

## **Note:**

This report of the Illinois Workers' Compensation Commissions' Self-Insurers Security Fund (Fund) should be read in conjunction with the FY16 financial statements of the Fund and the auditor's report dated January 4, 2018.

In FY16, the auditors issued an adverse opinion on the Fund's financial statements due to the Commission having an inadequate process to determine the claims liabilities of the Fund, and because the proper accounting treatment for the insolvent self-insurer security collected by the State of Illinois is not determinable due to two different irreconcilable interpretations of the Worker's Compensation Act. Because of the adverse auditor opinion of the Fund's financial statements for the year ended June 30, 2016, the audit reports for the year ended prior to June 30, 2016 should not be relied upon without considering the auditor's report dated January 4, 2018.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION**

**FINANCIAL AUDIT  
(Self-Insurers' Security Fund)  
For the Year Ended June 30, 2011  
And  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2011**

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

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
FINANCIAL AUDIT  
SELF-INSURERS' SECURITY FUND  
For the Year Ended June 30, 2011  
And  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2011**

TABLE OF CONTENTS

	<u>Page</u>
Agency Officials .....	1
Management Assertion Letter.....	2
Compliance Report	
Summary .....	4
Accountants' Reports	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	11
Schedule of Findings	
Current Findings – <i>Government Auditing Standards</i> .....	13
Current Findings – State Compliance.....	15
Prior Findings Not Repeated .....	31
Financial Statement Report	
Summary .....	33
Independent Auditors' Report.....	34
Basic Financial Statements	
Statement of Net Assets.....	36
Statement of Revenues, Expenses, and Changes in Net Assets.....	37
Statement of Cash Flows.....	38
Notes to the Basic Financial Statements.....	39

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
FINANCIAL AUDIT  
SELF-INSURERS' SECURITY FUND  
For the Year Ended June 30, 2011  
And  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2011**

TABLE OF CONTENTS - Continued

	<u>Page</u>
Supplementary Information for State Compliance Purposes	
Summary .....	47
Fiscal Schedules and Analysis	
Schedule of Appropriations, Expenditures and Lapsed Balances.....	48
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances.....	52
Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) - Locally Held Funds .....	54
Schedule of Changes in State Property .....	55
Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller.....	56
Analysis of Significant Variations in Expenditures.....	59
Analysis of Significant Variations in Receipts .....	61
Analysis of Significant Lapse Period Spending .....	62
Analysis of Significant Account Balances.....	63
Rate Adjustment Fund - Schedule of Fund Balance (Not Examined).....	65
Status of Litigation (Not Examined).....	66
Analysis of Operations	
Agency Functions and Planning Program.....	68
Average Number of Employees.....	71
Emergency Purchases .....	72
Service Efforts and Accomplishments (Not Examined).....	73

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION**

**AGENCY OFFICIALS**

Chairman (3/22/10 to Current)	Mitch Weisz
Acting Chairman (11/21/08 to 3/21/10)	Amy Masters
Fiscal Officer (1/3/12 to Current)	Mary Wells
Acting Fiscal Officer (8/12/11 to 1/2/12)	Robert Devereaux
Fiscal Officer (1/6/06 to 8/11/11)	Carol Reckamp
Legal Counsel (4/1/11 to Current)	Ron Rascia
Legal Counsel (3/1/10 to 3/31/11)	Vacant
Legal Counsel (10/1/85 to 2/28/10)	Kathryn Kelley
Assistant General Counsel (4/1/10 to Current)	Darrell Widen

Agency offices are located at:

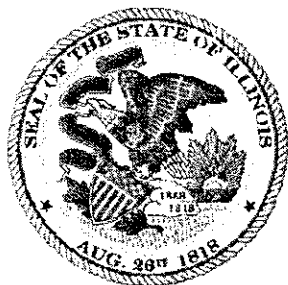
James R. Thompson Center  
100 W. Randolph Street, Suite 8-200  
Chicago, Illinois 60601

4500 S. 6th Street Frontage Road  
Springfield, Illinois 62703

401 Main Street, 6<sup>th</sup> Floor  
Peoria, Illinois 61602

200 S. Wyman  
Rockford, Illinois 61101

1014 Eastport Plaza Drive  
Collinsville, Illinois 62234



# Illinois Workers' Compensation Commission

100 W. Randolph, Suite 8-200  
Chicago, IL 60601  
312-814-6500

*Pat Quinn, Governor*

*Mitch Weisz, Chairman*

January 13, 2012

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


Ladies and Gentlemen:

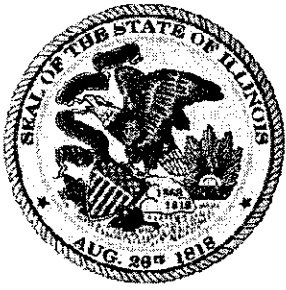
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois Workers' Compensation Commission (Commission). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Commission's compliance with the following assertions during the two-year period ended June 30, 2011. Based on this evaluation, we assert that during the years ended June 30, 2011 and June 30, 2010, the Commission has materially complied with the assertions below, except as identified in the Schedule of Findings.

