

**STATE OF ILLINOIS
LABOR RELATIONS BOARD**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2007

STATE OF ILLINOIS
LABOR RELATIONS BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
Agency Officials	1
Management Assertion Letter	2
Compliance Report	
Summary	3
Accountants' Report	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	5
Schedule of Findings	
Current Findings	8
Prior Findings Not Repeated	25
Supplementary Information for State Compliance Purposes	
Summary	26
Fiscal Schedules and Analysis	
Schedule of Appropriations, Expenditures and Lapsed Balances	27
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	29
Schedule of Changes in State Property	30
Comparative Schedule of Cash Receipts	31
Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller	32
Analysis of Significant Variations in Expenditures	33
Analysis of Significant Variations in Receipts	35
Analysis of Significant Lapse Period Spending	36
Analysis of Operations	
Agency Functions and Planning Program	37
Average Number of Employees	39
Service Efforts and Accomplishments (Not Examined)	40

STATE OF ILLINOIS
LABOR RELATIONS BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2007

AGENCY OFFICIALS

LABOR RELATIONS BOARD

Director	Mr. John Brosnan
Fiscal Officer	Ms. Nicole Hildebrand
Legal Counsel (current)	Vacant
Legal Counsel (until 12/31/06)	Ms. Jacalyn Zimmermann

Agency offices are located at:

320 West Washington
Suite 500
Springfield, IL 62701

160 North LaSalle Street
Suite S-400
Chicago, IL 60601



Illinois Labor Relations Board

MANAGEMENT ASSERTION LETTER

Chairman:
Jackie Gallagher

January 28, 2008

State Panel:
Michael G. Coli
Michael J. Hade
Charles Hernandez
Rex Piper

Honorable William G. Holland
Auditor General
State of Illinois

Local Panel:
Edward E. Sadlowski

Iles Park Plaza
740 East Ash

Executive Director:
John Brosnan

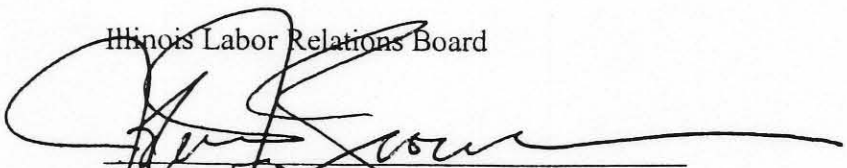
Springfield, IL 62703-3154

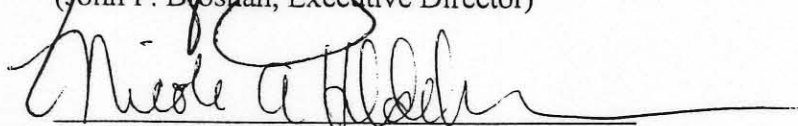
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Agency. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the two-year period ended June 30, 2007. Based on this evaluation, we assert that during the years ended June 30, 2007 and June 30, 2006, the Agency has materially complied with the assertions below.

- A. The agency 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 agency 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 agency 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 agency 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 agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Labor Relations Board


(John F. Brosnan, Executive Director)


(Nicole Hildebrand, Fiscal Officer)

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STATE OF ILLINOIS
LABOR RELATIONS BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2007

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u> Findings	<u>Compliance</u> <u>Report</u>	<u>Prior</u> <u>Compliance</u> <u>Report</u>
Findings	11	6
Repeated findings	2	1
Prior recommendations implemented or not repeated	4	1

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (STATE COMPLIANCE)		
07-1	8	Computer system deficiency
07-2	9	Inadequate controls over the recording and reporting of State property
07-3	11	Property control weaknesses
07-4	12	Voucher processing weakness
07-5	14	Travel processing weaknesses

07-6	17	Lack of policies and procedures over leaves of absence
07-7	18	Receipt processing weaknesses
07-8	20	Untimely deposit of receipts and submittal of Treasurer's Drafts
07-9	21	Inadequate segregation of duties
07-10	22	Inadequate controls over contractual agreements
07-11	24	Noncompliance with a provision of the Illinois Public Labor Relations Act

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

07-12	25	Efficiency initiative payments
07-13	25	Employee evaluations were not performed
07-14	25	Noncompliance with the Illinois Public Labor Relations Act
07-15	25	Untimely filing of required reports

EXIT CONFERENCE

The Illinois Labor Relations Board waived having an exit conference in correspondence dated January 14, 2008. Responses to the recommendations were provided by Nicole Hildebrand, Fiscal Officer, in correspondence dated January 18, 2008.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Labor Relations Board's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2007. The management of the State of Illinois, Labor Relations Board is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Labor Relations Board's compliance based on our examination.

- A. The State of Illinois, Labor Relations Board 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 State of Illinois, Labor Relations Board 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 State of Illinois, Labor Relations Board 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 State of Illinois, Labor Relations Board 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 State of Illinois, Labor Relations Board on behalf of the State or held in trust by the State of Illinois, Labor Relations Board have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor

General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Labor Relations Board's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Labor Relations Board's compliance with specified requirements.

In our opinion, the State of Illinois, Labor Relations Board complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 07-1 through 07-11.

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

Internal Control

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

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as findings 07-1 through 07-11 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings to be material weaknesses.

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


The State of Illinois, Labor Relations Board's response to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Labor Relations Board's response and, accordingly, we express no opinion on it.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2007 and 2006 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2005 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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


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

January 28, 2008

STATE OF ILLINOIS
LABOR RELATIONS BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2007

07-1. **FINDING** (Computer system deficiency)

The Illinois Labor Relations Board (Board) had not established adequate planning, oversight, and controls over a contract for an information system project, which resulted in a costly system conversion that did not meet the Board's standards.

During the period, the Board entered into a contract for the conversion of the case management tracking system to an Access database. However, the Board did not receive a database which met their requirements. In addition, due to the difficulties encountered the Board decided not to convert the Local Panel case tracking system. Therefore, the Board is maintaining two databases which do not meet their needs. The Board paid the vendor \$28,950 for this project, including \$2,750 to try to rectify the problems.

Sound business practices require the effective monitoring of system conversion projects, detailed planning and significant involvement of agency staff throughout the conversion. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal controls to provide assurance resources are used effectively and efficiently.

Board personnel stated the shortcomings of the database were not discovered until after the sign-off of the project. In order to rectify the problems, the Board hired the same vendor to fix the deficiencies, to no avail.

Detailed planning and clear definition of system requirements are critical to ensure system conversion projects achieve the intended results. Without proper oversight, there exists an increased risk that system and contractual requirements will not be met and that inappropriate or excessive reimbursement will be made. (Finding Code No. 07-1)

RECOMMENDATION

We recommend the Board perform a detailed review of its computer systems conversion and contract monitoring process to provide for adequate planning, oversight, staff involvement, and management controls for externally converted applications.

