State of Illinois
Department of Employment Security

Compliance Examination
For the Two Years Ended June 30, 2019

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

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State of Illinois
Department of Employment Security

State Compliance Examination
For the Two Years Ended June 30, 2019

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Other Reports Issued Under a Separate Cover:
The Department's financial statements as of and for the year ended June 30, 2019, have been issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under *Government Auditing Standards* for the year ended June 30, 2019, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

Agency Officials

Director (Acting) (03/01/19 - Present)	Mr. Thomas Chan
Director (07/01/17 – 02/28/19)	Mr. Jeffrey D. Mays
Chief of Staff (06/18/19 - Present)	Mr. Raymond Marchiori
Chief of Staff (01/01/19 – 06/17/19)	Vacant
Chief of Staff (08/01/18 – 12/31/18)	Ms. Helen Cashman
Chief of Staff (06/16/18 – 07/31/18)	Vacant
Chief of Staff (07/01/17 – 06/15/18)	Mr. James McDonough
Deputy Director Service Delivery Bureau	Ms. Trina Taylor
Deputy Director Business Services Bureau	Ms. Dolores Simon
Chief Legal Counsel (01/16/20 – Present)	Mr. Kevin Lovellette
Chief Legal Counsel (Acting, LOA) (03/01/19 – 01/15/20)	Mr. Thomas Chan
Chief Legal Counsel (Acting) (08/01/18 – 02/28/19)	Mr. Thomas Chan
Chief Legal Counsel (07/01/17 – 07/31/18)	Mr. Joseph P. Mueller
Chief Financial Officer (12/01/19 – Present)	Mr. Isaac Burrows
Chief Financial Officer (Acting) (06/01/19 – 11/30/19)	Mr. Isaac Burrows
Chief Financial Officer (Acting) (08/01/18 – 05/31/19)	Mr. L. Briant Coombs
Chief Financial Officer (07/01/17 – 07/31/18)	Ms. Linda DeMore
Chief Operating Officer (04/01/20 – Present)	Mr. Rex Crossland
Chief Operating Officer (02/23/19 – 3/31/20)	Vacant
Chief Operating Officer (06/01/18 – 02/22/19)	Ms. Jennifer Waldinger
Chief Operating Officer (07/01/17 – 05/31/18)	Mr. John Waters
Chief Internal Auditor (04/01/20 – Present)	Vacant
Chief Internal Auditor (07/01/17 – 3/31/20)	Mr. Rex Crossland
Chief Information Officer (12/01/18 – Present)	Position fully transitioned to IL DoIT
Chief Information Officer (shared w/ IL DoIT) (07/01/17 – 11/30/18)	Mr. Thomas Revane
Chief Technology Officer (12/01/18 – Present)	Position fully transitioned to IL DoIT
Chief Technology Officer (shared w/ IL DoIT) (07/01/17 – 11/30/18)	Mr. Venkata Twarakavi
Manager, Accounting Services Division (06/01/19 – Present)	Mr. L. Briant Coombs
Manager, Accounting Services Division (LOA) (08/01/18 – 05/31/19)	Mr. L. Briant Coombs
Manager, Accounting Services Division (07/01/17 – 07/31/18)	Mr. L. Briant Coombs
Manager, Economic Information and Analysis Division (12/16/19 – Present)	Mr. George Putnam, PhD
Manager, Economic Information and Analysis Division (Acting) (01/01/19 – 12/15/19)	Mr. George Putnam, PhD
Manager, Economic Information and Analysis Division (07/01/17 – 12/31/18)	Ms. Evelina Loescher, PhD

Agency Officials (Continued)

Manager, Revenue Division (Acting) (03/01/19 – Present)	Mr. Algie Crivens
Manager, Revenue Division (08/01/18 – 02/28/19)	Mr. Bodgan (Bob) Acamovic
Manager, Revenue Division (07/01/17 – 07/31/18)	Ms. Lois Cuevas
Statewide Manager, Field Operations	Ms. Janice Taylor Brown
Statewide Manager, Unemployment Insurance Programs	Mr. Justin Brissette

The Department's primary administrative offices are located at:

33 South State Street	607 East Adams Street, 9th floor
Chicago, IL 60603-2802	Springfield, IL 62701-1606

IDES
ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY

JB Pritzker
Governor

Thomas D. Chan
Acting Director

June 22, 2020

RSM US LLP
Certified Public Accountants
20 N. Martingale Road
Schaumburg, Illinois 60173

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 Department of Employment Security (Department). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the two-year period ended June 30, 2019. Based on this evaluation, we assert that during the years ended June 30, 2018 and June 30, 2019 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,

Department of Employment Security

SIGNED ORIGINAL ON FILE

Thomas D. Chan
Acting Director

SIGNED ORIGINAL ON FILE

Isaac Burrows
Chief Financial Officer

SIGNED ORIGINAL ON FILE

Kevin Lovellette
Chief Legal Counsel

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT'S REPORT

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

SUMMARY OF FINDINGS

	Current	2018	2017
GAS Findings	5	8	1
State Compliance Findings	10	N/A	10
Total Findings	15	8	11
GAS New Findings	2	8	1
GAS Repeated Findings	3	0	0
GAS Not Repeated Findings	5	1	1
State Compliance New Findings	5	N/A	3
State Compliance Repeated Findings	5	N/A	7
State Compliance Not Repeated Findings	5	N/A	1

SCHEDULE OF FINDINGS

Item No.	Page	Last Reported	Description	Finding Type
			FINDINGS (*GOVERNMENT AUDITING STANDARDS*)	
2019-001	12	New	Inadequate Controls over Receivable Allowance	Material Weakness and Material Noncompliance
2019-002	13	2018	Inaccurate Refunds Payable	Material Weakness and Material Noncompliance
2019-003	14	New	Inadequate Controls over Penalty and Interest Receivables	Material Weakness and Material Noncompliance
2019-004	15	2018	Inadequate Controls over Write Offs	Significant Deficiency and Noncompliance
2019-005	16	2018	Inadequate Controls over GenTax Access	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS (CONTINUED)

FINDINGS (STATE COMPLIANCE)

2019-006	17	2017	Inadequate Controls over Monthly Reconciliations	Significant Deficiency and Noncompliance
2019-007	19	2017	Inadequate Controls over Telecommunication Devices	Significant Deficiency and Noncompliance
2019-008	21	2017	Performance Evaluations Not Completed Timely	Significant Deficiency and Noncompliance
2019-009	22	2017	Inadequate Controls over Property and Equipment Records	Significant Deficiency and Noncompliance
2019-010	25	New	Inadequate Review of Access Rights for Terminated Employees	Significant Deficiency and Noncompliance
2019-011	26	New	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2019-012	28	New	Inadequate Security at Local Office	Significant Deficiency and Noncompliance
2019-013	29	New	Noncompliance with the Unemployment Insurance Act	Significant Deficiency and Noncompliance
2019-014	30	2017	Noncompliance with the Election Code	Significant Deficiency and Noncompliance
2019-015	32	New	Noncompliance with the Public Employment Office Act	Significant Deficiency and Noncompliance

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

2019-001	12	New	Inadequate Controls over Receivable Allowance	Material Weakness and Material Noncompliance
2019-002	13	2018	Inaccurate Refunds Payable	Material Weakness and Material Noncompliance
2019-003	14	New	Inadequate Controls over Penalty and Interest Receivables	Material Weakness and Material Noncompliance
2019-004	15	2018	Inadequate Controls over Write Offs	Significant Deficiency and Noncompliance
2019-005	16	2018	Inadequate Controls over GenTax Access	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS (CONTINUED)

Item No.	Page	Last Reported	Description
			PRIOR FINDINGS NOT REPEATED
A	34	2017	Inadequate Controls over Financial Close and Reporting
B	34	2017	Noncompliance with Unemployment Insurance Act
C	34	2017	Untimely Issuance of Eligibility Determinations
D	34	2017	Noncompliance with Statutes and Regulations on Internal Auditing
E	35	2017	Inadequate Controls over Travel Reimbursements
F	35	2017	Lack of Disaster Contingency Planning or Testing to Ensure Recovery of Applications and Data

EXIT CONFERENCE

The Department waived an exit conference in a correspondence from James M. Schreiber, Audit Liaison, on June 8, 2020.

The Department's responses to the *Government Auditing Standards* findings were provided by James M. Schreiber, Audit Liaison, in correspondence dated January 28, 2020.

The Department's responses to the State compliance findings were provided by James M. Schreiber, Audit Liaison, in correspondence dated June 18, 2020.

RSM US LLP

Independent Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Employment Security (Department) with the specified 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, 2019. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

Our examination disclosed material noncompliance with specified requirement C, applicable to the Department during the two years ended June 30, 2019. As described in the accompanying Schedule of Findings as items 2019-001, 2019-002 and 2019-003, the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material deviations from the specified requirements described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 2019, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2019-004 through 2019-015.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, 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 of this section 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 have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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, noncompliance with the specified requirements 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 material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2019-001 through 2019-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2019-004 through 2019-015 to be significant deficiencies.

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

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on the Department's compliance with the specified requirements. The accompanying supplementary information for the years ended June 30, 2018, and June 30, 2019 in Schedules 1 through 6 and the Analysis of Operations section are presented for purposes of additional analysis. Such information is the responsibility of Department management. We have applied certain limited procedures as prescribed by the *Audit Guide* to the accompanying supplementary information for the years ended June 30, 2018, and June 30, 2019, in Schedules 1 through 6. We have not applied procedures to the accompanying supplementary information for the year ended June 30, 2017, in Schedules 3 and 6 and in the Analysis of Operations Section. We do not express an opinion, a conclusion, nor provide any assurance on the accompanying supplementary information in Schedules 1 through 6 or the Analysis of Operations Section.