- A. The Commission 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 Commission 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 Commission 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 Commission 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 Commission on behalf of the State or held in trust by the Commission 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 Workers' Compensation Commission

  
\_\_\_\_\_  
Mitch Weisz  
Chairman



# Illinois Workers' Compensation Commission

100 W. Randolph, Suite 8-200  
Chicago, IL 60601  
312-814-6500

*Pat Quinn, Governor*

*Mitch Weisz, Chairman*

A handwritten signature in cursive script, appearing to read "Robert Devereaux".

Robert Devereaux  
Acting Fiscal Officer

A handwritten signature in cursive script, appearing to read "Ron Rascia".

Ron Rascia  
Legal Counsel

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
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' REPORTS**

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>Current Report</u>	<u>Prior Report</u>
Findings	7	10
Repeated findings	6	6
Prior recommendations implemented or not repeated	4	1

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS ( <i>GOVERNMENT AUDITING STANDARDS</i> )			
11-1	13	Inadequate control over financial reporting	Material Weakness and Noncompliance
FINDINGS ( <i>STATE COMPLIANCE</i> )			
11-2	15	Inadequate controls over the Rate Adjustment Fund and Second Injury Fund programs	Noncompliance and Material Weakness
11-3	19	Noncompliance with the Fiscal Control and Internal Auditing Act	Noncompliance Significant Deficiency
11-4	21	Inadequate Controls over revenues, refunds and receivables	Noncompliance and Significant Deficiency



### FINDINGS (STATE COMPLIANCE)

11-5	23	Performance evaluations not completed annually and timely	Noncompliance and Significant Deficiency
11-6	25	Inadequate controls over Injured Workers Benefit Fund	Noncompliance and Significant Deficiency
11-7	28	Inadequate control over State property	Noncompliance and Significant Deficiency

In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also met the reporting requirements for State Compliance.

11-1	13	Inadequate control over financial reporting	Noncompliance and Material Weakness
------	----	---	-------------------------------------

### PRIOR FINDINGS NOT REPEATED

A	31	Lack of system development and change control standards
B	31	Computer security administration deficiencies
C	32	Lack of disaster contingency planning or testing to ensure recovery of computer systems
D	32	Inadequate strategic information technology planning

### **EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with the Commission personnel at an exit conference on January 11, 2012. Attending were:

#### Illinois Workers' Compensation Commission

Mitch Weisz, Chairman

Mark Kimmet, Chief Internal Auditor

Mary Wells, Chief Fiscal Officer

Robert Devereaux, Acting Fiscal Officer

Ron Rascia, Legal Counsel

Robert Ruiz, Insurance Compliance Manager

Auditor General

Kevin Carhill, Audit Manager

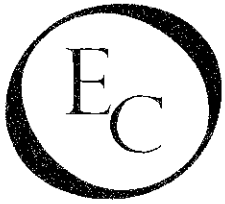
E. C. Ortiz & Co., LLP

Marites Sy, Partner

Epifanio Sadural III, Manager

Josephine Cabanos, Senior

The Commission's responses to the recommendations were provided by Mark Kimmet, Chief Internal Auditor and Robert Devereaux, Acting Fiscal Officer, and approved by the Chairman in a correspondence dated January 13, 2012.



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

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois Workers' Compensation Commission'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, 2011. The management of the State of Illinois Workers' Compensation Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois Workers' Compensation Commission's compliance based on our examination.

- A. The State of Illinois Workers' Compensation Commission 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 Workers' Compensation Commission 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 Workers' Compensation Commission 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 Workers' Compensation Commission 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 Workers' Compensation Commission on behalf of the State or held in trust by the State of Illinois Workers' Compensation Commission 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 Workers' Compensation Commission'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 Workers' Compensation Commission's compliance with specified requirements.

