fiscal Year Ended		Increase (Decrease)	
	June 30		Amount	%
	2012	2011		
Benefit payments and refunds	\$5,041,591	\$6,424,471	\$(1,382,880)	(22%)
Operating interest expense	46,040	—	46,040	100%

The decrease in benefit payments and refunds expenses was attributable to the decline in State unemployment and implementation of Treasury Offset Program (TOP) introduced in FY 2012. Through this program, the Agency was able to collect \$33,913 from overpaid claimants and these were netted from the benefit payments.

The increase in operating interest expense was due to interest on federal advances.

**TITLE XII INTEREST FUND**

Account Description	Fiscal Year Ended		Increase (Decrease)	
	June 30		Amount	%
	2013	2012		
Operating interest expense	\$ —	\$ 20,937	\$ (20,937)	(100%)
Transfers out	—	18,590	(18,590)	(100%)

The decrease in operating interest expense and transfers out were due to the Illinois Office of the Comptroller (Comptroller) approval to dissolve Title XII Interest Fund on September 17, 2012.

**SCHEDULE 9**  
**(CONTINUED)**

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Variations in Expenditures (Continued)**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2012	2011	Amount	%
Operating interest expense	\$ 20,937	\$ 50,485	\$ (29,548)	(59%)
Transfers out	18,590	-	18,590	100%

The decrease in operating interest expense was due to recording of interest for 3 months (from July 2011 to September 2011) in FY 2012 as compared to 6 months (from January 2011 to June 2011) in FY 2011.

The increase in transfers out was due to transfer in September 2011 of excess cash balance to Fund 1138 (UI Trust Fund) after payment of interest on advances to federal government in the same month.

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Variations in Receipts**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

Pages 53 to 55 present comparative balances based on the audited financial statements. The Department's explanations for significant fluctuations (greater than or equal 20 percent and \$1,000) in receipts are as follows:

**INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS**

**OPERATING FUND**

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2013	2012	Amount	%
Other revenues	\$ 589	\$ 3,620	\$ (3,031)	(84%)
Transfers in	19,910	15,638	4,272	27%

The decrease in other revenues was due to a grant from Department of Healthcare and Family Services in FY 2012 in the amount of \$2,000 pursuant to the SMART Act. The remaining fluctuation was due to reduction of miscellaneous receipts in FY 2013.

The increase in transfers in was due to the UI penalties earned from those employers that did not comply with the new electronic filing procedures that started in January 2013.

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2012	2011	Amount	%
Other revenues	\$ 3,620	\$ 752	\$ 2,868	381%

The increase in other revenues was due to grant from Department of Healthcare and Family Services in FY 2012 in the amount of \$2,000 pursuant to the SMART Act.

**SPECIAL PROGRAMS FUND**

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2013	2012	Amount	%
Revenues - federal government	\$ 8,120	\$ 13,164	\$ (5,044)	(38%)

**SCHEDULE 10**  
(CONTINUED)

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Variations in Receipts (Continued)**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

The decrease in revenues - federal government was due to fewer people being eligible and collecting Trade Readjustment Act and Alternative Trade Adjustment Assistance benefits.

**INDIVIDUAL NONSHARED PROPRIETARY FUNDS**

UNEMPLOYMENT COMPENSATION TRUST FUND

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2013	2012	Amount	%
Federal government	\$1,440,204	\$2,535,043	\$(1,094,839)	(43%)
Nonoperating interest and investment	15,431	93	15,338	16,492%
Other nonoperating revenues	842	101,678	(100,836)	(99%)
Transfers in	–	18,590	(18,590)	(100%)

The decrease in federal government revenue was due to decrease in benefit payment due to Emergency Benefit and sequester of EUC payments reducing the amount of weekly benefits and reduced number of weeks a claimant can collect EUC benefits.

The increase in nonoperating interest and investment was due to UI trust fund having a positive balance due to the issuance of bonds resulting in interest income on the balance.

The decrease in other nonoperating revenues was due to a decrease in FUTA credits from the federal government in FY 2013.

The decrease in transfers in was due to no transfers made in FY 2013.