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Schaumburg, Illinois
June 22, 2020

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RSM US LLP

Independent Auditor's 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 Frank J. Mautino
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 (Trust Fund), an individual nonshared proprietary fund of the State of Illinois, Department of Employment Security (Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Trust Fund's financial statements, and have issued our report thereon dated February 6, 2020.

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) 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 Departments 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 findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiencies described in the accompanying schedule of findings as items 2019-001 through 2019-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2019-004 and 2019-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust Fund'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2019-001 through 2019-005.

Department's Responses to the Findings

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

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Schaumburg, Illinois
February 6, 2020

Current Findings – *Government Auditing Standards*

2019-001 Inadequate Controls over Receivable Allowance

The Department of Employment Security (Department) did not have sufficient internal control over the estimation of the allowance for doubtful accounts recorded in its financial statements.

During our testing of accounts receivable and the allowance for doubtful accounts, we noted that the allowance for the penalties and interest portion of the receivable was greater than the related receivable balance. We determined the overstatement of the allowance was caused by clerical errors in the calculation along with assumptions used in the calculation that were not reflective of the current economy. The Department ultimately revised and updated its methodology to determine a more accurate allowance which resulted in an adjustment to reduce the allowance by approximately $99 million.

According to generally accepted accounting principles (GAAP), the allowance for uncollectible accounts should represent management's best estimate of the amount of receivables that will not be collected. The allowance for doubtful accounts is a significant estimate that requires proper analysis and evaluation of past and current events as well as the assumptions used.

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

The Department indicated the error was due to management calculating its allowance for bad debts by factoring in the Economic Information and Analysis Division's growth percentages from third-party economic forecasts, resulting in overly conservative estimates.

Recording an allowance for doubtful accounts that isn't reflective of all known events and conditions has and will continue to result in misstatements of accounts receivable. Additionally, failure to properly review the allowance calculation may result in the continuance of clerical errors. (Finding Code No. 2019-001)

Recommendation

We recommend the Department implement controls to more closely review the allowance calculation, including all significant assumptions used in the calculation.

Department Response

The Department accepts the finding and will re-examine its assumptions, estimates, and process to calculate a reasonable allowance for bad debts for financial reporting purposes.

Current Findings – *Government Auditing Standards*

2019-002 Inaccurate Refunds Payable

The Department of Employment Security (Department) did not have sufficient internal control over the determination of refunds payable. The refunds payable account contained amounts that were already paid resulting in the Department's draft financial statements being misstated. As a result, refunds payable was adjusted by $18.172 million.

During testing, we determined the Department's refunds payable account contained refunds for which the Department had already paid the employers. The Department included these amounts in the refunds payable account erroneously due to the employers not cashing the refund.

A good system of internal control requires that management review all significant accounts and balances recorded in the financial statements for accuracy, which includes transactions related to the refunds payable account.

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

The Department indicated that the process to move the uncashed refunds back to the employer accounts required more time than anticipated for analysis and research from GenTax, IBIS and the Legacy systems, thus resulting in the carryover of the prior year findings to the current audit year.

As a result of including the refunds paid, the Department's refunds payable account and draft financial statements were overstated. (Finding Code No. 2019-002, 2018-004)

Recommendation

We recommend the Department implement controls to ensure that uncashed checks are not included in refunds payable.

Department Response

The Department accepts the finding and will continue to work on moving the remaining uncashed refunds back to the employer accounts for completion before Fiscal Year 2020 year-end and to implement controls to ensure that uncashed checks are not included in refunds payable in the future.

Current Findings – *Government Auditing Standards*

2019-003 Inadequate Controls over Penalty and Interest Receivables

The Department of Employment Security (Department) did not have adequate controls over the penalty and interest receivable balance, which caused an overstatement in the Department's draft financial statements of $17.333 million.

During testing, we noted the query that was run to record the estimated fourth quarter penalty and interest amount was extracting incorrect data and included additional interest that was not part of the quarter.

A good system of internal control requires that management review all significant accounts and balances recorded in the financial statements for accuracy, which includes transactions and balances related to the penalty and interest receivable account.

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

The Department indicated that several key positions in Accounting & Reporting were recently vacated with transfers and retirements. The new employees filling these vacancies were unfamiliar with GAAP preparation, resulting in an oversight in reporting year-end receivables for Penalties and Interest.

As a result of utilizing an incorrect report, the Department's penalty and interest receivable account and draft financial statements were overstated. (Finding Code No. 2019-003)

Recommendation

We recommend the Department implement controls to ensure that the reports used to prepare estimates are accurate and are properly reviewed prior to recording the related entries.

Department Response

The Department accepts the finding. The Accounting & Reporting subdivision will implement controls to ensure reports are reviewed for accuracy, provide additional training in GAAP preparation, and continue to request the filling of vacancies.

Current Findings – *Government Auditing Standards*

2019-004 Inadequate Controls over Write Offs

The Department of Employment Security (Department) conducted write offs prior to obtaining the required Attorney General approval.

During the audit period, the Department wrote off $14,936,755 prior to receiving approval from the Attorney General to do so. An adjustment was made to reverse this write off as the approval was not obtained until after year end.

The Statewide Accounting Management System (SAMS) Manual (Procedure 26.40.40) requires agencies to request approval from the Attorney General to certify claims which are greater than $1,000 as uncollectible.

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

The Department indicated that, in anticipation of the Attorney General's timely approval, it commenced its internal process to write off uncollectible receivables in order to meet the fiscal year-end deadline and to avoid repeating the prior year finding regarding overstatement of gross receivables. Unfortunately, the Attorney General's approval was delayed pending remediation by the Department of information deficiencies.

Writing off accounts without Attorney General approval represents noncompliance with State law and could result in an unauthorized account write off. (Finding Code No. 2019-004, 2018-006)

Recommendation

We recommend the Department obtain Attorney General approval prior to conducting any write offs which require such approval.

Department Response

The Department accepts the finding and will only write off Uncollectible Taxes Receivable with the Attorney General approval.

Current Findings – *Government Auditing Standards*

2019-005 Inadequate Controls over GenTax Access

The Department of Employment Security (Department) did not ensure adequate security over the enterprise-wide tax system (GenTax).

During our review of GenTax security, we noted for the 18 terminated employees:

- 3 (17%) individuals continued to have access to GenTax after their termination from the Department.
- 5 (28%) terminated individuals did not have their GenTax access timely de-activated. Their access was terminated 11 to 22 days after termination.

Furthermore, the Department's GenTax Security Procedures did not require the Department to conduct a review of GenTax access; thus, no such review was completed during the audit period.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure State resources are used efficiently and effectively.

Additionally, generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data. Effective computer security controls provide for safeguarding, securing, and controlling access to hardware, software, and the information stored in the computer system.

Department management indicated the weaknesses were due to oversight and lack of adequate communication.

Failure to properly approve and disable users' access in a timely manner puts the Department at risk of unauthorized access to GenTax. (Finding Code No. 2019-005, 2018-008)

Recommendation

We recommend the Department implement controls over GenTax security, including those over terminated employees. We also recommend the Department periodically conduct a review of all users and their associated access rights.

Department Response

The Department accepts the finding and is in the process of developing a security case to better track, control and monitor GenTax access and termination of access. The Department will be scheduling periodic review of all users and their associated access rights.

Current Findings – State Compliance

2019-006 Inadequate Controls over Monthly Reconciliations

The Department of Employment Security (Department) did not have adequate controls over the completion and submission of reconciliations relating to expenses (SA02), revenues (SB04), cash (SB05), and locally held funds.

<u>SA02 Reconciliations</u>
During our testing of 48 monthly expense reconciliations, we noted the following:

- Sixteen (33%) monthly reconciliations were not prepared. All of these related to Fiscal Year 2018.
- Six (13%) monthly reconciliations were not completed timely, three for Fiscal Year 2018 and three for Fiscal Year 2019. The reconciliations were completed 2 to 8 days late.

<u>SB04 Reconciliations</u>
During our testing of 48 monthly revenue reconciliations, we noted the following:

- Sixteen (33%) monthly reconciliations were not prepared. All of these related to Fiscal Year 2018.
- Two (4%) monthly reconciliations were not completed timely. Both of these related to Fiscal Year 2019 and were 10 to 19 days late.

<u>SB05 Reconciliations</u>
During our testing of 48 monthly cash reconciliations, we noted the following:

- Twenty-seven (56%) monthly reconciliations were not prepared timely. Reconciliations were 6 to 255 days late.
- Nine (19%) monthly reconciliations were prepared prior to the monthly revenue reconciliation being completed.

<u>Locally Held Fund Reconciliations</u>
During our testing of 48 locally held fund reconciliations for Fund 1136, we noted that reconciliations for four (8%) months were conducted between 18 and 31 days late.

The Statewide Accounting Management System (SAMS) (Procedure 07.30.20) states that reconciliations should be performed monthly and the Office of the State Comptroller (Comptroller) must be notified of any irreconcilable differences so that the necessary corrective action can be taken to locate the differences and correct the accounting records.

SAMS (Procedure 09.40.30) states the reconciliation of the ending balance of available cash shown in the monthly Cash Report should be prepared subsequent to the reconciliation of the unexpended appropriation balances shown in the Monthly Appropriation Status Report and the fiscal year-to-date revenue source per the Monthly Revenue Status Report.