BOARD RESPONSE

The Board concurs with the finding. The Board will exercise greater oversight and control on future conversion and/or upgrade projects.

07-2. **FINDING** (Inadequate controls over the recording and reporting of State property)

The Illinois Labor Relations Board (Board) did not maintain sufficient controls over the recording and reporting of State property. We noted the following:

- Five of 8 (63%) Quarterly Reports of State Property (C-15s) were filed 1 to 269 days late. The Comptroller's Statewide Accounting Management System (SAMS) (Procedure 29.20.10) requires the C-15's to be filed on a quarterly basis no later than the last day of the month following the last day of the quarter.
- The Board did not maintain documentation to support equipment deletions totaling \$135,138 during the period. In addition, the Board did not maintain documentation for additions to its property listing. Seven computers and one book totaling \$5,564 were added to the Board's property listing during the period yet no documentation was maintained to support the additions. SAMS (Procedure 29.10.10) states that the objective of fixed asset reporting is to ensure that agencies are updating property records to reflect the current balance of fixed assets and also requires that supporting detail records regarding property must be maintained. The State Records Act (5 ILCS 160/9) requires agencies to establish and maintain a program for agency records management, which shall include effective controls over maintenance of records.
- The Board did not include equipment purchases of 3 printers, totaling \$4,563, on its FY06 C-15s. These printers were added to the Board's property listing yet never added to the C-15. In addition, the Board did not include a book totaling \$1,413 on the FY07 C-15s. The Statewide Accounting Management System (SAMS) (Procedure 29.20.10) states all additions, deletions and transfers to each asset category should be entered for the quarter being reported.
- The Board did not tag or add all equipment purchases to its property control listing. Fifty-one equipment items totaling \$32,130 were purchased during the period yet never recorded on the Board's property listing. The Illinois Administrative Code (44 Ill. Admin. Code 5010.400) states that agencies are required to adjust property records within 30 days of acquisition, change or deletion of equipment items.
- The installment purchase of 13 computers was not added to the Board's C-15s at the proper amount. The amount added to the C-15 was \$217 less than the cost of the items. In addition, a mathematical error totaling \$50 was noted on the C-15s. These errors were not discovered or corrected by the Board during the period.
- The Board's FY06 beginning balance on the C-15s did not agree to the Board's FY05 ending balance. The FY06 beginning balance was reported at \$15,151 greater than the FY05 ending balance.
- The Board did not reconcile its property listing to the C-15's filed with the Illinois Office of the Comptroller (IOC). The June 30, 2007 amount reported on the C-15 did not agree to the Board's property listing as of June 30, 2007. A difference of \$67,635 was not reconciled or explained.

- The Board's property and equipment expenditures processed by the IOC during FY06 and FY07 did not reconcile to additions recorded on the Quarterly C-15 reports. Property and equipment expenditures totaling \$14,155 and \$4,491 were never recorded on the C-15's during FY06 and FY07, respectively.

SAMS (Procedure 29.20.10) presents the procedures to be followed when preparing the Agency Report of State Property (C-15s). Good business practices require that detailed property records be maintained and reconciled to support various reporting requirements.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that all State agencies establish 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.

Board personnel stated that these weaknesses were mostly due to oversight. The Board is aware of the property control problems and has been working to correct them.

Failure to maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. In addition, inaccurate property reporting reduces the reliability of Statewide capital asset information. (Finding Code No. 07-2, 05-4)

RECOMMENDATION

We recommend that the Board implement controls to ensure accurate property control records and accurate State property reporting for the Board. Further, the Board should file their Quarterly Reports of State Property by the reporting deadlines, properly report additions and maintain adequate documentation for the property reports as required by SAMS. The Board should also reconcile its property reports and records to the C-15's and expenditures for property processed through the IOC on a quarterly basis to ensure completeness and accuracy of its property records.

BOARD RESPONSE

The Board concurs with the finding. The Board has instituted new procedures and an inventory management program to ensure complete control and correct reporting of assets.

07-3. **FINDING** (Property control weaknesses)

The Illinois Labor Relations Board (Board) did not maintain an accurate property listing. We noted the following:

- Fourteen of 50 (28%) equipment items tested, totaling \$19,642, did not have the location documented on the Board's property listing. The Statewide Accounting Management System (SAMS) (Procedure 29.10.10) requires an agency to maintain current property information at a summary level which includes the location of the asset. In addition, good internal control procedures require the proper tracking of equipment items within the Board.
- Six of 50 (12%) equipment items tested were tagged yet not listed on the Board's property listing. The State Property Control Act (Act) (30 ILCS 605/4) states every responsible officer of State government shall be accountable for the supervision, control, and inventory of all property under his jurisdiction.
- Four of 50 (8%) equipment items tested, totaling \$2,965, were not properly tagged. Two items totaling \$882 did not have an identification tag affixed to the equipment item and 2 items totaling \$2,083 had an identification tag number that did not agree with the Board's property listing. SAMS (Procedure 29.10.10) requires assets to have a tag number which is noted on the property listing and on the item.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that all State agencies establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliance with applicable law.

Board personnel stated that inaccurate recording of equipment items was due to the old inventory database system which is currently being replaced with a new inventory database system. Board personnel also stated un-tagged equipment items were due to agency oversight and items will be retagged.

Failure to maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. In addition, inaccurate property reporting reduces the reliability of Statewide capital asset information. (Finding Code No. 07-3)

RECOMMENDATION

We recommend that the Board comply with the Statewide Accounting Management System and State Property Control Act by ensuring all equipment under its jurisdiction is recorded accurately. Further, the Board should maintain current property information including the location of each asset.

BOARD RESPONSE

The Board concurs with the finding. The Board has instituted new procedures for recording and tagging property including a new database system for better tracking of inventory.

