

REPORT DIGEST

**DEPARTMENT OF HUMAN RIGHTS
FINANCIAL AND COMPLIANCE AUDIT
(In Accordance with the Single Audit
Act of 1984 and OMB Circular A-128)
FOR THE TWO YEARS ENDED JUNE 30, 1995**

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FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1995

EXPENDITURE STATISTICS	FY 1995	FY 1994	FY 1993
● Total Expenditures (All Funds)	\$6,171,311	\$5,837,784	\$5,582,689
<u>OPERATIONS TOTAL</u>	\$6,135,413	\$5,826,909	\$5,582,689
% of Total Operations	99.4%	99.8%	100%
Personal Services	\$4,508,929	\$4,246,349	\$4,399,754
% of Operations Expenditures	73.5%	72.9%	78.8%
Average No. of Employees	133	133	136
Other Payroll Costs (FICA, Retirement)	\$ 758,933	\$ 820,241	\$ 846,292
% of Operations Expenditures	12.4%	14.1%	15.2%
Contractual Services	\$ 157,896	\$ 153,700	\$ 157,479
% of Operations Expenditures	2.6%	2.6%	2.8%
All Other Operations Items	\$ 709,655	\$ 606,619	\$ 179,164
% of Operations Expenditures	11.5%	10.4%	3.2%
<u>GRANTS TOTAL</u>	\$ 35,898	\$ 10,875	-0-
% of Total Expenditures	0.6%	0.2%	
● Cost of Property and Equipment	\$ 829,635	\$ 802,828	\$ 774,109

SELECTED ACTIVITY MEASURES	FY 1995	FY 1994	FY 1993
● Open Discrimination Cases as of 6/30	7,017	6,915	6,319
● New Discrimination Cases Files	4,332	4,491	4,391
● Percentage of Discrimination Cases Closed*	78%	69%	73%
● Number of Applications for State Contract Awards	3,688	3,419	5,778

AGENCY DIRECTOR(S)
During Audit Period: Rose Mary Bombela Currently: Rose Mary Bombela

*Does not include cases withdrawn by complainant.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INAPPROPRIATE EXPENDITURES CHARGED TO LAWSUIT SETTLEMENT

The Department inappropriately expensed items of at least \$257,546.63 of appropriated monies for the Bennett Lawsuit, filed in 1983. In May 1993, the State Legislature approved a

supplemental appropriation of \$698,915.50 to cover the costs of the settlement. The lawsuit charged that the Department's predecessor agency, the Illinois Fair Employment Practices Commission, closed charges of employment discrimination before the investigations were completed. The Settlement agreement of February 1993 provided that plaintiffs were given the option of accepting a monetary offer or choosing to have the Department reopen and investigate the case.

We examined 56 vouchers and discovered that 20 vouchers (36 percent) charged unrelated expenditures to the Bennett Lawsuit settlement. Payments included: travel for the Director, Deputy Director and Fiscal Officer, legal fees for a separate lawsuit, payroll for federal projects, computer purchases, petty cash, a Chicago conference, insurance on leased vehicles, drinking water, equipment rental and lodging for two employees at a New Orleans conference. Of the \$257,546.63, \$233,457.10, or 91 percent, was spent for computer equipment, which benefited the entire Department. (Finding 1, page 6)

Department officials did not agree that they inappropriately expended monies earmarked for the Bennett Lawsuit settlement. They did agree that \$4,981.80 of the monies charged were for operating expenditures that benefited the entire agency as well. However, they responded that the remainder of the funds (\$252,564.83) were legitimate expenditures charged to the Bennett Lawsuit. They also said that the Department recognized the importance of internal control through monitoring and the fiscal unit will intensify its efforts to more closely monitor all expenditures.

We do not agree with the Department's position and we stand by our finding and recommendation. While the Department originally estimated that 750 claimants would request the monetary payout and 100 claimants would request that the Department reopen their investigation, only 298 claimants received the monetary claim and 76 requested that their investigations be reopened, according to Department officials. Therefore, the original budget estimate of almost \$700,000 was high in its estimates of funds needed. Expenditures paid from this line item often had no relation to the Bennett case.

FAILURE TO MONITOR PUBLIC CONTRACTORS AND ELIGIBLE BIDDERS

The Department failed to monitor public contractors and eligible bidders for their compliance with non-discrimination and affirmative action requirements established through the Illinois Human Rights Act.