Current Findings – State Compliance

2019-006 Inadequate Controls over Monthly Reconciliations (Continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. This system of controls should be documented and monitored to ensure compliance is met.

Department officials indicated that, in addition to staff shortages, when the Department went live with the new ERP System SAP, there was no reporting module. The Department had to build its own reconciliations internally which required considerable time and research.

Inadequate controls over the submission of monthly reconciliations hinders necessary and reasonable corrective action to locate differences and correct the accounting records timely between Department and Comptroller records. (Finding Code No. 2019-006, 2017-010)

Recommendation

We recommend the Department consistently complete required monthly reconciliations relating to expenses (SA02), revenues (SB04), cash (SB05), and locally held funds in a timely manner.

Department Response

The Department accepts the finding and will work to complete reconciliations in a consistent and timely manner.

Current Findings – State Compliance

2019-007 Inadequate Controls over Telecommunication Devices

The Department of Employment Security (Department) was unable to provide adequate records for the population of telecommunication devices that were acquired and retired during the examination period as well as a monthly phone usage/concern report. Further, the Department did not have adequate controls over the issuance and cancellation of wireless communication devices.

During testing, we requested the Department provide the population of telecommunication devices that were acquired and retired during the examination period to test compliance with the policies and procedures over the issuance, use, and revocation of these devices. In response to our request, the Department was only able to provide the listing of all active telecommunication devices as of June 30, 2019. Due to these conditions, we were unable to conclude whether the Department's populations of devices added or retired during the year were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Department's telecommunication devices. As such, we did not perform procedures over devices added or retired during the period.

We compared the listing against the Fiscal Year 2017 report to determine if there were changes during the examination period. As a result of the comparison, we noted the following items:

- Six mobile phones included in the 2017 list were not included in the 2019 listing. These appear to be retirements and deletions during the examination period.
- One hundred twenty mobile phones were included in the 2019 listing but not included in the 2017 listing. These appear to be additions and upgrades during the examination period.
- One hundred ninety-nine WIFI, USBs, and other telecommunication devices were included in the 2019 listing but not included in the 2017 listing.

We also noted that thirteen mobile phones were still active per the 2019 listing but should have been deleted as those employees had previously separated from the Department.

Also, we requested the Department provide a monthly phone usage report/concern report for the examination period. However, it was not able to provide the report requested.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law. Good internal controls include ensuring the Department generates, maintains, and reports reliable information that is accurate and complete.

The Department Procedures Manual (1113.601) states that the Phone Usage/Concern Report is to be produced monthly and be reviewed by the Telecom Coordinator. The Phone Usage/Concern Report specifies long distance calls, calls exceeding certain durations (e.g., 30 minutes, 60 minutes, etc.) and/or calls before or after normal working hours. In the field offices, an additional on-request detail report can be generated through the Call Accounting System to assist managers in tracking calls. Setting specific parameters will enable managers to view call data for a specified period. Cost center managers or their designees should review the usage data for calls to non-business numbers, calls of long duration, and third party calls and investigate those that indicate potential abuse. Callers may be subject to progressive corrective discipline and/or may be required to reimburse the Department for calls that violate the rules.

Current Findings – State Compliance

2019-007 Inadequate Controls over Telecommunication Devices (Continued)

Department officials indicated the deficiencies occurred due to a reduction in staff.

Inadequate controls over issuance and cancellation of wireless telecommunication devices could result in unnecessary expenditures for the Department, as well as inappropriate use of State funds. (Finding Code No. 2019-007, 2017-007)

Recommendation

We recommend the Department maintain a permanent record of issuances and revocations of portable communication devices as well as maintain a more detailed inventory of devices, which documents issuances and revocations.

Department Response

The Department accepts this finding and has hired a full-time Telecommunications Coordinator to monitor the portable communication devices as well as maintain a more detailed inventory of devices.

Current Findings – State Compliance

2019-008 Performance Evaluations Not Completed Timely

The Department of Employment Security (Department) did not complete all employee performance evaluations timely.

During our examination of a sample of 60 employee performance evaluations, we noted the following:

- Twenty-four (40%) performance evaluations were completed after the due date. The evaluations were performed between 4 and 271 days late.
- One (2%) performance evaluation was not maintained within the employee's file.
- The performance evaluation of one (2%) newly hired employee was not completed.

The Illinois Administrative Code (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 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). Further, the Department Procedures Manual (2020.30) states that performance evaluations should be processed sufficiently in advance so that they are normally received by the Department's Human Resource Management (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 the deficiency was due to the redistribution of staff and the managers being challenged to prioritize their time.

Employee performance evaluations are a systematic and uniform approach used for the development of employees and to communicate 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's performance evaluation, the employee will not be provided with formal feedback, which could lead to continued poor performance. (Finding Code No. 2019-008, 2017-003, 2015-003, 2013-003, 11-4, 09-7, 07-03, 05-5, 03-2)

Recommendation

We recommend the Department monitor the status of performance evaluations to ensure they are completed in a timely manner.

Department Response

The Department accepts the finding. A new process established last year covered part of this audit year and shows improvements across the board. This process will be continued as the Department continues to work towards every evaluation being completed timely.

Current Findings – State Compliance

2019-009 Inadequate Controls over Property and Equipment Records

The Department of Employment Security (Department) did not have adequate controls over its property and equipment and related records.

During our testing of a sample of 7 asset additions, we noted the following:

- Three (43%) additions did not indicate the date the item was received by the General Services Department (GSD). As such, we could not determine if the asset was added to the inventory records timely.
- One (14%) addition was added to the inventory records 30 days late.

During our testing of a sample of 10 asset deletions, we noted the following:

- Three (30%) deletions were removed from inventory records 16 to 124 days late.

During our testing of a sample of 60 assets selected from the Department's inventory records, we noted the following:

- Twenty-one (35%) items were on the inventory listing, but were not found on site.
- Three (5%) items were included on the inventory listing, but had a value below nominal value, and therefore should have been excluded
- Two (3%) items were found on site, but no ID tag was found on the equipment.
- One (2%) item could not be located in the Regional office. The Department was able to locate the asset in another office, but was unable to provide an Authorization for Equipment Transfer Form (OS-5 Form).
- One (2%) item had an OS-5 Form that was missing authorized signatures.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.220) requires all equipment with an acquisition value greater than the nominal value ($500 from 7/1/17 through 12/31/17, and $1,000 from 1/1/18 through 6/30/19) and equipment that is subject to theft with a value less than that nominal value must be reported to the Department of Central Management Services (DCMS) by the holding agency. Equipment with an acquisition value of less than the nominal value that is not subject to theft is not subject to reporting; however, the Department is responsible for establishing and maintaining internal control over these items.

The Department's Procedures Manual (1101.52) states the Property Control Officer, and the managers of Information Services and General Services, have the authority to transfer property to DCMS or other state agencies and to accept property transfers. Department managers use the OS-5 Form to transfer property out. In addition, for disposal of Electronic Data Processing (EDP) Equipment, the Manual (101.80.801) requires the relinquishing cost center manager to prepare and sign the OS-5 Form and give the OS-5 Form with the details of equipment for transfer (scan list) to the driver who picks up the items. The relinquishing cost center manager is also required to retain the relinquishing copy of the OS-5 Form and a copy of the scan list for the cost center files.

Current Findings – State Compliance

2019-009 Inadequate Controls over Property and Equipment Records (Continued)

The Code (44 Ill. Admin. Code 5010.210) requires each piece of equipment to be marked with a unique six-digit identification number. The identification number may be applied by using the Department's inventory decal or by indelibly marking the number on the property.

During our testing of a sample of 60 assets found throughout the Department's Offices, we noted the following:

- Fifty-two (87%) items were found on site with a valid inventory tag, but could not be found on the inventory listing. As such, we could not determine the value of the assets, and could not confirm that the assets were tracked in accordance with policies and procedures.
- Two (3%) items were confirmed to be transferrable property but had not been transferred as of the date of our fieldwork.

During our testing of 7 surplus items (items that appeared to be broken, obsolete or unused) held at the Department, we noted 4 (57%) items were found on site with a valid inventory tag, but could not be found on the inventory listing. As such, we could not determine the value of the assets, and could not confirm that the assets were tracked in accordance with policies and procedures.

The Illinois Procurement Code (30 ILCS 500/50-55) requires the Department to keep inventory or stock of no more than a 12-month need of equipment, supplies, commodities, articles, and other items, except as otherwise authorized by the Department's regulations and to periodically review its inventory to ensure compliance with this Section. If, upon review, the Department determines it has more than a 12-month supply of any equipment, supplies, commodities, or other items, the Department shall undertake transfers of the oversupplied items or other action necessary to maintain compliance with this Section.

The State Property Control Act (Act) (30 ILCS 605/7.3) requires the Administrator have charge of all transferable property and have authority to take possession and control of such property in order to transfer or assign any such property to any other State agency that has need or use for such property or to dispose of said property. The Act further requires responsible officers to periodically report all transferable property at locations under their jurisdictions to the Administrator, review such reports and arrange for physical examination of said property if necessary to determine if said items of transferable property should be transferred to another State agency, transferred to a central warehouse, or disposed of, and advise responsible officers of the results of these reviews as necessary.

The Department Procedures Manual (1101.80) states that one principle of sound warehouse management dictates that only useable and useful items be maintained in storage to keep space costs at a minimum. In order to use space efficiently, the Department must periodically review all property to determine its continued value to the Department and to dispose of or recycle that property in accordance with applicable DCMS rules, which has no further use.