07-4. **FINDING** (Voucher processing weakness)

The Illinois Labor Relations Board (Board) did not exercise adequate control over voucher processing. We noted the following:

- Seventy-five of 133 (56%) vouchers tested, totaling \$143,359, were not signed and dated by the receiving officer. These expenditures included payments for office supplies, office equipment, contractual services and other goods and services. The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) states each invoice-voucher, upon receipt of goods or services, must be signed by the receiving officer verifying goods or services meet the stated specifications.
- Sixty-three of 133 (47%) vouchers tested, totaling \$120,141, did not have support for the date received and we could not determine the timeliness of payment. In addition, 5 of 133 (4%) vouchers tested, totaling \$22,722, were approved for payment from 1 to 42 days late. The Illinois Administrative Code (Code) (74 Ill. Adm. Code 900.30) requires all State agencies to maintain records reflecting the date on which the proper bill was received. In addition, the Code (74 Ill. Adm. Code 900.70) states that an agency shall review each vendor's bill and either deny the bill in whole or in part, ask for more information necessary to review the bill, or approve the bill in whole or in part within 30 days after physical receipt of the bill.
- Two of 133 (2%) vouchers selected for detail testing, totaling \$2,419, were not tested because the vouchers and related support could not be provided by the Board. Therefore, the voucher could not be tested for applicable rules and regulations. In addition, 2 of 133 (2%) vouchers tested did not have proper documentation or receipts supporting expenditures totaling \$820. The Illinois State Records Act (5 ILCS 160/9) requires the head of each agency establish and maintain a records management program, which shall include effective controls over the maintenance of records. The Statewide Accounting Management System (SAMS) (Procedure 17.10.20) requires that each State agency maintain all supporting documentation necessary to substantiate their expenditures.
- The Board paid for office supplies in FY06, totaling \$141, that was incurred in FY05. Accounting Bulletin 125 states that invoices for goods or services contracted for or received prior to July 1, 2005 must be vouchered against FY05 expenditure authority accounts.
- Two of 133 (2%) vouchers tested were not mathematically correct. As a result, the Board underpaid vendors a total of \$33. The State Comptroller Act (15 ILCS 405/9) provides that State agencies have the principle responsibility for the pre-audit of their encumbrances, expenditures and other transactions as otherwise required by law. In addition, prudent business practice would require careful review of vendor invoices and vouchers to ensure mathematical accuracy.
- The required interest of \$153 was not paid on 1 of 133 (1%) vouchers tested. The State Prompt Payment Act (30 ILCS 540/3-2) requires State agencies to determine whether

interest is due and automatically pay interest penalties amounting to \$50 or more to the appropriate vendor when payment is not issued within 60 days after receipt of a proper bill.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that all State agencies establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliance with applicable law.

Board personnel stated most of the errors were due to oversight and a misunderstanding regarding the requirement. In addition, Board personnel stated that vouchers were not approved timely due to waiting on an appropriation transfer and delays in processing an increase in a contract obligation. Board personnel also stated that required interest was not paid due to the assumption that the vendor had to request the interest regardless of the amount.

Failure to record proper bill receipt dates and promptly approve vouchers may result in the late payment of bills and could cause the State to pay interest penalties. The lack of a receiving officer's signature and date, improper fiscal year charged, lack of supporting documentation and mathematical inaccuracies reduces the overall control over expenditures and may lead to inappropriate expenditures. (Finding Code No. 07-4, 05-3)

RECOMMENDATION

We recommend the Board implement controls to ensure vouchers are signed and dated by the receiving officer, proper bill dates are recorded, vouchers are approved within the required time frame and charged to the proper fiscal year and required interest is paid. Further, the Board should ensure all vouchers contain complete and accurate information.

BOARD RESPONSE

The Board concurs with the finding. The Board will establish and implement procedures and policies to ensure complete and accurate information.

07-5. **FINDING** (Travel processing weaknesses)

The Illinois Labor Relations Board (Board) did not maintain adequate controls over travel. We noted the following:

- Seven of 25 (28%) vouchers tested, totaling \$674, were reimbursed to employees for rates claimed in excess of State travel allowances. We noted 7 instances of reimbursements to employees for lodging rates claimed in excess of rates set forth by the Governor's Travel Control Board. Excess rates claimed for lodging were between \$19 and \$196. We noted 2 instances of excess per diem reimbursement with a total overpayment of \$42. We noted 3 reimbursements of unallowable miscellaneous expenses, including \$8 for a mini bar purchase and \$14 in personal phone charges. The Governor's Travel Control Board (GTCB) rules (80 Ill. Admin. Code 2800.Appendix A) specify the maximum travel reimbursement rates allowed. In addition, the Travel Regulation Council (Council) rules (80 Ill. Admin. Code 3000.410) state that it is the responsibility of each employee to request the lowest available lodging rate at the time of making reservations. Further, Council rules (80 Ill. Admin. Code 3000.500) explain that per diem will be based on the quarter system permitting the traveler one-fourth of the allowance for each period of 6 hours or fraction thereof. Lastly, Council rules (80 Ill. Admin. Code 3000.600) describe reimbursable and non-reimbursable travel expenses.
- Seven of 25 (28%) vouchers tested were not supported by proper documentation, including receipts for transportation, lodging and other expenses. Reimbursements in the amount of \$1,469 were paid without proper documentation to support the expenses. GTCB rules (80 Ill. Admin. Code 2800.240) requires all travel vouchers to be supported by receipts in all instances for railroad and airplane transportation, lodging, taxis, and all other items in excess, individually, of \$10.00 except for meals.
- Three of 25 (12%) travel vouchers tested were not submitted within 60 days, which is considered to be a reasonable period of time. These travel vouchers totaled \$389 and were submitted between 10 and 129 days late. Internal Revenue Service Publication 535, Chapter 13 and Accounting Bulletin number 134 states that if "employees adequately account for their travel expenses within 60 days after the expenses were paid or incurred" it will be generally treated as taking place within a reasonable period of time.
- Three of 25 (12%) travel vouchers tested were not properly completed as 2 vouchers did not have the detail object code listed and another voucher did not record the employee's social security number. The Statewide Accounting Management System (SAMS) Manual (Procedure 17.20.10) outlines the procedures for proper completion and submission of Travel vouchers.
- The Board did not comply with its policy to ensure employees using private vehicles for State business completed certifications of driver's license and auto insurance forms annually. Five of 5 (100%) employees tested did not have annual certifications on file. The Board's Personnel and Policy Manual (Chapter 3, section D) states that all

employees of the Labor Relations Board shall complete a certification of driver's license and auto insurance coverage form annually.

- One of the top five (20%) travelers tested requested reimbursement twice for the same travel expenses. The traveler was overpaid \$136. Good business practices require a thorough review of all travel vouchers submitted to ensure employees are not reimbursed twice for the same expenses incurred.

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

Board personnel stated most of the errors were due to oversight. In addition, Board personnel stated that the required number of hotels was contacted for those noted with excess hotel rates and the lowest rate available was obtained; however the Board did not maintain documentation. Further, Board personnel stated the travel vouchers submitted to the Comptroller's office were properly completed; however, auditor reviewed travel vouchers on file at the IOC and noted they were not properly completed.