During the audit, Department officials advised us that no public contractors or eligible bidders were reviewed during fiscal years 1994-1995. The Illinois Human Rights Act requires the Department to monitor public contractors and eligible bidders for their compliance with non-discrimination and affirmative action requirements. **This finding has been repeated since 1989.** (Finding 2, page 10)

The Department officials agreed that adequate resources are needed to sufficiently monitor public contractors, but stated that they lost funding in fiscal year 1993 necessitating the layoff of

the staff responsible for this function. They now have a Program Administrator who will be able to perform compliance reviews on an emergency basis. For previous Department responses, see Digest Footnote 1.

OTHER FINDINGS

The remaining findings were less significant and are being given appropriate attention by the Department. We will review their progress towards the implementation of our recommendations in our next compliance audit.

AUDITORS' OPINION

Our auditors state the June 30, 1995 and 1994 financial statements of the Department of Human Rights are fairly presented.

_____**WILLIAM G. HOLLAND, Auditor General**

WGH:JMT

SUMMARY OF AUDIT FINDINGS

<u>Number of This Audit</u>	<u>Prior Audit</u>
Audit findings	44
Repeated audit findings	12
Prior recommendations implemented or not repeated	32

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors were Hoffman, Morrison & Fitzgerald, P.C.

DIGEST FOOTNOTES

#2: FAILURE TO MONITOR PUBLIC CONTRACTORS AND ELIGIBLE BIDDERS - Previous Agency Responses.

1993:"The Department of Human Rights has reviewed the needs of the Compliance Division and is very much aware of the importance of monitoring public contractors and eligible bidders to ensure that they are, and remain, in compliance with the Illinois Human Rights Act. Without additional resources the Department can only perform these duties on an emergency basis. Therefore, the Department will continue to seek funding from the state legislature for this purpose."

1991:"The Department believes that this finding misinterprets the meaning of the Illinois Human Rights Act (the Act) with respect to a

finding of noncompliance against a public contractor or eligible bidder. Section 2-105 (C) of the Act makes it a civil rights violation for a public contractor or eligible bidder to fail to comply with its non-discrimination and affirmative action duties provided that the Department has met two requirements: (1) notified the public contractor or eligible bidder in writing of possible non-compliance, and (2) given them a minimum of sixty days to comply. This section operates to limit the Department's authority to initiate a charge against a public contractor or eligible bidder prior to the expiration of the sixty days. It does not mandate any action by the Department nor precludes a public contractor or eligible bidder from replying after the sixty days run. It is common for companies under review to request, and for the Department to grant, extensions of time to submit compliance documents and nothing in the Act prohibits this.

The Department recognizes the necessity of continuing to improve its procedures for following up on its efforts to resolve noncompliance findings involving public contractors and eligible bidders, a task made very difficult by the fiscal resource limitations under which the Department operates. In an effort to support the Public Contracts Unit (PCU), an automated Public Contracts Information System (PCIS) was implemented during FY92 and is presently tracking the registration status of approximately 7,000 eligible bidders. The full implementation of PCIS will reduce the manual record-keeping tasks required of the PCU staff and will allow greater emphasis on compliance review activity. Another step, planned for FY93, is to develop an automated Compliance Review Tracking System, similar to the system used to track charge processing activity, on the Department's IBM System 36 computer. This will provide for more accurate tracking of compliance review events and response dates."

1989:"The amendment to the Act requiring a public contractor to correct deficiencies identified during a compliance audit within 60 days of being so notified by the Public Contract Unit was contained in PA 85-1229, signed by the Governor on August 30, 1988 and effective that date. It, therefore, applied only to those reviews initiated after that date. The auditors were notified of this fact and that consequently several of the files they examined would not contain a 60 day notice. The Public Contract Unit Program Administrator has developed and implemented a Public Contractor based Compliance Review Monitoring System to track the progress of Compliance reviews. A component of the system is a data field that electronically calculates the 60 day reply time to a notice of non-compliance. This allows more careful monitoring of the reply status. In addition, all specialists have been notified, and are aware of, their responsibility for follow up status."

Auditor General's comments:"The auditors selected and examined an equal number of files for both fiscal year 1988 and 1989. However, none of the files examined in each of the years contained a 60 day notice. We expected that all of the files examined for which reviews were initiated by the Agency after August 30, 1988 that indicated non-compliance would contain a 60 day notice. Again, as we noted earlier, none existed."