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2012	2011	Amount	%
Federal government	\$2,535,043	\$3,756,303	\$(1,221,260)	(33%)
Other nonoperating revenues	101,678	–	101,678	100%
Transfers in	18,590	–	18,590	100%

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Variations in Receipts (Continued)**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

The decrease in federal government revenue was attributable to decrease in funding. Some of the federal programs like the Extended Benefit (EB) and EUC08 FAC- ARRA programs have ended and are nearly ending. Also, contributing to the change was the decline in claims in FY 2012 as compare in FY 2011.

The increase in other nonoperating revenues was attributable to the FUTA State credit amounting to \$100,739 received in FY 2012 and recorded by the Department as nonoperating revenue. There was no FUTA State credit in FY 2011.

The increase in transfers in was due to the excess cash balance from Interest Fund transferred to Unemployment Trust Fund.



**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Lapse Period Spending**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

*Lapse period spending totaling 20% or more of total expenditures were considered significant.*

July 1, 2013 to August 31, 2013

In FY 2013, there was no significant lapse period spending in any fund.

July 1, 2012 to November 31, 2012

In FY 2012, there was no significant lapse period spending in any fund.

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Account Balances**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

Pages 57 through 61 present comparative account balances based on the audited financial statements. The explanation for significant fluctuations (greater than or equal to 20% and \$1,000) in expenditures is as follows:

**INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS**

OPERATING FUND

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2013	2012	Amount	%
Cash and cash equivalents	\$ 13,376	\$ 9,118	\$ 4,258	47%
Intergovernmental receivables	22,079	41,553	(19,474)	(47%)
Accounts payable and accrued liabilities	8,362	10,435	(2,073)	(20%)
Deferred revenues	3,176	27,494	(24,318)	(88%)
Fund balance, restricted	15,691	9,719	5,972	61%

The increase in cash and cash equivalents was primarily due to increase in Special Administrative Account (SAA) cash from penalty and interest not spent on outstanding vouchers.

The decrease in intergovernmental receivables and deferred revenues was primarily due to grant expenditures associated with federal grants that were not anticipated to be reimbursed since the timing of cash payment disqualified the expenses from reimbursement. The current year total is calculated to omit these amounts.

The decrease in accounts payable and accrued liabilities was primarily due to cost-cutting measures implemented by the Department during the year.

The increase in fund balance, restricted was due to interests and penalties from employers earned during the year.

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2012	2011	Amount	%
Intergovernmental receivables	\$ 41,553	\$ 26,067	\$ 15,486	59%
Due from other State funds	3,399	1,703	1,696	100%
Accounts payable and accrued liabilities	10,435	8,546	1,889	22%

**SCHEDULE 12**  
(CONTINUED)

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Account Balances (Continued)**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2012	2011	Amount	%
Due to component units	\$ 3	\$ 1,365	\$ (1,362)	(100%)
Deferred revenues	27,494	3,091	24,403	789%
Fund deficit, unassigned	(36,317)	(20,305)	(16,012)	79%

The increase in intergovernmental receivables was due to expenses incurred in FY 2012 that were anticipated to be received after June 30, 2012 from the federal government.

The increase in due from other State funds was due to a one-time grant from Department of Healthcare and Family Services in the amount of \$2,000 pursuant to the SMART Act.

The increase in accounts payable and accrued liabilities was due to increase in spending during lapse period.

The decrease in due to component units was due to a contract with a component unit that was fully paid in 2011.

The increase in deferred revenues was due to expenses incurred in FY 2012 that were anticipated to be received after the lapse period from the federal government.

The increase in fund deficit, unassigned was due to expenditures not covered by federal funding.

**INDIVIDUAL NONSHARED PROPRIETARY FUNDS**

**UNEMPLOYMENT COMPENSATION TRUST FUND**

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2013	2012	Amount	%
Cash and cash equivalents, unrestricted	\$ 75,397	\$ 94,355	\$ (18,958)	(20%)
Cash and cash equivalents, restricted	27,108	-	27,108	100%
Deposits held by federal government	1,104,400	-	1,104,400	100%
Receivables, net:				
Intergovernmental	63,280	95,499	(32,219)	(34%)
Other	224,394	109,166	115,228	106%
Due from State funds	7,192	14,134	(6,942)	(49%)

**SCHEDULE 12**  
(CONTINUED)

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Account Balances (Continued)**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2013	2012	Amount	%
Intergovernmental payables	\$ 4,441	\$ 52,428	\$ (47,987)	(92%)
Unamortized bond issue cost, current and noncurrent	4,436	-	4,436	100%
Due to other State funds	3,236	1,386	1,850	133%
Accrued bond interest expense	2,596	-	2,596	100%
Due from federal government	-	1,138,265	(1,138,264)	(100%)
Revenue bonds payable, current and noncurrent (net)	1,387,718	-	1,387,718	100%
Net position (deficit), restricted for payment of benefits	637,673	(419,171)	1,056,844	252%

The increase in cash and cash equivalents, unrestricted and restricted was due to the issuance of bonds during the year.