Failure to require adequate supporting documentation increases the risk improper expenses will be reimbursed and reduces fiscal accountability. Failure to implement adequate internal controls over payments of travel increases the risk that errors, double billing, and irregularities will occur and not be detected. Untimely travel voucher submission increases the risk of processing errors and may result in untimely and inaccurate information on agency obligations. Failure to ensure that all employees using private vehicles for State business are properly licensed and insured increases the risk that the State's potential liability could also increase. (Finding Code No. 07-5)

RECOMMENDATION

We recommend the Board strengthen its internal controls over travel to ensure the following:

- reimbursements are in accordance with the Governors Travel Control Board and Travel Regulation Council regulations;
- travel vouchers are properly supported;
- all employees are completing annual certification of driver's license and auto insurance coverage in accordance with the Board's Personnel and Policy Manual;
- travel vouchers are submitted timely;
- travel vouchers are properly completed;
- duplicate payments are not made; and
- reimbursements for overpayments to employees are obtained.

BOARD RESPONSE

The Board concurs with the finding. The Board has taken such recommendations by the Auditor General and changed current policies to reflect the recommendations.

07-6. **FINDING** (Lack of policies and procedures over leaves of absence)

The Illinois Labor Relations Board (Board) had not adopted formal policies and procedures over employee leaves of absence.

During the period, one employee requested a leave of absence. However, the Board did not have a formal policy governing the procedures to be followed. As a result, the employee was not taken off the payroll during the leave of absence when benefit time was not used. Auditors noted the employee was overpaid \$1,820.

Good internal controls would require that formal policies and procedures governing employee leaves of absence be established to ensure absences are properly approved and employees are appropriately removed from the payroll. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Board personnel stated the employee was overpaid due to oversight. In addition, Board personnel stated they will develop formal procedures regarding employee leaves of absence.

Lack of formal policies and procedures over employee leaves of absence increases the risk of unauthorized absences and personal services overpayments. (Finding Code No. 07-6)

RECOMMENDATION

We recommend the Board develop formal policies governing employee leaves of absence procedures to be followed including proper removal of an employee from the payroll. Further, the Board should obtain reimbursement for overpayments.

BOARD RESPONSE

The Board concurs with the finding. The Board is developing formal policies for employee leave of absence procedures and will attain reimbursement for overpayment.

07-7. **FINDING** (Receipt processing weaknesses)

The Illinois Labor Relations Board (Board) did not have adequate controls over its receipt processing. During our testing we noted the following:

- During the period, the Board did not maintain a receipt ledger documenting monies received and deposits made. Some documentation such as copies of checks, copy fee invoices, deposit slips, Treasurer's Drafts and Receipt Deposit Transmittals (RDT) were kept in a file folder. The Board did maintain a check log documenting the date, payor, check number and amount; however, we noted that the log was incomplete and was not reconciled to deposits made.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2) requires that every Board keep in proper books a detailed itemized account of all monies received for or on the behalf of the State of Illinois, showing the date of receipt, the payor, and purpose and amount, and the date and manner of disbursement. Sound business practices would require complete and accurate records be maintained.

- The Board did not perform monthly reconciliations of agency receipts to Comptroller's records (SB04). As a result the following errors went undetected:
 - ◆ One deposit in FY06 was overstated by \$10. Two checks totaling \$25 were miscalculated and deposited in the amount of \$35.
 - ◆ Nine checks totaling \$276 were not entered on the check log as received.
 - ◆ Two checks received totaling \$221 could not be located and were never deposited.
 - ◆ One check totaling \$149 was deposited into an incorrect receipt account.

The Comptroller's Statewide Accounting Management System (SAMS) (Procedure 25.40.20) requires each agency to reconcile cash receipts monthly so that the necessary corrective action can be taken to locate the differences and correct the accounting records.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires 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.

Board personnel stated that other projects took priority over maintaining a receipt ledger or performing formal receipt reconciliations. Board personnel stated that Comptroller's records were reviewed to see if deposits appeared reasonable; however no documentation was maintained. In addition, Board personnel stated the deposit errors were due to oversight. Board personnel also stated the 9 checks were never logged due to the employee responsible for logging checks being on vacation and due to oversight. Lastly, Board personnel stated the 2 checks never deposited were misplaced and could not be located.

Failure to maintain adequate controls over receipt processing increases the risk that errors and loss due to theft could occur and not be detected. Failure to properly perform monthly reconciliations impairs the agency's ability to identify errors and take corrective action to ensure accurate receipt records. Maintaining incomplete and/or inaccurate records reduces the reliability of financial records. (Finding Code No. 07-7)

RECOMMENDATION

We recommend that the Board strengthen its controls over receipt processing to adequately record receipts, timely identify and correct errors, and maintain complete and accurate receipt records. Further, the Board should properly prepare monthly reconciliations of agency receipts to Comptroller records.

BOARD RESPONSE

The Board concurs with the finding. The Board has taken into consideration the recommendations and will work to establish and implement procedures for receipt processing and recording.

07-8. **FINDING** (Untimely deposit of receipts and submittal of Treasurer's Drafts)

The Illinois Labor Relations Board (Board) did not have adequate controls over the deposit of receipts. We noted the following during our testing:

- Eleven of 25 (44%) receipts tested, totaling \$978, were not deposited in a timely manner. The receipts were deposited 2 to 33 days late. The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2) requires each State agency to deposit into the State cumulative receipts valued up to \$500 on the next first or fifteenth day of the month after receipt.
- Twelve of 25 (48%) receipts and corresponding Treasurer's Drafts tested, totaling \$1,027, were not submitted to the Office of the Comptroller within 30 days, which is considered a reasonable time frame. The Treasury's Drafts were submitted between 3 to 49 days late. Statewide Accounting Management System (SAMS) (Procedure 25.10.30) requires Treasurer's Drafts be remitted to the Comptroller. Good internal controls require deposits to be processed timely to increase the balance of funds available for expenditure.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal controls to provide assurance resources are utilized effectively and efficiently, and in compliance with applicable law.

Board personnel stated receipts were not deposited timely due to waiting for several checks before depositing them. In addition, Board personnel also stated Treasurer's Drafts were not submitted timely due to oversight.

Untimely deposit of receipts reduces the amount available to pay current costs. Untimely submittal of Treasurer's Drafts to the Office of the Comptroller reduces the amount available on which interest could be earned. (Finding Code No. 07-8)

RECOMMENDATION

We recommend that the Board comply with the State Officers and Employees Money Disposition Act by making timely deposits into the State Treasury. Further, the Board should submit Treasurer's drafts to the Office of the Comptroller in a timely manner.

BOARD RESPONSE

The Board concurs with the finding. The Board will work to improve, establish and implement procedures to ensure timeliness of deposits and Treasurer's Drafts.