Current Findings – State Compliance

2019-009 Inadequate Controls over Property and Equipment Records (Continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative control to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; and that funds, property, and other assets and resources, are safeguarded against waste, loss, unauthorized use, and misappropriation.

Department management stated the inventory control is a manual process susceptible to human error. Department management also stated scanners were used in the past for the annual physical inventory, but are no longer available and with limited staff, the Department can only inventory a quarter of the total assets annually, limiting the opportunity to make adjustments and corrections timely.

Inaccurate property reporting reduces the reliability of the Department's capital asset information and results in incorrect accounting information that could cause unnecessary equipment expenditures and inaccurate financial reporting of the State. Inaccurate property reporting also exposes the Agency to risk of misappropriation of assets. (Finding Code No. 2019-009, 2017-008, 2015-008)

Recommendation

We recommend the Department adhere to the requirements of the Illinois Procurement Code, the State Property Control Act, the Illinois Administrative Code, the Fiscal Control and Internal Auditing Act, and the Department's Procedures Manual and determine the Department has sufficient trained personnel to maintain property records and accurately report information to DCMS. We also recommend the Department review procedures for maintaining surplus/unused items in order to minimize the amount of idle property and equipment.

Department Response

The Department accepts this finding and is in the process of updating our procedures.

Current Findings – State Compliance

2019-010 Inadequate Review of Access Rights for Terminated Employees

The Department of Employment Security (Department) did not review access rights to the Enterprise Resource Planning System (ERP) for terminated employees and does not have policies and procedures for access provisioning.

During our review of the ERP user access matrix, we noted that five former employees, with termination dates within the examination period, still had access to ERP at the end of the examination period. We also noted the Department lacks formal policies and procedures to review access rights for former employees.

Generally accepted information systems audit guidance endorses the development of computer security policies that adequately address the current technological environment and well-designed and well-managed controls to protect computer systems and data. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance Department funds, property, and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Department management indicated the weaknesses were due to oversight and lack of formal policies and procedures.

Without set policies and procedures associated with removing user access to ERP when an employee leaves the Department, the Department may be susceptible to data manipulation or improper access. (Finding Code No. 2019-010)

Recommendation

We recommend the Department establish formal policies and procedures associated with the removal of system access when employees leave employment with the Department. We also recommend the Department review user access rights on a regular basis.

Department Response

The Department accepts this finding and will establish a formal policy and procedure to review user access rights to the ERP system on a regular basis with respect to employees whose employment with the Department has terminated. We will review user access rights on a regular basis.

Current Findings – State Compliance

2019-011 Weaknesses in Cybersecurity Programs and Practices

The Department of Employment Security (Department) did not implement adequate internal controls related to cybersecurity programs and practices.

As a result of the Department's mission to administer the State's unemployment claims, it maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, Social Security numbers, and federal and State tax information of the citizens of the State.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Department's cybersecurity program, practices, and control of confidential information, we noted the Department did not:

- Classify its data to identify and ensure adequate protection of information (i.e. confidential or personal information) most susceptible to attack.
- Require employees and contractors to review and acknowledge receipt of the Department's security policies.

In addition, we requested the Department provide a population of employees who were to have completed the annual cybersecurity training. In response to our request, the Department provided the population; however, the Department did not provide documentation demonstrating the population was sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530). Even given the population limitations noted, we performed testing to determine if employees had completed the annual cybersecurity training as required by the Data Security on State Computers Act.

Our testing noted 4 of 39 (10%) employees sampled had not completed the annual cybersecurity training. Furthermore, the Department did not require 4 of 4 (100%) new employees sampled to complete the annual cybersecurity training upon employment.

Furthermore, an individual on 75-day appointment worked remotely on payroll matters which required them to receive confidential information. However, the individual was utilizing their personal computer and the Department was not aware of the security control implemented on the computer. Additionally, there are no policies or procedures in place at the Department to ensure the protection and safe disposal of payroll information from personal devices of employees working remotely.

The Data Security on State Computers Act (20 ILCS 450/25) requires every employee to annually undergo training by the Department of Innovation and Technology concerning cybersecurity.

The Personal Information Protection Act (Act) (815 ILCS 530/30) requires any State agency that collects personal data that is no longer needed or stored at the agency to dispose of the personal data or written material it has collected in such a manner as to ensure the security and confidentiality of the material.

Current Findings – State Compliance

2019-011 Weaknesses in Cybersecurity Programs and Practices (Continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Furthermore, generally accepted information technology guidance, including the National Institute of Standards and Technology, endorses the development of well-designed and well-managed controls to protect computer systems and data.

Department officials indicated the lack of resources led to the identified weaknesses. In addition, there are no procedures in place concerning data security for employees working from home.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2019-011)

Recommendation

The Department has the ultimate responsibility for ensuring confidential information is protected from accidental or unauthorized disclosure. Specifically, we recommend the Department:

- Classify data to ensure adequate protection of confidential or personal information most susceptible to attack.
- Ensure all employees and contractors review and acknowledge receipt of the Department's security policies.
- Ensure all staff members annually complete cybersecurity training as outlined in the Data Security on State Computers Act. Additionally, the Department should maintain documentation regarding the completeness and accuracy of the population related to cybersecurity training.
- Ensure adequate security controls are implemented on all equipment utilized by employees, appointments and contractors.

Department Response

The Department accepts the finding. Although documentation could not be provided during the audit, Department data is classified. Due to the nature of the work done by the Department, almost all data sets are classified as high risk containing PII. Two annual computer-based trainings are required for Department personnel, one for everybody which covers PII and a second for employees accessing GenTax covering IRS regulations for Federal Tax Information. The Department will continue to monitor for all employees to take appropriate training.

Current Findings – State Compliance

2019-012 Inadequate Security at Local Office

The Department of Employment Security (Department) lacks security at the Metro South Regional office facility.

During a tour of the Metro South Regional office facility, we noted that various areas are secured by keypad access. However, there is only one access code that grants access throughout the facility, including the employee side entrance. Per inquiry, the code has been provided to all employees and cleaning staff, and has no time restrictions. Since there is no security system or cameras in place, there is a risk that employees, former employees, and cleaning staff can enter the building after hours and gain access to sensitive information.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. This system of controls should be documented and monitored to ensure compliance is met.

Department officials stated inadequate security at this location was due to management oversight.

Failure to establish proper controls over facility access could result in improper access to sensitive information. (Finding Code No. 2019-012)

Recommendation

We recommend the Department implement enhanced security measures to access and monitor the Metro South Regional office facility.

Department Response

The Department accepts this finding and is reviewing options for a secured door that will allow limits to be placed on access and will require each individual to use a separate code or badge to enter the building.

Current Findings – State Compliance

2019-013 Noncompliance with the Unemployment Insurance Act

The Department of Employment Security (Department) did not comply with the Unemployment Insurance Act (Act) which requires the Department to provide statements of credit balances quarterly to employers.

During our testing of a sample of 44 quarters across eleven employers with credit balances, we noted the Department failed to send a statement of credit balance to the employers for 19 (43%) quarters.

The Act (820 ILCS 405/2201.1) requires the Director to quarterly furnish each employer with a statement of credit balances in the employer's account where the balances with respect to all contributions, interest and penalties combined equal or exceed $2.

Department management indicated the statute was changed from semi-annual to quarterly on September 8, 2017 and the IT system which generates the statements was not updated timely to reflect this change.

Failure to provide statements of credit balances to employers results in noncompliance with the Act. In addition, employers could be unaware of an opportunity to request a refund which is allowable under the Act. (Finding Code No. 2019-013)

Recommendation

We recommend the Department comply with the mandate by providing employers who have a credit balance of $2 or greater with a copy of their statement of credit balances on a quarterly basis.

Department Response

The Department accepts this finding. This was due to the statute being changed from semi-annual to quarterly on 9/8/2017. The Department created SQR 28337 to switch from semi-annually to quarterly, which after testing, was implemented on 11/7/2018. Since November 2018 the Department has been sending statements of credit on a quarterly basis.

Current Findings - State Compliance

2019-014 Noncompliance with the Election Code

The Department of Employment Security (Department) did not fully comply with the requirements of the State's Election Code (Code) to establish a voter registration system and enter into an agreement with the State Board of Elections for the delivery of the related information with regards to the operation of the voter registration system.

During testing of the Department's compliance with the Code, we noted the following:

- The Department has not established and operated a voter registration system capable of transmitting voters' registration information to the State Board of Elections' portal.
- The Department has not entered into an agreement with the State Board of Elections to transmit information required under the Electronic Registration Information Center Membership Agreement.

The Code (10 ILCS 5/1A-16.6) requires designated government agencies, one of which is the Department, to maintain a data transfer mechanism capable of transmitting voter registration application information, including electronic signatures where available, to the online voter registration system established by State Board of Elections. The designated government agencies were required to establish and operate this voter registration system by July 1, 2016.

The Code (10 ILCS 5/1A-45 (b-5)) also requires the Department to enter into an agreement with the State Board of Elections to transmit member data under the Electronic Registration Information Center Membership Agreement. The Director of the Department is required to deliver the information on an annual basis to the State Board of Elections pursuant to the agreement between the entities.

Department officials stated failure to establish and maintain the data transfer mechanism was due to the lack of administrative funds that could legally be used for that purpose. Department officials also stated execution of the agreement is pending the State Board of Elections entering into a shared data agreement regarding the records to be shared.