The increase in deposits held by federal government was due to issuance of bonds to pay-off the federal advances and having UI trust fund balance to pay unemployment benefits.

The decrease in receivables, net - intergovernmental was due to reduction in benefit payment related to Emergency Benefit and sequestration of EUC payments, reducing the amount of weekly benefits and number of weeks a claimant can collect EUC benefits.

The increase in Receivables, net - other was due to aggressive effort of the Department to recover from claimants' benefits that were overpaid.

The decrease in due from State funds was due to reduction in unemployment benefits paid to ex-State employees.

The increase in unamortized bond issuance cost, current and noncurrent was due to the issuance of bonds during the year.

The decrease in intergovernmental payables was due to Department issuing bonds to pay-off the federal advances and interest on the federal advances.

The increase in due to other State funds was due to increase in penalty and interest collected in June as well as due to SAA fund.

**SCHEDULE 12**  
(CONTINUED)

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Account Balances (Continued)**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

The increase in accrued bond interest expense was due to accrual of interest for Master Bond Fund from June 16, 2013 - June 30, 2013.

The decrease in due to federal advances was due to payment made during the year using proceeds from issuance of bonds.

The increase in revenue bonds payable, current and noncurrent (net) was due to issuance of bonds on July 31, 2012 to repay principal and interest on unpaid advances to the State unemployment trust account and incurring liability on these bonds.

The increase in net position, restricted for payment of benefits was due to issuance of bonds on July 31, 2012.

Account Description	Fiscal Year Ended		Increase (Decrease)	
	2012	2011	Amount	%
Receivables, net:				
Intergovernmental	\$ 95,499	\$ 72,748	\$ 22,751	31%
Other	109,166	192,783	(83,617)	(43%)
Due from State funds	14,134	60,971	(46,837)	(77%)
Benefit payments payable	166,153	102,832	63,321	62%
Intergovernmental payables	52,428	4,976	47,452	954%
Due to federal government	1,138,264	2,138,064	(999,800)	(47%)
Net deficit, unrestricted	(419,171)	(1,187,330)	(768,159)	(65%)

The increase in receivables, net - intergovernmental was due to unemployment benefits incurred in FY 2012 that were anticipated to be received after June 2012 from the federal government.

The decrease in receivables, net - other was due to improvement of collection during FY 2012. Also, the Department recovered \$33,913 through the new implemented Treasury Offset Program for the recovery of overpaid benefit payments.

The decrease in due from State funds was due to catch up on State payment of benefits paid on ex-State employees during FY 2011.

The increase in intergovernmental payables was due to interest liability on federal advances.

The decrease in due to federal government was due to payments made on federal loan advances. Also, \$100,739 of FUTA credits were applied to federal loan advances in FY 2012.

**SCHEDULE 12**  
(CONTINUED)

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Significant Account Balances (Continued)**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Amounts Expressed in Thousands)**

The decrease in net deficit, unrestricted was attributable to the FUTA State credit amounting to \$100,739 received in FY 2012 and recorded by the Department as non-operating revenue. There was no FUTA State credit in FY 2011. Also, the decrease in operating revenues of \$632,157 was offset by the decrease in benefit payments and refunds resulting from the decline in the unemployment rate.

TITLE XII INTEREST FUND

Account Description	Fiscal Year Ended June 30		Increase (Decrease)	
	2012	2011	Amount	%
Cash and cash equivalents	\$ —	\$ 90,005	\$ (90,005)	(100%)
Due to federal government	—	50,485	(50,485)	(100%)
Net assets, restricted	—	39,520	(39,520)	(100%)

The decrease in cash and cash equivalents was mainly attributable to increased payments to federal loan advances during the fiscal year.

The decrease in due to federal government was due to the dissolution of the fund in September 2012. In FY 2011, the balance represented interest accrued from January to June 2011.