07-9. **FINDING** (Inadequate segregation of duties)

The Illinois Labor Relations Board (Board) had inadequate segregation of duties in the areas of receipt processing, expenditure control and State property. We noted the following:

- One person had authority to collect, record and deposit all receipts, and prepare the Receipt Deposit Transmittal Form;
- One person had authority to perform procurement functions, prepare and approve vouchers, maintain accounting records and perform monthly expenditure reconciliations;
- One person had authority to approve all property purchases, tag all inventory, maintain the property records, perform the annual physical inventory and complete the quarterly reports of State property; and
- One person had the authority to prepare payroll, make adjustments to payroll, approve payroll and distribute payroll stubs.

Good business practices require the Board maintain adequate segregation of duties in order to help ensure the safeguarding of assets, prevent improper expenditures, and ensure the accuracy and reliability of accounting data. 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.

Board personnel stated the lack of segregation of duties was due to the limited number of staff.

A lack of adequate segregation of duties increases the likelihood that a loss from errors or irregularities could occur and would not be found in the normal course of employees carrying out their assigned duties. (Finding Code No. 07-9)

RECOMMENDATION

We recommend the Board maintain an effective internal control over the record keeping and accounting duties concerned with receipt, expenditure and property control.

BOARD RESPONSE

The Board concurs with the finding. The Board will evaluate and determine what changes should be made. The Board feels that one person does not have as much authority as the finding indicates. Great amount of dialogue that is not documented takes place on a daily basis regarding such approvals.

07-10. **FINDING** (Inadequate controls over contractual agreements)

The Illinois Labor Relations Board (Board) did not exercise adequate controls over its contractual agreements. We noted the following:

- The Board did not approve 2 of 5 (40%) contracts tested prior to the performance of services. The 2 contracts totaling \$21,250 were approved 4 and 120 days after the performance of services began. Additionally, one vendor was paid for services performed up to 2 days prior to the start date of the contract.

Good business practices require all contracts entered into be executed by all involved parties prior to the beginning of services. The contractual agreement between the Board and the vendor did not allow for the vendor to be paid by the Board for services provided to the Board prior to the effective date or after the termination date of the contract.

- The Board did not competitively procure the professional and artistic services required for its case tracking database conversion project. The Board contracted with a vendor for an amount not to exceed \$25,000 to complete the project; however, payments to this vendor totaled \$28,950 including \$7,700 in payments not processed under the contract. In addition, the Board did not procure these services through the Department of Central Management Services (DCMS) as required.

The Illinois Procurement Code (Code) (30 ILCS 500/35-35) requires all professional and artistic contracts over \$20,000 be subject to a competitive bid process prior to the contract being awarded. The Illinois Administrative Code (44 Ill. Adm. Code 1.1040) requires electronic data processing services including consulting and professional and artistic services exceeding \$25,000 to be procured by the DCMS.

- During FY06, the Board paid one vendor \$6,315 for professional services rendered and the services provided were not reduced to writing or filed with the Illinois Office of the Comptroller (IOC).

The Illinois Procurement Code (30 ILCS 500/20-80 (d)) requires contracts for services involving professional skills that will exceed \$5,000 for the same type of service at the same location during any fiscal year be reduced to writing and filed with the IOC.

- The Board failed to file with the IOC a multiyear lease purchase agreement with total payments totaling \$17,277.

The Illinois Procurement Code (30 ILCS 500/20-80 (b)) requires any contract liability exceeding \$10,000 to be filed with the IOC within 15 days of execution.

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

Board personnel stated the contract was not approved prior to services performed, not competitively procured or procured by DCMS due to oversight. Board personnel also stated the professional services were not reduced to writing and filed with the IOC due to the Board believing these services were not professional or artistic. In addition, Board personnel stated the lease purchase agreement was not filed with the IOC due to the Board's understanding that purchases through DCMS master contracts did not have to be filed with the IOC.

Failure to exercise adequate control over contractual agreements may result in loss of State funds and may subject the State to unnecessary legal risks. (Finding Code No. 07-10)

RECOMMENDATION

We recommend the Board strengthen controls over contractual agreements to ensure that contracts are approved prior to the beginning of services and services do not begin prior to the effective date of the contract, that professional and artistic contracts expected to exceed \$20,000 are competitively procured and amounts are paid under the contract in accordance with the contract terms, that professional and artistic services expected to exceed \$5,000 are reduced to writing and filed with the IOC, and that other contractual liabilities exceeding \$10,000 are filed with the IOC.

BOARD RESPONSE

The Board concurs with the finding. The Board will complete a review of current procedures and make changes deemed necessary to comply with the recommendation.

07-11. **FINDING** (Noncompliance with a provision of the Illinois Public Labor Relations Act)

The Illinois Labor Relations Board (Board) failed to monitor the need to appoint a neutral chairman from the Illinois Public Employees Mediation/Arbitration Roster as required by the Illinois Public Labor Relations Act (Act).

During our testing of 25 cases, we noted 15 (60%) instances where the parties failed to notify the Board of their selection for neutral chairman. The Board did not follow-up on these cases to determine the Board's duty to appoint a neutral chairman from the Illinois Public Employees Mediation/Arbitration Roster.

The Act (5 ILCS 315/14(c)) requires the Board to appoint a neutral chairman from the Illinois Public Employees Mediation/Arbitration Roster if the parties fail to notify the Board in a timely manner of their selection for neutral chairman.

Board personnel stated that, in their experience, the parties will normally settle their disputes without arbitration after requesting the list from the Illinois Public Employees Mediation/Arbitration Roster and in some instances, do not notify the Board of the settlement. The Board has since mailed follow-up letters requesting the parties to notify the Board of any action.

Failure to appoint a neutral chairman when the other parties involved do not agree upon one is a noncompliance with a statutory mandate. (Finding Code No. 07-11)

RECOMMENDATION

We recommend the Board comply with the Illinois Public Labor Relations Act by monitoring each case to ensure proper appointment of a neutral chairman when the parties involved in dispute fail to notify the Board in a timely manner of their selection for neutral chairman.

BOARD RESPONSE

The Board concurs with the finding. The Board will discuss current mediation case monitoring and make changes necessary to comply with the Act.

STATE OF ILLINOIS
LABOR RELATIONS BOARD
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2007

07-12. **PRIOR FINDING** (Efficiency initiative payments)

During the prior period, the Labor Relations Board (Board) made payments for efficiency initiative billings from improper line item appropriations.

During the current period, the Board did not make any payments for efficiency initiative billings. (Finding Code No. 05-1)

07-13. **PRIOR FINDING** (Employee evaluations were not performed)

During the prior period, the Labor Relations Board (Board) did not conduct performance evaluations in accordance with its personnel policies.