Failure to establish and operate the voter registration system resulted in noncompliance with the Code. In addition, lack of an agreement precludes transmission of member data required by the Code. (Finding Code No. 2019-014, 2017-009)

Recommendation

We recommend the Department seek funding necessary to fulfill the requirements of the Code. In addition, we recommend the Department enter into an agreement with the State Board of Elections to deliver the related required information under the Electronic Registration Information Center Membership Agreement.

Current Findings - State Compliance

2019-014 Noncompliance with the Election Code (Continued)

Department Response

The Department accepts this finding and will explore the potential availability of funding sources that could legally be used for the data transfer mechanism. The Department will continue to work with the State Board of Elections to obtain the shared data agreement required by federal law and authorized under state law, governing the transfer and safeguarding of confidential Department records sought for the Electronic Registration Information Center.

Current Findings - State Compliance

2019-015 Noncompliance with the Public Employment Office Act

The Department of Employment Security (Department) did not comply with the Public Employment Office Act (Act) regarding the recruitment of farmworkers and reporting of allegations of violations.

During testing of the Department's compliance with the Act, we noted the following:

- The Department did not proscribe the recruitment by State employers of farmworkers.
- The Department did not provide written summary of the relevant laws of the State to each farmworker recruited for employment.
- The Department did not transmit to the Office of the Attorney General (Attorney General) and to the appropriate State's Attorney any allegations of violations.

The Act (20 ILCS 1015/8.1) requires the Department to proscribe the recruitment by Illinois employers of farmworkers unless the employer files a statement with the Illinois Public Employment Office (IPEO) and the Department setting forth the terms and conditions, and the existence of any strike or other concerted stoppage, slowdown, or interruption of operations by employees of that employer at the site of the proposed employment, directly relating to the employment offered to the farmworkers so recruited. A copy of the statement in English and the language in which the farmworker is fluent shall be given to each farmworker prior to recruitment by the employer so recruiting. The statement shall be made on a form provided to employers by the IPEO on request.

The Act (20 ILCS 1015/8.2) requires that each farmworker recruited for employment shall be provided with a written summary of laws of the State relevant to his employment. The summary shall be both in English and the language in which the farmworker is fluent. The summary shall include, but is not limited to, explanations of State law regarding payments of wages, wage assignments, wage deduction orders and migrant labor camps.

The Act (20 ILCS 1015/8.3) requires each local office of the IPEO to transmit allegations of violations to the Attorney General and to the appropriate State's Attorney.

Department management indicated the noncompliance was due to management oversight.

Failure to proscribe the recruitment by Illinois employers of farmworkers unless certain conditions are met, to provide written summaries of laws to recruited farmworkers and transmit allegations of violations to the Attorney General and to the appropriate State's Attorney resulted in noncompliance with the Act. (Finding Code No. 2019-015)

Recommendation

We recommend the Department amend existing policies and procedures to comply with the requirements of the Act.

Current Findings - State Compliance

2019-015 Noncompliance with the Public Employment Office Act (Continued)

Department Response

The Department accepts this finding and has updated existing policies and procedures to comply with the requirements of the Act. The policy and procedures manual for staff has been updated to reflect all the terms and conditions that need to be met by agricultural employers to be able to post the job order in our internet-based labor exchange system, IllinioisJoblink.

The Department, through the Migrant and Seasonal Farmworker Program division, ensures that job orders entered in IllinoisJobLink contain all terms and conditions required by the Act and by federal regulations before the job order is approved and viewed by the public.

All farmworkers recruited through these job orders have been provided a written summary of the relevant laws - “Migrant and Seasonal Agricultural Worker Protection Act” and the “Employee Rights under the H-2A Program.” This information is also posted at worksite and housing locations and explained to migrant and seasonal farmworkers during outreach, field checks, field visits, and complaint investigations.

The Department, effective immediately, will transmit to the Office of the Attorney General and to the appropriate State’s Attorney, any allegations of violations. The Department has, so far, transmitted any complaints and apparent violations to the appropriate federal agencies that are responsible for enforcing the Migrant and Seasonal Agricultural Protection Act and Employee Rights under the H-2A Program. See Code of Federal Regulations 20 CFR 658.

Prior Findings Not Repeated

A. Inadequate Controls over Financial Close and Reporting

During the prior audit, the Department of Employment Security (Department) did not have adequate controls over financial 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. It was noted in the Unemployment Trust Fund, amounts associated with additional contribution refunds for reimbursement-basis employers which were indicated in the Department's Benefit Funding System were not captured in the total amount of employer refunds at year-end. As a result, the payables for employer contribution refunds were understated by $5.7 million, and associated revenues were overstated by the same amount.

During the Fiscal Year 2018 and 2019 audits, the Department properly reported amounts for additional contribution refunds. However, the auditors noted other issues regarding inadequate controls over financial reporting which are reported in findings 2019-001 to 2019-004. (Finding Code No. 2017-001)

B. Noncompliance with Unemployment Insurance Act

During the prior examination, the Department of Employment Security (Department) did not fully comply with the Unemployment Insurance Act (Act). Several exceptions were noted relating to the Economic Data Task Force.

During the current examination, we noted this Section of the Act was repealed per Public Act 101-423. (Finding Code No. 2017-002)

C. Untimely Issuance of Eligibility Determinations

During the prior examination, the Department of Employment Security (Department) did not issue eligibility determinations within the designated timeframe.

During the current examination, our sample testing did not disclose any instances of untimely eligibility determinations. (Finding Code No. 2017-004)

D. Noncompliance with Statutes and Regulations on Internal Auditing

During the prior examination, the Department of Employment Security (Department) did not ensure 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. Also, the Department's Office of Internal Audit did not effectively manage information security risks and information security related audits.

During the current examination, the internal audit plans were submitted timely, an Information Technology Auditor was hired, and the necessary IT audits and risk assessments were performed. (Finding Code No. 2017-005)

Prior Findings Not Repeated (Continued)

E. Inadequate Controls over Travel Reimbursements

During the prior examination, the Department of Employment Security (Department) did not have adequate controls over travel reimbursements to employees.

During the current examination, our sample testing did not disclose significant issues relating to travel reimbursements. (Finding Code No. 2017-006)

F. Lack of Disaster Contingency Planning or Testing to Ensure Recovery of Applications and Data

During the prior examination, the Department of Employment Security (Department) had not updated its Disaster Recovery Plan during the examination period. In addition, the disaster recovery testing performed did not include testing the ability to recover systems in the event that the primary data center is unavailable.

During the current examination, the Disaster Recovery Plan was reviewed, updated and tested. (Finding Code No. 2017-011)

State of Illinois **Schedule 1**
Department of Employment Security

Schedule of Appropriations, Expenditures and Lapsed Balances
Appropriations for Fiscal Year 2019
Fifteen Months Ended September 30, 2019

Public Act 100-0586	Final Appropriations (Note 1)	Expenditures through June 30	Lapse Period Expenditures 07/01/19 - 9/30/19	Total Expenditures	Lapsed Balances
Title III Social Security and Employment Services Fund - 052					
Lump Sum	$ 226,717,400	$ 172,862,700	$ 24,130,186	$ 196,992,886	$ 29,724,514
Tort Claims	675,000	11,020	-	11,020	663,980
Development of Training Programs	100,000	-	522	522	99,478
Employment Security Automation	7,000,000	-	-	-	7,000,000
Benefit Information System Redefinition	4,500,000	84,319	-	84,319	4,415,681
Trust Fund Unit	1,734,300	28,072	19,105	47,177	1,687,123
Total	240,726,700	172,986,111	24,149,813	197,135,924	43,590,776
Unemployment Compensation Special Administration Fund - 055					
Legal Assistance Required by Law	2,000,000	721,289	100,406	821,695	1,178,305
Interest Penalty	100,000	-	-	-	100,000
Total	2,100,000	721,289	100,406	821,695	1,278,305
General Revenue Fund - 001					
Back Wage Payments	7,181,900	-	7,179,759	7,179,759	2,141
Trust Fund Unit - Ex-State Benefits	21,000,000	9,015,928	3,213,072	12,229,000	8,771,000
Total	28,181,900	9,015,928	10,392,831	19,408,759	8,773,141
Road Fund - 011					
Trust Fund Unit - Ex-State Benefits	4,000,000	2,544,378	1,455,622	4,000,000	-
Total Appropriated	$ 275,008,600	$ 185,267,706	$ 36,098,672	$ 221,366,378	$ 53,642,222
Grand Total - ALL FUNDS		$ 185,267,706	$ 36,098,672	$ 221,366,378	

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

State of Illinois **Schedule 2**
Department of Employment Security

Schedule of Appropriations, Expenditures and Lapsed Balances
Appropriations for Fiscal Year 2018
Fifteen Months Ended September 30, 2018

Public Act 100-0021	Final Appropriations (Note 2)	Expenditures through June 30	Lapse Period Expenditures 07/01/18 - 09/30/18	Total Expenditures	Lapsed Balances
Title III Social Security and Employment Services Fund - 052					
Lump Sum	$ 225,617,400	$ 171,972,717	$ 6,861,478	$ 178,834,195	$ 46,783,205
Tort Claims	675,000	60,000	-	60,000	615,000
Development of Training Programs	100,000	-	-	-	100,000
Employment Security Automation	7,000,000	5,000,000	-	5,000,000	2,000,000
Benefit Information System Redefinition	4,500,000	1,400,771	73,304	1,474,075	3,025,925
Trust Fund Unit	1,734,300	19,898	6,733	26,631	1,707,669
Total	239,626,700	178,453,386	6,941,515	185,394,901	54,231,799
Unemployment Compensation Special Administration Fund - 055					
Legal Assistance required by Law	2,000,000	717,391	169,004	886,395	1,113,605
Interest Penalty	100,000	-	-	-	100,000
Total	2,100,000	717,391	169,004	886,395	1,213,605
General Revenue Fund - 001					
Trust Fund Unit - Budget Impasse	27,000,000	-	25,291,338	25,291,338	1,708,662
Trust Fund Unit - Ex-State Benefits	21,000,000	21,000,000	-	21,000,000	-
Total	48,000,000	21,000,000	25,291,338	46,291,338	1,708,662
Road Fund - 011					
Trust Fund Unit	4,000,000	2,838,860	1,099,932	3,938,792	61,208
Total Appropriated	$ 293,726,700	$ 203,009,637	$ 33,501,789	$ 236,511,426	$ 57,215,274
Grand Total - ALL FUNDS		$ 203,009,637	$ 33,501,789	$ 236,511,426	

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

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

1. Appropriation Authorization, Fiscal Year 2019

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2019, and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

2. Appropriation Authorization, Fiscal Year 2018

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2018, and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: Public Act 100-0021 authorized the Department to pay Fiscal Year 2018 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures.