The decrease net assets, restricted was due to the Department's request to dissolve Title XII Interest Fund which has been approved by the Comptroller on September 17, 2012.



**State of Illinois**  
**Department of Employment Security**  
**Analysis of Accounts Receivable**  
**June 30, 2013 and 2012**  
**(Amounts Expressed in Thousands)**

For financial reporting purposes for fiscal years 2013 and 2012, the Department classified its accounts receivable in the following categories:

**INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS**

Intergovernmental Receivables

Intergovernmental receivables represent reimbursements due from federal government to reimburse the Department's administrative expenditures. Intergovernmental receivables totaled \$22,333 at June 30, 2013 and \$41,956 at June 30, 2012.

The Department does not calculate an allowance for uncollectible accounts for intergovernmental receivables as the amounts are due from other governmental entities and receipt is reasonably assured. In addition, the Department does not maintain records that age entirely the intergovernmental receivable balance. Therefore, an account receivable aging schedule for intergovernmental receivable has not been provided on the accompanying schedules.

**NONSHARED PROPRIETARY FUND**

Taxes Receivables

Taxes receivables represent unemployment taxes, known as contributions, owed by private, non-governmental employers to the Trust Fund. The Department records the receivable based on actual outstanding receivable plus estimate based on Budget's Trust Fund model and an allowance for uncollectible accounts is recorded. Taxes receivables, net of allowance for uncollectible accounts, totaled \$693,459 at June 30, 2013 and \$625,667 at June 30, 2012. Some of the methods used by the Department to collect these receivables include statements of account, telephone collections, determination and assessments, property liens, outside collection agencies, comptroller's offset, deferred payment agreements and bank levies.

See the following schedules for an aging of the taxes receivables balances.

Taxes Receivables at June 30, 2013		
Receivable for the quarter ended June 30, 2013	Receivable from prior quarters	Total Taxes Receivables
\$ 596,243	\$ 300,649	\$ 896,892
Less allowance for uncollectible accounts:		(203,433)
		<u>\$ 693,459</u>

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Accounts Receivable (Continued)**  
**June 30, 2013 and 2012**  
**(Amounts Expressed in Thousands)**

**NONSHARED PROPRIETARY FUND (CONTINUED)**

Taxes Receivables (Continued)

Taxes Receivables at June 30, 2012		
Receivable for the quarter ended June 30, 2012	Receivable from prior quarters	Total Taxes Receivables
\$ 536,947	\$ 239,421	\$ 776,368
Less allowance for uncollectible accounts:		(150,701)
		\$ 625,667

Intergovernmental Receivables

Intergovernmental receivables represent reimbursements due from other State governments for unemployment benefits paid to those States' ex-employees by the Trust Fund. The receivables also include amounts due from the federal government, for ex-military and federal employees, emergency unemployment, and extended benefits compensation. Intergovernmental receivables totaled \$63,280 at June 30, 2013 and \$95,499 at June 30, 2012. For local and other State governments, the Department sends quarter billings or statements to collect the receivables. For ex-military and federal employees' claims, the Department draws the funds for the receivable due.

Other Receivables

Other receivables represent monies owed from claimants who received benefits which exceeded the allowable amounts. The Department records the receivable based on actual outstanding overpayment receivable plus an estimate of additional overpayments related to the period, and an allowance for uncollectible accounts is recorded based on historical collections. Other receivables, net of allowance for uncollectible accounts, totaled \$224,394 at June 30, 2013 and \$109,166 at June 30, 2012. Methods used to collect these receivables include recoupment from future benefits; use of the comptroller's offset system, referral to federal treasury offset program, statements of indebtedness, deferred payment agreements, and referral to the Illinois Attorney General. As of June 30, 2013 and June 30, 2012, the newly implemented Treasury Offset Program (TOPS) collected a total of \$35,532 and \$33,913, respectively.