As described in findings 11-1 and 11-2 in the accompanying schedule of findings, the State of Illinois Workers' Compensation Commission did not comply with requirements A and C on the previous page. Requirement A refers to obligating, expending, receiving and using public funds of the State in accordance with the purpose for which such funds have been authorized by law. Requirement C refers to the assertion that the agency has complied in all material respects, with all applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the State of Illinois Workers' Compensation Commission to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois Workers' Compensation Commission complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2011. However, the results of our procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 11-3, 11-4, 11-5, 11-6, and 11-7.

#### Internal Control

Management of the State of Illinois Workers' Compensation Commission 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 Workers' Compensation Commission's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois Workers' Compensation Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in an entity's internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as items 11-1, and 11-2 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 11-3, 11-4, 11-5, 11-6, and 11-7, to be significant deficiencies.

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

The State of Illinois Workers' Compensation Commission's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine State of Illinois Workers' Compensation Commission's responses and, accordingly, we express no opinion on them.

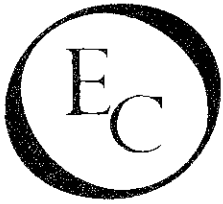
#### Supplementary Information for State Compliance Purposes

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 2011 and 2010 Supplementary Information for State Compliance Purposes, except for the Rate Adjustment Fund Schedule of Fund Balance, Status of Litigation and 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 2009 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, and agency management and is not intended to be and should not be used by anyone other than these specified parties.

*E.C. Ortiz & Co., LLP*  
January 13, 2012



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

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Self-Insurers' Security Fund of the State of Illinois Workers' Compensation Commission, as of and for the year ended June 30, 2011, and have issued our report thereon dated January 13, 2012. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

Management of the State of Illinois Workers' Compensation Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of Illinois Workers' Compensation Commission's internal control over financial reporting of the Self-Insurers' Security Fund as a basis for designing our auditing procedures 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 State of Illinois Workers' Compensation Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois Workers' Compensation Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting of the Self-Insurers' Security Fund that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. We consider the deficiency described in finding 11-1 in the accompanying schedule of findings to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Self-Insurers' Security Fund's financial statements are free of 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 finding 11-1.

The State of Illinois Workers' Compensation Commission responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the State of Illinois Workers' Compensation Commission's responses and accordingly, we express no opinion on them.

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

E.C. Artiz & Co., LLP

January 13, 2012



**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

11-1. **Finding** (Inadequate control over financial reporting)

The Illinois Workers' Compensation Commission - Self Insurers' Security Fund (IWCC-SISF) did not have adequate controls over financial reporting to allow management and employees to prevent or detect errors or misstatement in the financial reporting process and ensure proper reporting in accordance with Generally Accepted Accounting Principles (GAAP).

In our fiscal year 2009 report, we noted the Commission had several issues in its financial reporting process. The Commission did not recognize revenues in the correct accounting period; adjustments were not recorded to properly disclose the balance of the liabilities for unpaid claims; the liabilities for unpaid claims were not properly classified in the Statement of Net Assets; and the Commission did not perform a periodic review of its accounting estimates for unpaid claims. In fiscal year 2010, these findings were addressed and resolved by the Commission; however, we noted another issue whereby the Commission did not properly recognize revenue from proceeds of security deposits drawn by IWCC-SISF in accordance with the Workers' Compensation Act.

The State Finance Act (30 ILCS 105/5h) (Act) allows the State Treasurer and the State Comptroller to make transfers to the General Revenue Fund, the Healthcare Provider Relief Fund, or the Common School Fund, as directed by the Governor, out of special funds of the State, to the extent allowed by federal law in order to meet cash flow deficits and to maintain liquidity in the General Revenue Fund, the Healthcare Provider Relief Fund, and the Common School Fund. The Act states that any moneys transferred shall be repaid to the fund of origin within 18 months after the date on which they were borrowed.

During fiscal year 2011, the State Treasurer and the State Comptroller transferred \$10 million from IWCC-SISF fund to the General Revenue Fund (GRF). Because the transfer is to be repaid by the GRF to the IWCC-SISF fund in accordance with the Act, the transfer is considered an interfund loan which should have been recorded as interfund receivable in the books of IWCC-SISF. During our audit, we noted the \$10 million was recorded as interfund transfers and reported separately after nonoperating revenues and expenses of the IWCC-SISF financial statements instead of an interfund receivable. As a result, an adjustment was necessary to set up interfund receivables and adjust interfund transfers at year end.

The Fiscal Control and Internal Auditing Act, (30 ILCS 10/3001), requires all State agencies to establish and maintain a system of internal fiscal control to provide assurance that revenues, expenditures and transfers of assets, resources,

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS (Continued)**

or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports.