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

3. 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:

	Director	Board of Review	Total
2019			
Appropriation	$ 142,400	$ 75,000	$ 217,400
Expenditures	149,456	66,886	216,342
Lapse	$ (7,056)	$ 8,114	$ 1,058
2018			
Appropriation	$ 142,400	$ 75,000	$ 217,400
Expenditures	142,339	75,000	217,339
Lapse	$ 61	$ -	$ 61
2017			
Appropriation	$ 142,400	$ 75,000	$ 217,400
Expenditures	142,339	71,890	214,229
Lapse	$ 61	$ 3,110	$ 3,171

Note: On 12/31/18, Governor Pritzker approved a 15% increase to Director pay through Public Act 100-1179.

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
For the Fiscal Years Ended June 30, 2019, 2018 and 2017

	Fiscal Year Ended June 30		
	2019	2018	2017
	P.A. 100-0586	P.A. 100-0021	P.A. 99-0524
Title III Social Security and Employment Services Fund - 052			
Appropriations (net of transfers)	$ 240,726,700	$ 239,626,700	$ 233,527,200
Expenditures from:			
Lump Sum	196,992,886	178,834,195	179,619,327
Tort Claims	11,020	60,000	69,806
Development of Training Programs	522	-	-
Employment Security Automation	-	5,000,000	6,500,000
Benefit Information System Redefinition	84,319	1,474,075	2,752,457
Trust Fund Unit	47,177	26,631	27,193
Total Fund 052	197,135,924	185,394,901	188,968,783
Appropriation Lapsed Balances	$ 43,590,776	$ 54,231,799	$ 44,558,417
Unemployment Compensation Special Administration Fund - 055			
Appropriations (net of transfers)	$ 2,100,000	$ 2,100,000	$ 2,100,000
Expenditures:			
Legal Assistance Required by Law	821,695	886,395	1,017,337
Appropriation Lapsed Balances	$ 1,278,305	$ 1,213,605	$ 1,082,663
General Revenue Fund - 001			
Appropriations (net of transfers)	$ 28,181,900	$ 48,000,000	$ -
Expenditures:			
Back Wage Payments	7,179,759	-	-
Trust Fund Unit	12,229,000	46,291,338	-
Total Fund 001	19,408,759	46,291,338	-
Appropriation Lapsed Balances	$ 8,773,141	$ 1,708,662	$ -
Road Fund - 011			
Appropriations (net of transfers)	$ 4,000,000	$ 4,000,000	$ 4,000,000
Expenditures:			
Unemployment compensation benefits to Department of Transportation employees	4,000,000	3,938,792	4,000,000
Appropriation Lapsed Balances	$ -	$ 61,208	$ -
Total Expenditures	$ 221,366,378	$ 236,511,426	$ 193,986,120

State of Illinois **Schedule 4**
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, 2019 and 2018

	Fiscal Year Ended June 30, 2019			
	Cash Balance July 1, 2018	Cash Receipts	Cash Disbursements	Cash Balance June 30, 2019
Trade Readjustment Act	$ 11,020	$ 6,721,800	$ 6,742,896	$ (10,076)
Alternative Trade Adjustment Act	(412)	565,283	565,631	(760)
Total Special Program Fund	$ 10,608	$ 7,287,083	$ 7,308,527	$ (10,836)

	Fiscal Year Ended June 30, 2018			
	Cash Balance July 1, 2017	Cash Receipts	Cash Disbursements	Cash Balance June 30, 2018
Trade Readjustment Act	$ 147,882	$ 11,351,759	$ 11,488,621	$ 11,020
Alternative Trade Adjustment Act	-	1,630,890	1,631,302	(412)
Total Special Program Fund	$ 147,882	$ 12,982,650	$ 13,119,923	$ 10,608

Note: The negative cash balance is due to the timing of federal drawdown.

Schedule of Changes in State Property
For the Fiscal Years Ended June 30, 2019 and 2018

	Fiscal Year Ended June 30, 2019				
	Balance July 1, 2018	Additions	Deletions	Net Transfers	Balance June 30, 2019
Equipment	$ 52,995,439	$ 1,056,501	$ (594,845)	$ -	$ 53,457,095

	Fiscal Year Ended June 30, 2018				
	Balance July 1, 2017	Additions	Deletions	Net Transfers	Balance June 30, 2018
Equipment	$ 9,587,988	$ 44,494,180	$ (1,086,729)	$ -	$ 52,995,439

Note: The schedule has been derived from Department records which have been reconciled to property reports (C-15 Agency Report of State Property) submitted to the Office of the State Comptroller.

State of Illinois **Schedule 6**

Department of Employment Security

Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller
For the Fiscal Years Ended June 30, 2019, 2018 and 2017

	Fiscal Year Ended June 30		
Descriptions of Receipts	2019	2018	2017
Title III Social Security and Employment Services Fund - 052			
U. S. Department of Labor	$ 179,818,772	$ 197,589,574	$ 177,636,735
Miscellaneous	40,718	19,241	519,902
Health Care and Family Services	4,884	4,884	4,884
Other states	27,600	88,400	-
Fines, penalties or violations	21,067	14,168	8,696
Returned petty cash fund	500	-	-
One stop participants	272,150	149,479	137,174
Reimbursement/Jury duty and recoveries	1,491	951	2,691
Copy fees	2,335	2,466	2,590
Shared data access fees	49,900	42,900	65,200
Labor market information	650	650	1,525
Commerce and Economic Opportunity	-	173,967	31,170
Investment income repurchase agreements	1,912,511	685,877	235,847
Prior year refunds	2,358	45,025	36,233
Total Fund (052)	$ 182,154,936	$ 198,817,582	$ 178,682,647
Cash receipts per Department	$ 182,154,936	$ 198,817,582	$ 178,682,647
Less: Investment income	(1,912,511)	(685,877)	(235,847)
Deposits remitted to the State Comptroller	$ 180,242,425	$ 198,131,705	$ 178,446,800
Unemployment Compensation Special Administration Fund - 055			
Employer tax contribution penalties	$ 16,918,996	$ 22,078,559	$ 23,726,445
Judgment interest/UI claim	174,121	182,434	133,461
IPTIP UC special administration	96,708	63,679	31,857
Total Fund (055)	$ 17,189,825	$ 22,324,672	$ 23,891,763

Note: Deposits for the Unemployment Compensation Administration Fund - 055 are made directly to the State Treasurer's account and are not reported on the SB04, Revenue Status Report.

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 Chief of Staff, Equal Employment Opportunity/Affirmative Action and Internal Audit. Other functions are carried out by the following:

Financial Operations, headed by the Chief Financial Officer (CFO), administers the employer payroll tax assessed for the purpose 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. In addition, the Accounting Service Division, under the CFO, maintains the Department's financial records and reports various financial information to internal and external users.

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, under the direction of the Chief of Staff, is responsible for procurement, the provision of space, equipment and supplies, 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 is responsible for the oversight and administration of the State's Unemployment Insurance and Wagner-Peyser Employment Service Programs and Field Operations. Service Delivery manages the majority of the Department's personnel which includes staff located in 5 regional offices, 19 local offices, 17 job centers, 3 processing centers, and Chicago central.

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.

Programs (Continued)

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

Unemployment Insurance

The Unemployment Insurance (UI) program provides unemployment benefits to eligible workers who are unemployed through no fault of their own (as determined under State law) and meet other eligibility requirements of State law. The UI program is administered within the guidelines established by federal law and is intended to provide temporary financial assistance to unemployed workers who meet the eligibility requirements. Benefit funding is based solely on a tax imposed on employers.

Employment Service

The Wagner-Peyser Employment Service (ES) program is a federally funded labor exchange that matches employers with qualified job seekers. The program offers resources and employment assistance to all job seekers and employers seeking qualified individuals including but not limited to unemployed, underemployed, individuals with disabilities, veterans, low skilled adults, low literacy adults and English language learners. Job seekers who are veterans receive priority referrals to jobs and training as well as special employment service and assistance. Employment Service is part of the American Job Center one stop service delivery system, which provides a number of employment related labor exchange services including but not limited to job search assistance, job and training referrals, job placement, and basic career services.

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 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 vehicle for requesting federal funds to administer the UI program for the coming FFY. This plan is made up of four parts: a narrative, corrective action plans, an integrity plan, and budget information. The narrative portion includes a summary of current-year program activities, program directions and initiatives in accordance with national priorities for the next year and a discussion of program and program review deficiencies. The section on corrective action includes a plan for improvement for each area of the Department failing its respective federal performance measures; and the Integrity plan outlines strategies intended to improve UI program integrity in the next FFY(s). 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. The budget request is made annually, whereas the written part of the plan is now submitted every two years.