**SCHEDULE 13**  
**(CONTINUED)**

**State of Illinois**  
**Department of Employment Security**  
**Analysis of Accounts Receivable (Continued)**  
**June 30, 2013 and 2012**  
**(Amounts Expressed in Thousands)**

**NONSHARED PROPRIETARY FUND (CONTINUED)**

Other Receivables (Continued)

Other Receivables at June 30, 2013					
2009 and Prior	2010	2011	2012	2013	Total
\$ 155,982	\$101,927	\$120,093	\$148,136	\$264,532	\$ 790,670
Less allowance for uncollectible accounts:					(566,276)
Total					\$ 224,394

Other Receivables at June 30, 2012					
2008 and Prior	2009	2010	2011	2012	Total
\$ 127,416	\$ 46,549	\$112,228	\$135,513	\$342,115	\$ 763,821
Less allowance for uncollectible accounts:					(654,655)
Total					\$ 109,166

## **ANALYSIS OF OPERATIONS**

**State of Illinois  
Department of Employment Security  
Agency Functions and Planning Program  
For the Two Years Ended June 30, 2013  
(Not Examined)**

**Programs**

The Illinois Department of Employment Security (Department) is a cabinet-level State government agency under the leadership of a Director who is responsible for both general policy and day-to-day agency management. The *Office of the Director* includes Financial Operations headed by the Chief Financial Officer, Equal Employment Opportunity/Affirmative Action and Internal Audit. Other functions are carried out by the following:

*Legal Services* acts as the Department's legal counsel and monitors legislation and its effect on the Department. It also administers a two-stage appeals process - resident in the Appeals and Board of Review divisions - through which claimants and employers can appeal the decisions that the Department makes regarding unemployment insurance (UI).

*Administration* is responsible for procurement, the provision of space, equipment and supplies, and the human resource and labor management functions. It conducts quality assurance and compliance reviews of benefits and tax functions and is responsible for the Department's plans and program analyses. In addition, it oversees the collection and dissemination of economic and labor market information.

*Service Delivery* employs the majority of the Department's staff. It is responsible for operating a statewide system of call centers, processing centers, regional and local offices for the programmatic administration of the Unemployment Insurance, Employment Service, and related programs.

*Information Services* plans, develops, implements, and maintains the Department's electronic systems, including hardware and software resources and databases, required for the smooth operation of all programmatic and administrative functions.

*Business Services* conducts an active employer outreach program to gather job openings for the Department's labor exchange system. Business Services ensures that the labor exchange system functions properly programmatically and creates accurate reports. It administers the employer payroll tax assessed for the purposes of funding UI benefit payments; is responsible for audit and collections activity related to the UI tax, the processing of employers' tax reports and remittances, and providing customer service to employers with respect to their accounts with the Department.

The Department operates three major programs: Unemployment Insurance, the Employment Service, and Labor Market Information.

**State of Illinois**  
**Department of Employment Security**  
**Agency Functions and Planning Program (Continued)**  
**For the Two Years Ended June 30, 2013**  
**(Not Examined)**

**Programs** (Continued)

Unemployment Insurance

The Unemployment Insurance (UI) program is designed to partially protect eligible workers against loss of income during periods of unemployment and to contribute to overall economic stability. Like any insurance system, UI is based on a reserve of funds. The reserve fund, the Unemployment Insurance Trust Fund, is maintained through contributions collected by the Department from employers defined as liable under the *Illinois Unemployment Insurance Act*. When a worker employed by a liable employer becomes unemployed, he/she can file a claim for unemployment insurance benefits. If the worker meets all the eligibility requirements set forth by the UI Act, he/she may receive benefits for the maximum number of weeks payable under the law.

Employment Service

The Employment Service (ES) program is operated under the authority of the federal Wagner-Peyser Act, as amended by the Workforce Investment Act of 1998, and is part of the nationwide labor exchange system. The central aim of ES is to speed re-employment through job matching and employability development services. The Department maintains close contacts with employers to locate job opportunities and to meet their labor needs as soon as possible with qualified job applicants. This is accomplished by matching workers' skills to employers' job requirements and referring applicants with the appropriate skills, experience and education or training for employment interviews. If there are no suitable job openings listed for an individual or group of applicants, the Department staff attempts to develop openings with employers known to use the skills these applicants possess.