Governmental Accounting Standards Board 34, paragraph 112(a)(1) states, interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds. This activity should not be reported as other financing sources or uses in the fund financial statements.

Commission officials stated they have not established a formal Fiscal financial reporting policies and procedures to ensure accuracy and timely completion and review of accounting books and financial reports in accordance with GAAP. The accounting guidance for the proper treatment of the transfer was received from the Comptroller's Office during the transition of employees and was not communicated internally.

Inadequate control over financial reporting resulted in misstatements in the financial statements. (Finding Code Nos. 11-1, 10-1, 09-1)

**Recommendation**

We recommend management review its policies, procedures, and internal controls over financial reporting and provide adequate oversight to ensure the accuracy of information and recording of transactions, and appropriate application of accounting policies in accordance with Generally Accepted Accounting Principles.

**Commission Response**

The Commission agrees with this recommendation.

However, the Commission notes that it sent a letter to the Office of the Governor on July 21, 2011 requesting return of the \$10,000,000 transferred from the Self-Insurers' Security Fund to the General Revenue Fund per the Fund Transfer Notification dated November 3, 2010. The Commission disputes this transfer. The Commission believes the Self-Insurers' Security Fund, being a fund held in trust, is legally distinct from fund types traditionally swept or borrowed for the benefit of the General Revenue Fund. While no response has been received concerning this letter, the Commission expects to be repaid in fiscal year 2012 since by statute repayment is due within 18 months of borrowing.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE**

- 11-2. **Finding** (Inadequate controls over the Rate Adjustment Fund and Second Injury Fund programs)

The Illinois Workers' Compensation Commission (Commission) had major internal control weaknesses over its Rate Adjustment Fund and Second Injury Fund programs.

Rate Adjustment Fund (RAF)

The Rate Adjustment Fund was created in 1975 to provide annual cost of living adjustments (COLA) to persons who had received awards for permanent total disabilities or to the survivors of fatally injured workers.

In previous years, the Commission discovered payment discrepancy problems and conducted a review of all its RAF cases, their histories and payments to identify potential cases that may have been eligible for payments. As a result, the Commission, together with the Office of the Comptroller, estimated a potential liability for back claims ranging from \$18 to \$ 22 million.

The Commission hired a Program Manager in fiscal year 2009 to help develop and improve policies and procedures and design an integrated database for the RAF. The position of the Program Manager was vacant in September 2010 due to State cost saving measures.

The policies and procedures developed by the Program Manager were not formally approved, implemented, and procedures were often not followed.

During our current review of the RAF processes and procedures, we noted the following internal control deficiencies.

1. The RAF database was not timely updated. The RAF maintains a database that compiles information on self-insured entities and insurance companies. This database is the basis used by the Commission to generate its semi-annual assessments. After assessment payments are received from self-insured entities and insurance companies, the database is updated for information such as the workers compensation paid and RAF assessment received from the entities and insurance companies. Our review of the database revealed insurance companies' information was not timely updated. The Commission receives a monthly bulletin from the Department of Insurance listing newly created insurance companies and address changes of existing insurance companies subject to RAF remittances. The monthly bulletins were not reconciled with the roster of insurance companies maintained in the database.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

As such, assessment notices may be sent to the wrong insurance company addresses and/or not be sent to the newly created ones subject to RAF. During our testing of 60 changes from the monthly bulletin, we noted the following:

- Two insurance companies listed on the Department of Insurance monthly bulletin subject to RAF remittances were not in the database; therefore these insurance companies were not billed for RAF assessments. A new insurance company from the same list was in the database but the assessment form could not be located.
  - An updated address of an insurance company was not reflected in the database.
2. As part of the draft policies and procedures manual, the Commission developed a procedure to track cases appealed to the Circuit Court. However, our testing indicated that the procedures were not followed. In addition, there were no procedures established and observed to track cases appealed to Appellate or Supreme Court. As such, some RAF appealed cases may not have been paid when final decisions from these Courts were made.
  3. The Commission did not have adequate procedures to timely terminate RAF benefit payments. In 2 of 51 (4%) cases where eligibility to receive RAF benefit payments had ended, beneficiaries continued to receive payments for periods of one and four months. This resulted in overpayments of \$528.65 and \$2,621.80 respectively. The Commission did not prepare overpayment refund letters to pursue collection of these overpayments.
  4. The Commission did not follow internal control procedures established to ensure that information entered into the RAF database was accurate. During our testing of benefit payments, we noted the following:
    - Two of 60 (3%) new cases tested had no evidence that a review was performed to ensure accuracy of data entry input into the database.
    - One of 60 (2%) new cases tested had a beneficiary address not updated in the database.