During the current period, our sample testing indicated the Board conducted performance evaluations in accordance with its personnel policies. (Finding Code No. 05-2)

07-14. **PRIOR FINDING** (Noncompliance with the Illinois Public Labor Relations Act)

During the prior period, the Labor Relations Board (Board) did not timely select the required number of persons as nominees for impartial arbitrator of the arbitrations panel within seven days as required by the Illinois Public Labor Relations Act.

During the current period, our sample testing indicated the Board timely selected the required number of persons as nominees for impartial arbitrator of the arbitrations panel within seven days. (Finding Code No. 05-5)

07-15. **PRIOR FINDING** (Untimely filing of required reports)

During the prior period, the Labor Relations Board (Board) did not file its Travel Headquarter Reports, internal control certification or Agency Fee Imposition report in a timely manner.

During the current period, the Board improved its controls over the timely filing of required reports. (Finding Code No. 05-6)

STATE OF ILLINOIS
LABOR RELATIONS BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2007

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending

- Analysis of Operations:

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

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS
LABOR RELATIONS BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For The Fiscal Year Ended June 30, 2007

P.A. 94-798 FISCAL YEAR 2007	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001					
Personal Services	\$ 1,204,100	\$ 1,176,978	\$ 3,203	\$ 1,180,181	\$ 23,919
State Contribution to State Employees' Retirement System	138,900	135,688	369	136,057	2,843
State Contributions to Social Security	92,200	85,337	245	85,582	6,618
Contractual Services	267,912	143,945	33,667	177,612	90,300
Travel	25,000	17,018	1,409	18,427	6,573
Commodities	3,600	3,056	472	3,528	72
Printing	4,000	3,338	189	3,527	473
Equipment	26,294	12,020	14,273	26,293	1
Electronic Data Processing	42,494	39,967	2,514	42,481	13
Telecommunications	52,000	40,013	1,435	41,448	10,552
Total Fiscal Year 2007	\$ 1,856,500	\$ 1,657,360	\$ 57,776	\$ 1,715,136	\$ 141,364

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
LABOR RELATIONS BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For The Fiscal Year Ended June 30, 2006

P.A. 94-0015 FISCAL YEAR 2006	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001					
Personal Services	\$ 1,220,500	\$ 1,125,471	\$ 0	\$ 1,125,471	\$ 95,029
State Contribution to State					
Employees' Retirement System	95,100	87,763	0	87,763	7,337
State Contributions to Social Security	94,100	81,523	0	81,523	12,577
Contractual Services	308,244	167,158	104,650	271,808	36,436
Travel	26,400	16,467	4,231	20,698	5,702
Commodities	3,600	3,052	58	3,110	490
Printing	4,306	3,380	926	4,306	0
Equipment	22,000	10,243	8,536	18,779	3,221
Electronic Data Processing	55,400	39,256	15,637	54,893	507
Telecommunications	52,000	40,502	1,790	42,292	9,708
Lump Sums	52,200	0	0	0	52,200
 Total Fiscal Year 2006	 <u>\$ 1,933,850</u>	 <u>\$ 1,574,815</u>	 <u>\$ 135,828</u>	 <u>\$ 1,710,643</u>	 <u>\$ 223,207</u>

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

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

	Fiscal Year		
	2007	2006	2005
General Revenue Fund - 001	P.A. 94-798	P.A. 94-0015	P.A.93-842
Appropriations (Net of Transfers)	<u>\$ 1,856,500</u>	<u>\$ 1,933,850</u>	<u>\$ 1,935,457</u>
<u>Expenditures</u>			
Personal Services	\$ 1,180,181	\$ 1,125,471	\$ 1,072,824
State Contribution to State			
Employees' Retirement System	136,057	87,763	172,957
State Contributions to Social Security	85,582	81,523	77,696
Contractual Services	177,612	271,808	52,983
Travel	18,427	20,698	17,704
Commodities	3,528	3,110	3,361
Printing	3,527	4,306	3,074
Equipment	26,293	18,779	13,917
Electronic Data Processing	42,481	54,893	20,380
Telecommunications	41,448	42,292	56,036
Lump Sums	<u>0</u>	<u>0</u>	<u>84,981</u>
Total Expenditures	<u>\$ 1,715,136</u>	<u>\$ 1,710,643</u>	<u>\$ 1,575,913</u>
Lapsed Balances	<u>\$ 141,364</u>	<u>\$ 223,207</u>	<u>\$ 359,544</u>
Salaries paid from the Comptroller's Executive Salary Appropriation:			
Board Chairman	\$ 92,890	\$ 88,641	\$ 88,641
Four State Panel Board Members	334,414	319,116	319,116
Two Local Panel Board Members	<u>131,416</u>	<u>159,558</u>	<u>159,558</u>
Total Expenditures from Comptroller's Executive Salaries Appropriation	<u>\$ 558,720</u>	<u>\$ 567,315</u>	<u>\$ 567,315</u>

STATE OF ILLINOIS
ILLINOIS LABOR RELATIONS BOARD
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2007

		Total
Balance at July 1, 2005	\$	276,310
Additions		16,792
Deletions		(85,442)
Net Transfers		0
Balance at June 30, 2006	\$	207,660
Balance at July 1, 2006	\$	207,660
Additions		27,256
Deletions		(49,696)
Net Transfers		0
Balance at June 30, 2007	\$	185,220

Note: The above schedule has been derived from the Agency Report of State Property submitted to the Office of the Comptroller. This schedule could not be reconciled to Board records. See Finding 07-2.

STATE OF ILLINOIS
LABOR RELATIONS BOARD
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Fiscal Years Ended June 30, 2007

<u>General Revenue Fund (001)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Copies	\$ 1,616	\$ 2,819	\$ 1,234
Miscellaneous	<u>0</u>	<u>170</u>	<u>40</u>
Total General Revenue Fund	<u><u>\$ 1,616</u></u>	<u><u>\$ 2,989</u></u>	<u><u>\$ 1,274</u></u>

STATE OF ILLINOIS
LABOR RELATIONS BOARD
**RECONCILIATION SCHEDULE OF CASH RECEIPTS
TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Years Ended June 30,

<u>General Revenue Fund (001)</u>	<u>2007</u>	<u>2006</u>
Receipts per Department Records	\$ 1,616	\$ 2,989
Add: Deposits in Transit, Beginning of Year	0	573
Error in deposit	0	10
Less: Deposits in Transit, End of Year	(105)	0
Receipts never deposited	<u>(200)</u>	<u>(21)</u>
Deposits Recorded by the Comptroller	<u><u>\$ 1,311</u></u>	<u><u>\$ 3,551</u></u>

* See finding 07-7.

STATE OF ILLINOIS
LABOR RELATIONS BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2007

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2007 AND 2006

Variations in expenditures were considered significant if differences were greater than 20% and \$2,000.