Labor Market Information

The Labor Market Information (LMI) program is partially operated under the Wagner-Peyser Act which requires the Department to maintain a labor market program to monitor employment related conditions and trends, and through cooperative agreements with two U.S. Department of Labor (USDOL) agencies: the Bureau of Labor Statistics and the Employment and Training Administration. The LMI program staff collects, analyzes, and distributes labor force and economic information. Using direct surveys, administrative data, and related economic information, LMI describes past, monitors current, and projects future economic trends in terms of indicators such as population, civilian labor force, unemployment, employment by industry and occupation, wages, and hours worked. This information is distributed through regular



**State of Illinois**  
**Department of Employment Security**  
**Agency Functions and Planning Program (Continued)**  
**For the Two Years Ended June 30, 2013**  
**(Not Examined)**

**Programs** (Continued)

Labor Market Information (Continued)

publications, workshops and seminars, and by the statewide network of Labor Market Economists.

**Plans**

The Department prepares a number of compliance plans to obtain federal funding.

Federal program plans and reports are submitted to the regional office of the USDOL's Employment and Training Administration (ETA) or the Veterans Employment and Training Service (VETS). Plans cover one of two fiscal years: the federal fiscal year (FFY) which runs from October 1 through September 30; or the program year (PY) which covers July 1 through June 30, the same period as the State Fiscal Year (SFY).

The State Quality Service Plan (SQSP) is the annual vehicle for requesting federal funds to administer the UI program for the coming FFY. The narrative portion of the SQSP includes a summary of current-year program activities, program directions and initiatives for the next year; plans to support ETA's Strategic Plan objectives under the Government Performance and Results Act (GPRA) and integrity initiative; corrective action plans to meet federal performance standards that were not met during a given time period; plans for the development and implementation of integrity initiatives to support the proper payment of UI benefits; and a discussion of program and program review deficiencies with plans to address them. The budget portion of the plan includes worksheets detailing the Department's plan for distributing the funds (by function and quarter) that ETA estimates the Department will receive for the coming fiscal year. These estimates are based on preliminary federal budget requests.

ETA requires states to submit quarterly status reports to monitor the SQSP's corrective action and integrity plans. Focusing on action steps scheduled for completion during the report quarter, the narrative describes actions taken to complete the steps or reasons steps were not completed with alternate plans and/or completion dates.

Federal Wagner-Peyser funding represents another significant portion of the Department's budget. With the passage of the Workforce Investment Act (WIA) of 1998, the annual Wagner-Peyser planning process for basic labor exchange and labor market information services was incorporated into Illinois' comprehensive five-year strategic plan which treats the many aspects

**State of Illinois**  
**Department of Employment Security**  
**Agency Functions and Planning Program (Continued)**  
**For the Two Years Ended June 30, 2013**  
**(Not Examined)**

**Plans** (Continued)

of workforce development. As the administrators of the Wagner-Peyser and WIA programs, Department and the Department of Commerce and Economic Opportunity prepare the plan jointly. In addition to the Departments' plans to deliver program services, the plan also includes the annual goals that each has negotiated with ETA Region V. Three such measures apply to the Department. The most recent plan was submitted in 2012. Each agency is responsible for submitting their own modifications to the State Plan, should their plans or programs change during the five-year period.

Once a stand-alone plan, the annual Migrant and Seasonal Farmworkers (MSFW) Plan, also known as the Agricultural Outreach Plan, became part of the State Plan in 2012. Basically, the MSFW plan describes how the Department, with Wagner-Peyser funding, will make agricultural workers aware of and provide them with services that will improve their opportunities for more stable employment and will do so in a manner that is qualitatively equivalent and quantitatively proportionate to services provided to non-MSFWs. Elements of the outreach plan include the resources the Department will make available for outreach and how those outreach activities will be conducted. Since there is no discrete allocation for this program, the plan does not include a budget.

The Jobs for Veterans Act of 2002 requires states to submit to VETS five-year State Plans and annual Grant Modification Requests to support a small number of program administrators and the field staff who provide direct labor exchange services to veterans. Field staff - Disabled Veterans Outreach Program (DVOP) specialists and Local Veterans Employment Representatives (LVER) - are assigned to Department offices throughout the State to ensure that veterans receive employment assistance and the priority of service mandated by federal regulations. The State Plan includes a program plan and an annual budget plan. The program plan assesses the State's labor market and the representation of veterans in the civilian labor force; describes the manner in which the Department provides or facilitates the delivery of employment, training and placement services for veterans, and the role of DVOPs and LVERs in that effort; and discusses the Department's plan for serving special target groups e.g., disabled veterans, special disabled veterans, homeless veterans, female veterans, veterans transitioning from the military, etc.; and for implementing performance incentive awards for quality employment, training and placement services, should the State decide to do so. It also includes the annual performance goals the Department has negotiated with the Illinois VETS Director and the VETS regional administrator. The budget plan details the distribution of Illinois' projected allocation to staff positions, incentives, and any other expenditures planned to support or provide needed services to the State's veteran population. Only the budget plan is required for subsequent annual modifications, but the Department typically updates its program plan as well.