Second Injury Fund (SIF)

The SIF pays benefits if a worker who had previously incurred the complete loss or use of a member (one hand, arm, foot, leg, or eye) is injured on the job and suffers the complete loss of another member so that he or she is permanently and

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

totally disabled (PTD). The SIF pays the amount necessary to provide the worker with a PTD indemnity benefit. All recipients receiving SIF benefits are also eligible to receive RAF benefits. These awards are usually paid over many years to eligible recipients and are funded by assessments on employers.

The Commission did not have adequate procedures to timely terminate SIF benefit payments. In two cases where eligibility to receive SIF payments had ended during fiscal year 2011 because of death, payments continued to be made. One beneficiary received payments for seven months after death resulting in an overpayment of \$24,266.62, and in addition, RAF benefit payments associated with that was also overpaid by \$744.30. At the conclusion of our fieldwork, the Commission was in the process of seeking reimbursement for these overpayments from the estate of the beneficiary. The other beneficiary continued to receive 2 months of benefit payments after death totaling \$96.00. The Commission did not seek reimbursement for this overpayment.

The State Records Act (5 ILCS 160/8) states the head of each agency shall cause to be made and preserved records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities.

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

Good business practice would also require policies and procedures are established and approved to guide employees in the performance of their duties and responsibilities.

Commission officials stated the issues identified were due to lack of policies and procedures for these programs.

Inadequate internal controls resulted in RAF program errors over revenue and benefit payments which were not corrected. (Finding Code Nos. 11-2, 09-2, 07-1)

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

CURRENT FINDINGS – STATE COMPLIANCE (Continued)

**Recommendation**

We recommend Commission management strengthen internal controls and procedures over the RAF and SIF programs to prevent, detect and correct misstatements or noncompliance on a timely basis. We also recommend the Commission formally approve policies and procedures on the administration of the Rate Adjustment Fund and develop written procedures for the Second Injury Fund.

**Commission Response**

The Commission agrees with this recommendation. While written comprehensive procedures exist which include controls for accurate, appropriate, and timely processing RAF payments, these procedures have not been consistently applied. These procedures need to be updated and formally approved.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

11-3. **Finding** (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Illinois Worker's Compensation Commission (Commission) did not comply with the Fiscal Control and Internal Auditing Act (FCIAA).

In previous engagements, the Commission did not file the FCIAA certification for fiscal years 2004, 2005, 2006, and 2007, 2008 and 2009. In the current engagement, it was noted the FCIAA certifications for fiscal years 2010 and 2011 were still not filed in compliance with the Fiscal Control and Internal Auditing Act.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3003) requires that by May 1 of each year the chief executive officer of all State agencies prepare and transmit to the Auditor General a certification as to whether or not the system of internal fiscal and administrative controls comply with the requirements of FCIAA. The State Comptroller has established guidelines for the evaluation of an agency' systems of internal fiscal and administrative controls and the certification required.

The Commission is not relieved from the responsibility for maintaining an effective internal control system merely because the Commission is not designated and required to have a full-time program of internal auditing under the FCIAA. Agencies which do not have full-time internal audit programs may have internal audits performed by the Department of Central Management Services (30 ILCS 10/2001(b)).

Commission Officials stated that insufficient work was completed to support a FCIAA Certification Letter by the May 1, 2011 deadline.

While the Commission is not required to have a full-time program of internal auditing, an evaluation and certification of the Commission's internal control is necessary in order to comply with State law. (Finding Code Nos. 11-3, 09-4, 07-2, 05-3, 03-3, 01-4)

**Recommendation**

We recommend the Commission comply with the requirements of the Fiscal Control and Internal Auditing Act.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

CURRENT FINDINGS – STATE COMPLIANCE (Continued)

**Commission Response**

The Commission agrees with this recommendation. The Commission hired a Chief Internal Auditor in May 2011 who plans to evaluate internal controls before the next certification deadline of May 1, 2012.



**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

11-4. **Finding** (Inadequate Controls over revenues, refunds and receivables)

The Illinois Workers Compensation Commission (Commission) did not deposit receipts timely. In addition, the Commission did not file an accurate annual Fee Imposition report on the required due date. Lastly, the Commission did not file quarterly receivable reports with the Comptroller.