General Revenue Fund (001)

State Contributions to State Employees' Retirement System

The increase in State contributions to State Employees' Retirement System expenditures was due to an increase in the employer contribution rate from 7.792% in FY06 to 11.525% in FY07.

Contractual Services

The decrease in contractual services expenditures in FY07 was due to paying court awarded fees totaling \$90,000 in FY06 that was not repeated in FY07.

Equipment

The increase in equipment expenditures was due to the purchase of a new copier for the Chicago office.

Electronic Data Processing

The decrease in electronic data processing expenditures was due to completing improvement efforts initiated in FY06.

STATE OF ILLINOIS
LABOR RELATIONS BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2007

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2006 AND 2005

Variations in expenditures were considered significant if differences were greater than 20% and \$2,000.

General Revenue Fund (001)

State Contributions to State Employees' Retirement System

The decrease in State contributions to State Employees' Retirement System expenditures was due to a decrease in the employer contribution rate from 16.107% in FY05 to 7.792% in FY06.

Contractual Services

The increase in contractual services expenditures was due to resuming lease payments in FY06 after the transfer of the lease to the Department of Central Management Services in FY05. No lease payments were made in FY05. Additionally, the Board was ordered to pay court fees totaling approximately \$90,000 in two cases decided against the Board.

Equipment

The increase in equipment expenditures was due to the purchase of a new copier for the Springfield office.

Electronic Data Processing

The increase in electronic data processing expenditures was due to upgrading computer equipment and programs. In addition, the Board paid \$20,000 in FY06 for the conversion of the State Panel case tracking system.

Telecommunications

The decrease in telecommunications expenditures in FY06 was due to the make-up billing paid during FY05 that was not necessary in FY06.

Lump Sum

The decrease in lump sum expenditures in FY06 was due to the Board absorbing these costs under the specific line item appropriations, as the Board would no longer be receiving the lump sum appropriation.

STATE OF ILLINOIS
LABOR RELATIONS BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2007

The Board receives minimal receipts. The majority of the Board's receipts are for copy fees for arbitration awards which vary from year to year.

STATE OF ILLINOIS
LABOR RELATIONS BOARD
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2007

FISCAL YEAR 2007

General Revenue Fund -001

Equipment

The Board purchased a new copier for the Chicago office prior to June 30 yet the invoice was not received and paid until the lapse period.

FISCAL YEAR 2006

General Revenue Fund -001

Contractual Services

The Board received approval during the lapse period from the Attorney General to pay court awarded fees totaling approximately \$90,000.

Travel

Significant lapse period spending was due to travelers not submitting travel vouchers timely and due to the Board not paying the State credit card bills timely.

Equipment

The Board purchased a new copier for the Springfield office prior to June 30 yet the invoice was not received and paid until the lapse period.

Electronic Data Processing

The Board received and paid an invoice during the lapse period for services performed prior to June 30 relating to the database conversion project.

STATE OF ILLINOIS
ILLINOIS LABOR RELATIONS BOARD
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2007

AGENCY FUNCTIONS AND PLANNING PROGRAM

FUNCTIONS

The Illinois Public Labor Relations Act (5 ILCS 315), enacted into law as Public Act 83-1012, effective July 1, 1984, and amended effective January 1, 1987, created both the State Labor Relations Board and the Local Labor Relations Board. On July 9, 2000, the Illinois State Labor Relations Board and the Illinois Local Labor Relations Board were dissolved in accordance with an amendatory act of the 91st General Assembly. Per the provisions of the dissolution, all powers, duties, rights, property and obligations succeeded to the Local and State Panels, thereby collectively referred to in all respects as the Illinois Labor Relations Board (Board). The fiscal operations and appropriations of both were consolidated.

The Illinois Public Labor Relations Act sets forth the rules, regulations, and procedures for labor relations and collective bargaining between public employers and employees in Illinois. The Act regulates the designation of employee representatives; the negotiation of wages, hours, and other conditions of employment; and the resolution of dispute arising under collective bargaining comprised of persons experienced in labor relations, to expeditiously and fairly resolve disputes between public employees and employers. The Board is also responsible for determining whether to decertify police officers based on the commission of perjury in a murder case pursuant to Section 6.1 of the Illinois Police Training Act, 50 ILCS 705/6.1 (2004), as amended.

The State Panel consists of a chairman and four members who are appointed by the Governor with the advice and consent of the Senate. One new member was appointed during the examination period. The members as of June 30, 2007 are:

- Jackie Gallagher, Chairman
- Michael Coli
- Mike Hade
- Charles Hernandez
- Rex Piper

The Local Panel consists of the chairman and two additional members, one appointed by the Mayor of the City of Chicago and one appointed by the President of the Cook County Board of Commissioners. One new member was appointed during the examination period. The members as of June 30, 2007 are:

- Jackie Gallagher, Chairman
- Charles Anderson
- Edward Sadlowski

STATE OF ILLINOIS
ILLINOIS LABOR RELATIONS BOARD
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2007

PLANNING PROGRAM

The Board does not have a formal planning program; however, the Board does meet often and discusses short and long-term planning at the meetings. The overall goal of the Board is to resolve cases promptly, accurately, and equitably. The major determinant in the planning process is the annual budget, which is prepared by the fiscal officer, with advice and input from the Executive Director.

Due to the number of labor cases, emphasis has been on streamlining the Board process for resolving cases. All Board personnel are involved in seeking problem areas that slow the hearing process, and in turn, personnel look for ways to improve the problem areas. The Board reviews and monitors its planning program in conjunction with the annual budget preparation and when evaluating its performance measures. Since the number of cases that will be assigned to them each year is difficult to predict, planning beyond short term is difficult.

STATE OF ILLINOIS
LABOR RELATIONS BOARD
ANALYSIS OF OPERATIONS
For the Fiscal Years Ended June 30,

AVERAGE NUMBER OF EMPLOYEES

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

<u>Division</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Executive Director	1	1	1
Technical Advisors	8	7	8
Investigators and Supervisors	4	4	4
Administrative and Clerical	8	7	7
Total average full-time employees	<u>21</u>	<u>19</u>	<u>20</u>

Paid from Comptroller's Executive
Salaries Appropriation

Board Chairman	1	1	1
Board Members	6	6	6
Total average Board members	<u>7</u>	<u>7</u>	<u>7</u>

STATE OF ILLINOIS
ILLINOIS LABOR RELATIONS BOARD
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2007

SERVICE EFFORTS AND ACCOMPLISHMENTS (not examined)

The Illinois Public Labor Relations Act (Act) (5 ILCS 315) created a process whereby two general types of cases are filed: representation cases (RC, RM, VR, RD, UC, AC, and DD case categories) which determine what union if any will represent employees in specified bargaining units, and unfair labor practice charges (CA's & CB's) regarding wrongful conduct by employer and unions. The process is controlled by three programs: the investigative program, the administrative hearings program and by final decisions of the Board and General Counsel.