**State of Illinois**  
**Department of Employment Security**  
**Agency Functions and Planning Program (Continued)**  
**For the Two Years Ended June 30, 2013**  
**(Not Examined)**

**Plans** (Continued)

The completed State Plan and annual modification requests are submitted to the VETS National Office via the Illinois VETS Director and the VETS Regional Office. In 2009, the Department submitted its most recent five-year State Plan which covers FFY 2010-2014. The current State Plan has been modified annually for FFY 2011, FFY 2012, FFY 2013, and FFY 2014 and twice during FFY 2013 to remove the incentives award program and to address the impact of the spring reduction in force on services to veterans in the field.

**State of Illinois**  
**Department of Employment Security**  
**Average Number of Employees**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Not Examined)**

The following table summarizes the average number of employees of the Department categorized by divisional code at June 30, 2013, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Central administration	85	89	135
Finance and administration	244	256	267
Workforce development	<u>1,117</u>	<u>1,179</u>	<u>1,486</u>
Total Employees	<u><u>1,446</u></u>	<u><u>1,524</u></u>	<u><u>1,888</u></u>

**State of Illinois**  
**Department of Employment Security**  
**Annual Cost Statistics**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Not Examined)**

	Fiscal Year Ended June 30,		
	2013*	2012	2011
Cost per employer report processed	\$ 18.53	\$ 18.53	\$ 18.53

\* *Estimated*

	Federal Fiscal Year Ended September 30,		
	2013	2012	2011
Average benefits paid per client	\$ 3,071	\$ 3,169	\$ 3,789

**State of Illinois**  
**Department of Employment Security**  
**Emergency Purchases**  
**For the Fiscal Years Ended June 30, 2013 and 2012**  
**(Not Examined)**

Fiscal Year Ended 2013

In FY 2013, the Department had emergency purchases for programming and support services for the unemployment compensation benefit system totaling \$583,040 to Diversified Services Network and Electronic Knowledge Interchange.

Fiscal Year Ended 2012

In FY 2012, the Department had emergency purchases for programming and technical support services for the unemployment compensation benefit system totaling \$815,814 to Diversified Services Network and Electronic Knowledge Interchange. In addition, an emergency purchase was made for an increase in hours for programming and support services for the unemployment compensation benefit system totaling \$436,058 to IBM.



**State of Illinois**  
**Department of Employment Security**  
**Service Efforts and Accomplishments**  
**For the Fiscal Years Ended June 30, 2013, 2012 and 2011**  
**(Not Examined)**  
**(Expressed In Thousands)**

	<u>Fiscal Year Year Ended June 30,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Activities and Performance			
Unemployment Insurance <sup>(1)</sup>			
Initial claims	751.93	747.73	806.65
Job Placement <sup>(2)</sup>			
Entered employments	349.90	303.40	225.20
Job openings received	39.40	36.70	50.51

Notes:

- (1) The Department provides temporary income assistance in the form of unemployment benefits to individuals who qualify under federal and state laws.
- (2) The Department provides match assistance for employees and specialized assessment and referral services for job seekers.

**State of Illinois**  
**Department of Employment Security**  
**Unemployment Rates**  
**For the Years Ended June 30, 2013, 2012 and 2011**  
**(Not Examined)**

The funding for the administration of the Department's programs is provided by the federal government and is largely based upon State levels of unemployment. National and State unemployment rates by quarter for calendar years 2011 through 2013 as provided by the Bureau of Labor Statistics, are summarized below:

	Rate by Quarter			
	1st	2nd	3rd	4th
2013				
National	7.70 %	7.50 %	7.30 %	*
State	9.30	9.20	9.20	*
2012				
National	8.20	8.20	8.00	7.80 %
State	9.00	8.90	8.90	8.70
2011				
National	9.00	9.10	9.00	8.70
State	9.30	9.70	10.10	9.60

Notes:

(a) \*Figures not available at time of report.

(b) These rates are seasonally adjusted and subject to revision.