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.

Funding for Employment Services is provided by the federal government through various grants and special Acts (i.e. Wagner-Peyser Act) appropriated by Congress via the Department of Labor. The Title III fund accounts for the grant money received from the government and the expenditures incurred to administer employment services and represents a significant portion of the Department's budget. Under the Workforce Innovation and Opportunity Act (WIOA), the Department develop its plans in conjunction with the Illinois Department of Commerce and Economic Opportunity, Illinois Community College Board, Department of Human Services, and several other required program partners. In addition to the Department's plans to deliver program services, the plan also includes the annual goals that each has negotiated with ETA Region V. The most recent plan was submitted in 2019. Each agency is responsible for submitting its own modifications to the State Plan, should its plans or programs change during the five-year period.

Plans (Continued)

The annual Migrant and Seasonal Farmworkers (MSFW) Plan, also known as the Agricultural Outreach Plan (AOP) is currently approved for PY 2016 through PY 2019. 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 program administrators and the field staff (per approved VETS 501 Form) 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 in compliance with federal regulations. The State Plan includes a program plan and an annual budget plan and staffing directory. 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, 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) 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 the State's 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.

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 2014, the Department submitted its most recent five-year State Plan which covers FFY 2015-2019. The current State Plan has been modified for FFY 2019. The annual modification includes data/revisions to the five-year plan, the budget plan and staffing directory. The incentive award program is included in the plan. As a condition for the receipt of grant funds, the Department must submit its annual State Plan grant modification that identifies all major changes to either the original State Plan or the most recent grant modification.

State of Illinois
Department of Employment Security

Analysis of Significant Variations in Expenditures
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

Pages 48 and 49 present comparative balances of expenditures/expenses. For the individual nonshared governmental funds, these balances are based on Comptroller records. For the individual nonshared proprietary funds, these balances are based on the audited financial statements. The explanations for significant fluctuations (greater than or equal to 20% and $1,000) in expenditures/expenses are as follows:

INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS

General Revenue Fund - 001

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Trust Fund Unit	$12,229	$46,291	$ (34,062)	-74%

The decrease in expenditures is due to the 2018 amount including carryover appropriations from Fiscal Years 2016 and 2017 due to the budget impasse.

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Back Wage Payments	$7,180	$0	$7,180	100%

The increase in expenditures is due to an additional appropriation for back wage payments in Fiscal Year 2019.

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2018	2017	Amount	%
Trust Fund Unit	$46,291	$0	$46,291	100%

The increase in expenditures is due to the lack of a State budget in Fiscal Years 2016 and 2017. The Fiscal Year 2018 appropriation was used to pay expenditures for multiple years.

Title III Social Security and Employment Services Fund - 052

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Employment Security Automation	$ -	$ 5,000	$ (5,000)	-100%

The decrease in expenditures is due to the completion of the GenTax Software integration. The payment in Fiscal Year 2018 was the last payment for the project.

Analysis of Significant Variations in Expenditures (Continued)
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS (CONTINUED)

Title III Social Security and Employment Services Fund - 052 (Continued)

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Benefit Information System Redefinition	$ 84	$ 1,474	$ (1,390)	-94%

The decrease in expenditures is due to the near completion of the IBIS upgrades.

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2018	2017	Amount	%
Employment Security Automation	$ 5,000	$ 6,500	$ (1,500)	-23%

The decrease in expenditures is due to the final payment for the GenTax Software project being less than the initial payment.

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2018	2017	Amount	%
Benefit Information System Redefinition	$ 1,474	$ 2,753	$ (1,279)	-46%

The decrease in expenditures is due to the initial costs of the IBIS upgrade being higher than the payments towards the end of the upgrade.

INDIVIDUAL NONSHARED PROPRIETARY FUNDS

Master Bond Fund - 1368

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2018	2017	Amount	%
Interest Expense, Nonoperating	$ -	$ 4,787	$ (4,787)	-100%

The interest expense, nonoperating decreased as the bonds were fully paid off in 2017.

State of Illinois
Department of Employment Security

Analysis of Significant Variations in Receipts
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

Pages 50 and 51 present comparative balances of receipts. For the individual nonshared governmental funds, these balances are based on the unaudited financial statements. For the individual nonshared proprietary funds, these balances are based on the audited financial statements. The Department's explanations for significant fluctuations (greater than or equal to 20% and $1,000) in receipts are as follows:

INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS

Title III Social Security and Employment Services Fund - 052

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Investment Income Repurchase Agreements	$ 1,913	$ 686	$ 1,227	179%

The increase of investment income for repurchase agreements is due to the account receiving a better interest rate in Fiscal Year 2019 than in Fiscal Year 2018.

Unemployment Compensation Special Administration Fund - 055

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Employer Tax Contribution Penalties	$ 16,919	$ 22,079	$ (5,160)	-23%

In 2015, the Department implemented the monthly requirement to submit electronic monthly wage reports for employers with 25 or more employees. There was legislation in 2016 that resulted in waivers of this penalty under specific conditions resulting in a decrease in penalty collections.

INDIVIDUAL NONSHARED PROPRIETARY FUNDS

Unemployment Compensation Trust Fund - 1138

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Interest & Investment Income, Nonoperating	$ 45,720	$ 36,531	$ 9,189	25%

The increase of Interest & Investment Income, Nonoperating is due to an increase in Interest Earnings on the UI Trust Fund Balance.

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2018	2017	Amount	%
Federal Government	$ 6,901	$ 5,293	$ 1,608	30%

The increase of federal government revenue was due to an increase in revenue received from federal agencies for benefits paid.

State of Illinois
Department of Employment Security

Analysis of Significant Variations in Receipts (Continued)
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

Master Bond Fund

	Fiscal Year Ended June 30		Increase (Decrease)	
	2018	2017	Amount	%
Other Revenues	$ -	$ 6,905	$ (6,905)	-100%

The decrease in Other Revenues is due to closing of the Fund.

State of Illinois
Department of Employment Security

Analysis of Significant Lapse Period Spending
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

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

Fiscal Year 2019	Total Expenditures	Lapse Spending	Percentage	
Title III Social Security and Employment Services Fund - 052				
Development of Training Programs	$ 522	$ 522	100%	A
Trust Fund Unit	47,177	19,105	40%	B
General Revenue Fund - 001				
Back Wage Payments	$ 7,179,759	$ 7,179,759	100%	C
Trust Fund Unit - Ex-State Benefits	12,229,000	3,213,072	26%	B
Road Fund - 011				
Trust Fund Unit - Ex-State Benefits	$ 4,000,000	$ 1,455,622	36%	B

Fiscal Year 2018	Total Expenditures	Lapse Spending	Percentage	
Title III Social Security and Employment Services Fund - 052				
Trust Fund Unit	$ 26,631	$ 6,733	25%	B
General Revenue Fund - 001				
Trust Fund Unit - Budget Impasse	$ 25,291,338	$ 25,291,338	100%	B
Road Fund - 011				
Trust Fund Unit	$ 3,938,792	$ 1,099,932	28%	B

A - The Department did not provide an explanation for this lapse spending.
B - All of the lapse spending is for ex-State employee benefits. Other Governments reimburse the Trust fund after benefits are paid. The invoices go out after the quarter end, so the bililng for the 4th quarters of Fiscal Years 2018 and 2019 went out after year-end and is paid in lapse.
C - As part of the new Union contract, union employees received back payment for the 4 years in which they should have received pay increases but didn't.

State of Illinois
Department of Employment Security

Analysis of Significant Account Balances
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

Pages 53 through 57 present comparative account balances. For the individual nonshared governmental funds, these balances are based on the unaudited financial statements. For the individual nonshared proprietary funds, these balances are based on the audited financial statements. The explanations for significant fluctuations (greater than or equal to 20% and $1,000) in account balances are as follows:

INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS

Title III Social Security and Employment Service Fund - 052

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Cash and cash equivalents	$ 94,816	$ 75,251	$ 19,565	26%
Intergovernmental receivables	26,524	11,015	15,509	141%
Accounts payable and accrued liabilities	11,050	4,127	6,923	168%
Fund balance, restricted	87,032	83,569	3,463	4%

Cash and cash equivalents increased due to increased cash receipts from payroll draws and transfers from Fund 55.

The intergovernmental receivables increased due to the federal draws being completed later than in the previous year.

Accounts payable and accrued liabilities increased between years primarily due to Back Pay and Stipend paid after the end of the year.

The increase in the restricted fund balance is a result of increases in transfers and federal revenues.

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2018	2017	Amount	%
Intergovernmental receivables	$ 11,015	$ 22,712	$ (11,697)	-52%
Due from other State funds	8,867	5,420	3,447	64%
Unavailable grant revenue	8	5,764	(5,756)	-100%

Grant expenditures decreased mainly in the personal services category, thereby decreasing the receivable from the federal government.

The increase in due from other State funds is primarily due to retirement overcharges from SERS.

The decrease in unavailable grant revenue is due to increased timeliness in collecting draws.

Analysis of Significant Account Balances (Continued)
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

General Revenue Fund - 001

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Accounts payable and accrued liablities	$ 7,056	$ -	$ 7,056	100%

An additional $7,056 in appropriations were added to pay the union back pay, FICA and interest for Fiscal Years 2016, 2017 and 2018 for the Department.