Generally, cases filed in the last quarter and some complex cases filed in prior fiscal years will carry over into the current fiscal year. Therefore, transactions occurring in the current fiscal year may reflect both pending cases (filed in previous fiscal years) as well as cases filed in the current fiscal year.

Representation Cases

Representation petitions under the Board's procedures are determined through an election process that results in certifying the prevailing union, if any, for a specified collective bargaining unit. Sometimes questions of representation must first be resolved through the hearing process which ends in an Administrative Law Judges Recommended Decision or Board Order. Additionally, the Executive Director will occasionally issue an Order Directing an Election after resolving certain issues or dismiss the petition if it is untimely.

The following types of petition initiate representation proceedings before the Board:

1. Representation/Certification Petitions (RC cases) are filed by an employee, group of employees, or a labor organization seeking the certification of an exclusive bargaining representative for employees in an appropriate unit.
2. Employer's Representation Petitions (RM cases) are filed by an employer alleging that one or more labor organizations have presented a claim to be recognized as an exclusive collective bargaining representative for a majority of the employees in an appropriate unit.
3. Voluntary Recognition Petitions (VR cases) are requests for certification of a unit without an election where the labor organization demonstrates it has a majority showing of interest in an appropriate unit and the employer voluntarily recognizes them as the unit's exclusive representative.

STATE OF ILLINOIS
ILLINOIS LABOR RELATIONS BOARD
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2007

SERVICE EFFORTS AND ACCOMPLISHMENTS (not examined) (continued)

4. Decertification Petitions (RD cases) seek a determination as to whether a majority of the employees in an appropriate bargaining unit maintain their desire to be represented by the existing exclusive bargaining representative.
5. Unit Clarification Petitions (UC cases) are filed by an exclusive collective bargaining representative or an employer seeking to clarify or amend an existing bargaining unit through the addition or deletion of a position without an election.
6. Petitions to Amend Certification (AC cases) are filed by an exclusive collective bargaining representative seeking to amend its certification whenever there is a change in its name or structure.
7. Declaration of Disinterest Petitions (DD cases) are filed by the labor organization to declare its disinterest in further representation of that bargaining unit.

The following caseload statistics were furnished by the Board and have not been examined.

Various Types of Representation Cases Filed	2007	2006	2005*
RC Representation/Certification Petition	186	213	216
RM Employer's Representation Petition	0	1	0
VR Voluntarily Recognition Petition	7	3	7
RD Decertification Petition	6	6	5
UC Unit Clarification Petition	121	89	80
AC Petition to Amend Certification	2	8	7
DD Declaration of Disinterest Petition	<u>8</u>	<u>9</u>	<u>3</u>
 Total Representation Cases Filed	 <u>330</u>	 <u>329</u>	 <u>318</u>

Declaratory Rulings

Employer and labor organizations may also request the Board's General Counsel to issue a declaratory ruling (DR) stating whether the Act requires bargaining over a particular subject or subjects. Such requests must be made jointly, unless it involves a protective services employee unit where a request for interest arbitration has been made.

STATE OF ILLINOIS
ILLINOIS LABOR RELATIONS BOARD
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2007

SERVICE EFFORTS AND ACCOMPLISHMENTS (not examined) (continued)

Mediation Cases

The investigative staff and attorneys mediate and advise parties on all unfair labor practice charges both during the investigation and just before the commencement of a hearing. These discussions many times will result in the resolution of the dispute and the withdrawal of the charge. The success of mediating cases can be shown in the percentage of cases that parties withdraw. The overall process discourages strikes and other labor unrest.

Additionally, the board provides Mediation/Arbitration (MA cases) services to parties who have reached an impasse in collective bargaining. The Board maintains a roster of mediators and arbitrators from which panels are provided to parties requesting such services. The Act prohibits protective services employees (security employees, peace officers, firefighters) from striking. Disputes over their negotiations are subject to mandatory mediation and interest arbitration. Units of non-protective services employees utilize mediation in the even impasse, and can only use interest arbitrations on agreement of the parties. Other services, such as fact finding, grievance arbitration and grievance mediation are provided at the request of one or both parties.

The Board provided services on the following mediation/arbitration cases to parties for the resolution of impasses in collective bargaining:

	2007	2006	2005*
Mediation/Arbitration Petitions	281	298	238
Grievance Arbitration Requests	<u>15</u>	<u>14</u>	<u>9</u>
Total Mediation/Arbitration Cases	<u>296</u>	<u>312</u>	<u>247</u>

Strike Investigations

If a unit of non-protective services employees engages in a strike that the employer believes presents “a clear and present danger to the health and safety of the public,” the employer may petition the Board for a strike investigation. The Board has 72 hours to determine whether such a clear and present danger exists. The employer may then take the Board’s findings to Circuit Court to seek to enjoin the work stoppage in a manner that would eliminate the danger. When employees have been enjoined from striking pursuant to this procedure, interest arbitration is used to resolve the issues in dispute.

STATE OF ILLINOIS
ILLINOIS LABOR RELATIONS BOARD
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2007

SERVICE EFFORTS AND ACCOMPLISHMENTS (not examined) (continued)

Unfair Labor Practice Cases

Section 10 of the Act prohibits employers and labor organizations from engaging in certain enumerated unfair labor practices. An employer, a labor organization or an employee may file an unfair labor practice charge with the Board. There are two types of unfair labor practice charges:

1. Charge Against Employer (CA cases) alleges that an employer has violated one of the provisions under Section 10(a) of the Act.
2. Charge Against Labor Organization (CB cases) alleges that a labor organization has violated one of the provisions under Section 10(b) of the Act.

Unfair Labor Practice Charges	2007	2006	2005*
CA Charge Against Employer	334	402	281
CB Charge Against Labor Organization	<u>74</u>	<u>92</u>	<u>72</u>
Total Unfair Labor Practice Cases	<u>408</u>	<u>494</u>	<u>353</u>
Total Cases Filed (Representation, Mediation and Unfair Labor Practice Cases)	<u>1,034</u>	<u>1,135</u>	<u>918</u>
Total Expenditures	<u>\$1,715,136</u>	<u>\$1,710,643</u>	<u>\$1,575,913</u>
Total Expenditures per Case Filed	<u>\$1,659</u>	<u>\$1,507</u>	<u>\$1,717</u>

* Some FY05 amounts have been changed to reflect updated Board records.