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Due to other funds	$ 3,213	$ 25,291	$ (22,078)	-87%

There was no Fiscal Year 2017 appropriation for this fund. There was a Fiscal Year 2018 appropriation for this fund; however, the payment wasn't made until the end of the Fiscal Year 2018 lapse period and was not enough to cover both Fiscal Years 2017 and 2018, which resulted in a larger than normal liability in Fiscal Year 2018. In Fiscal Year 2019, the liability returned to normal levels

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Unavailable grant revenues	$ 4,573	$ 8	$ 4,565	57063%

The timing of grant reimbursements led to the large change in unavailable revenues between Fiscal Year 2018 and Fiscal Year 2019.

(Amounts Expressed in Thousands)

INDIVIDUAL NONSHARED PROPRIETARY FUNDS

Unemployment Compensation Trust Fund - 1138

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2019	2018	Amount	%
Taxes receivable, net	$ 259,137	$ 322,793	$ (63,656)	-20%
Due from other funds	4,700	26,409	(21,709)	-82%
Locally held cash and cash equivalents	14,850	20,916	$ (6,066)	-29%
Allowance for uncollectible interest and penalties on taxes	167,916	130,961	36,955	28%
Intergovernmental receivables	14,845	26,190	(11,345)	-43%
Due from other government - local	14,478	25,732	(11,254)	-44%
Due from State funds	4,700	26,409	(21,709)	-82%
Due to other funds	196	2,300	(2,104)	-91%

The decrease in taxes receivable is due to the increase in the allowance estimate.

The decrease in due from other funds is due to the timing of reimbursement for ex-employees of other State agencies.

The decrease in locally held cash and cash equivalents is due to the decrease in the 3-day average benefits paid required to be held in the Benefit Account, resulting from the decline in the unemployment rate.

The increase in the allowance for uncollectible interest and penalties on taxes is due to an increase in penalties for late filing and interest on outstanding balances.

The decrease in intergovernmental receivables is due to the timing of reimbursement for ex-employees for federal employees.

The decrease in due from other government – local is due to the decrease in reimbursements from local governments required as a result of the decrease in unemployment benefits paid.

The decrease in due from State funds is the result of the receipt of an appropriation for the General Revenue Fund previously on hold due to the lack of a State budget.

The decrease in due to other funds is due to a decrease in the interest and penalties due at year-end.

State of Illinois
Department of Employment Security

Analysis of Significant Account Balances (Continued)
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

Account Description	Fiscal Year Ended June 30 2018	Fiscal Year Ended June 30 2017	Increase (Decrease) Amount	Increase (Decrease) %
Locally held cash and cash equivalents	$ 20,916	$ 63,683	$ (42,767)	-67%
Interest and penalties receivable on taxes	139,633	113,595	26,038	23%
Allowance for uncollectible interest and penalties on taxes	130,961	89,118	41,843	47%
Other receivables	416,365	741,764	(325,399)	-44%
Allowance for uncollectible other receivables	304,779	664,610	(359,831)	-54%
Due from other funds	26,409	34,907	(8,498)	-24%
Other assets	1,939,194	1,535,405	403,789	26%
Due to other government - local	3,394	5,081	(1,687)	-33%
Due to other funds	2,300	50,713	(48,413)	-95%

The decrease in locally held cash and cash equivalents is due to the decrease in the unemployment rate, which caused cash in the account to become too high based on the Department's requirement to only carry a 3-day average cash cushion in the benefit account. As a result, the cash was adjusted by not drawing cash for benefit payments until the threshold was below the 3-day average.

The increase in interest and penalties receivable on taxes is due to the new GenTax System interest recalculation.

The increase in allowance for uncollectible interest and penalties on taxes is due to an increase in the related receivable balance.

The decrease in other receivables is due to an increase in overpayment collections.

The decrease in allowance for uncollectible other receivables is due to a decrease in the receivables balance along with a change in the estimate for the allowance.

The decrease in due from other funds is due to the receipt of a General Revenue appropriation for reimbursement for benefits paid to ex-State employees, which in 2016 and 2017 was on hold due to the lack of a State budget.

The Department did not provide an explanation for the increase in other assets.

The decrease in due to other government – local is due to the decrease in the amount paid in combined wage claims because of the overall decrease in the unemployment rate.

The decrease in due to other funds is due to the decrease in the amount owed for federal and State taxes at year end.

Master Bond Fund

	Fiscal Year Ended June 30		Increase (Decrease)	
Account Description	2018	2017	Amount	%
Locally held cash and cash equivalents	$ -	$ 10,509	$ (10,509)	-100%

The decrease in locally held cash and cash equivalents in the Master Bond Fund is due to the dissolution of the Fund and all assets liquidated.

Analysis of Accounts Receivable
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

For financial reporting purposes for Fiscal Years 2019 and 2018, the Department classified its accounts receivable in the following categories:

INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS

Intergovernmental Receivables

Intergovernmental receivables represent reimbursements due from the federal government to reimburse the Department's administrative expenditures. Intergovernmental receivables totaled $26,524 at June 30, 2019 and $11,015 at June 30, 2018.

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 aging records for the entire 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 the actual outstanding receivable plus an estimate for the quarter ending June 30 based on the Budget's Trust Fund model including an allowance for uncollectible accounts. Taxes receivable, net of an allowance for uncollectible accounts, totaled $339,761 at June 30, 2019 and $324,851 at June 30, 2018. Some of the methods used by the Department to collect these receivables include statements of account, telephone collections, determination and assessments, property liens, comptroller's offset, deferred payment agreements and bank levies.

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

Net Taxes Receivables Aging at June 30, 2019

2015 and Prior	2016	2017	2018	2019	Total Taxes Receivables
$ 193,575	$ 54,347	$ 48,334	$ 39,644	$ 365,445	$ 701,345
Less: allowance for uncollectible accounts					(361,584)
					$ 339,761

Analysis of Accounts Receivable (Continued)
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

NONSHARED PROPRIETARY FUND (CONTINUED)

Taxes Receivable (Continued)

Net Taxes Receivables Aging at June 30, 2018

2014 and Prior	2015	2016	2017	2018	Total Taxes Receivables
$ 180,136	$ 61,061	$ 58,819	$ 65,073	$ 365,902	$ 730,991
Less: allowance for uncollectible accounts					(406,140)
					$ 324,851

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 $14,845 at June 30, 2019 and $26,190 at June 30, 2018. For local and other state governments, the Department sends quarterly billings or statements to collect the receivables. For ex-military and federal employees' claims, the Department draws the funds for the receivable due.

(Amounts Expressed in Thousands)

NONSHARED PROPRIETARY FUND (CONTINUED)

<u>Other Receivables</u>

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 an allowance for uncollectible accounts, totaled $94,211 at June 30, 2019 and $111,586 at June 30, 2018. Methods used to collect these receivables include recoupment from future benefits, use of the comptroller's offset system, referral to the federal treasury offset program, statements of indebtedness, deferred payment agreements, and referral to the Office of the Attorney General.

Net Other Receivables Aging at June 30, 2019

2015 and Prior	2016	2017	2018	2019	Total Other Receivables
$ 230,152	$ 40,425	$ 27,290	$ 31,877	$ 67,418	$ 397,162
Less: allowance for uncollectible accounts					(302,951)
					$ 94,211

Net Other Receivables Aging at June 30, 2018

2014 and Prior	2015	2016	2017	2018	Total Other Receivables
$ 193,033	$ 72,056	$ 47,960	$ 33,705	$ 69,611	$ 416,365
Less allowance for uncollectible accounts					(304,779)
					$ 111,586

Budget Impasse Disclosure
For the Two Years Ended June 30, 2019 (Not Examined)
(Amounts Expressed in Thousands)

Payment of 2017 Costs with 2018 Appropriations

Article 998 of Public Act 100-0021 authorized the Department to pay its unpaid Fiscal Year 2017 costs using either the Department's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The following chart shows the Department's use of 2018 appropriations to pay for 2017 expenditures:

		Fiscal Year 2017 Invoices			
		Paid from Fiscal Year 2017 Appropriations		Paid from Fiscal Year 2018 Appropriations	
Fund #	Fund Name	Number	Dollar Value	Number	Dollar Value
001	General Revenue Fund	-	$ -	1	$ 2,520

State of Illinois
Department of Employment Security

Average Number of Employees
For the Fiscal Years Ended June 30, 2019, 2018 and 2017
(Not Examined)

The following table summarizes the average number of employees of the Department at June 30, 2019, 2018 and 2017.

Division	2019	2018	2017
Workforce Development	1,142	1,065	1,095
Total Employees	1,142	1,065	1,095

State of Illinois
Department of Employment Security

Annual Cost Statistics
For the Fiscal Years Ended June 30, 2019, 2018 and 2017
(Not Examined)

	Federal Fiscal Year Ended September 30,		
	2019	2018	2017
Average benefits paid per client	$ 3,363	$ 3,493	$ 3,496

State of Illinois
Department of Employment Security

Unemployment Rates
For the Years Ended June 30, 2019, 2018 and 2017
(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 2017 through 2019 as provided by the Bureau of Labor Statistics, are summarized below:

		Rate by Quarter			
		1st	2nd	3rd	4th
	2019				
	National	3.90 %	3.60 %	* %	* %
	State	4.40	4.40	*	*
	2018				
	National	4.10 %	3.90 %	3.80 %	3.80 %
	State	4.40	4.30	4.20	4.30
	2017				
	National	4.70 %	4.40 %	4.30 %	4.10 %
**	State	5.40	4.70	4.90	4.70

Notes:

* Figures not available at time of report.

** Unemployment rates are seasonally adjusted and subject to revision