During our testing, we noted the following:

- 3 of 40 (8%) receipts tested totaling \$142,584.61 were not deposited timely. Two of these receipts were deposited 8 and 30 days late. Another receipt of \$11,182.51 was deposited 444 days late.
- The fiscal year 2011 Fee Imposition Report was not filed timely with the Office of the Comptroller. The report was due August 1, 2011 but it was filed August 5, 2011 or 4 days late. In addition, the Fee Imposition reports for fiscal year 2011 and 2010 filed with the Office of the Comptroller did not include receipts of the Self-Insurer's Security Fund.
- The Quarterly Summary of Accounts Receivable – Accounts Receivable Activity (C-97) and the Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables (C-98) were not filed in several instances. During fiscal years 2010 and 2011, of the 40 quarterly reports that were required to be filed with the Office of the Comptroller for the 5 funds, only 9 (22%) were filed.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2) (Act), requires all monies received must contain proper documentation showing the date of receipt, the payor, purpose and amount. The Act also requires the Commission to deposit into the State Treasury individual receipts exceeding \$10,000 on the same day, any accumulation of receipts of \$10,000 or more within 24 hours, receipts valued between \$500 and \$10,000 within 48 hours, and cumulative receipts valued up to \$500 on the next first or fifteenth day of the month after receipt unless a different time of payment is expressly provided by law or by rules or regulations promulgated jointly by the State Treasurer and the State Comptroller in accordance with the Illinois Administrative Procedure Act.

Statewide Accounting Management Systems procedure 33.16.20, page 3 states the agency's fee imposition report must be filed by August 1 with the agency head's cover letter which certifies all the information provided is complete and accurate.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

Statewide Accounting Management System procedure 26.30.10, page 1 states that State agencies shall report receivables information to the Comptroller quarterly.

Commission officials stated the receipts were not deposited timely due to oversight. The check for the receipt that was deposited 444 days was misplaced and was deposited once it was found. The Fee Imposition Report was not filed timely due to staff turnover and the Self-Insurers Security Fund receipts were not reported due to oversight. The C-97 and C-98 reports were not filed quarterly because receivables for most of the funds were only reported at the end of the year for GAAP purposes.

Failure to deposit collections in a timely manner may result in lost interest revenue and increased the risk of misappropriation of funds. Untimely filing of the fee imposition report may result in inaccurate statewide revenues compiled by the Comptrollers for the General Assembly. Failure to file the required C-97 and C-98 reports reduces the ability of the State to reliably report the status of receivables and related collection activity of each fund and the State as a whole. (Finding Nos. 11-4)

**Recommendation**

We recommend the Commission ensure monies collected are deposited timely in accordance with State statutory requirements. We also recommend the Commission timely file the fee imposition report and provide adequate oversight so that receivables are properly recognized and reported quarterly to the Comptroller's Office.

**Commission Response**

The Commission agrees with this recommendation.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

CURRENT FINDINGS – STATE COMPLIANCE (Continued)

11-5. **Finding** (Performance evaluations not completed annually and timely)

The Illinois Workers Compensation Commission (Commission) did not complete performance evaluations for its employees on a timely manner for fiscal years 2011 and 2010.

During our testing of 51 employee files for performance evaluations, we noted the following:

- Seven (14%) employees did not have performance evaluations for either fiscal years 2011 or 2010;
- Sixteen (31%) employees did not receive their annual performance evaluations timely for fiscal years 2011 and 2010. Performance evaluations for these employees were completed 78 to 715 days late; and

The current Chairman of the Commission reviews the caseloads of the arbitrators and commissioners on a regular basis and communicates production backlogs as appropriate. However we noted that performance evaluations for arbitrators, commissioners and commissioner's staff were not formally documented or maintained in the personnel files.

Personnel rules issued by the Department of Central Management Services (80 Ill. Adm. Code 302.270(d) require performance records to include an evaluation of employee performance prepared by each agency not less often than annually.

Commission officials stated performance evaluations were not performed or not timely performed because supervisory employees did not assign high priority to periodic performance reviews. Commission officials further stated no annual performance evaluations were written for arbitrators, commissioners, and commissioner's staff with the misunderstanding that they fell under a different performance system. The Chairman reviews the arbitrators' and commissioners' cases and production backlogs on a monthly basis and meets with those whose performance results falls below expectations.

Performance evaluations are a systematic and uniform approach used to provide feedback and communication of performance expectations to employees. This is necessary in order to make employees aware of their supervisor's assessments of their performance. Without timely completion of an employee performance evaluation, the employee would not be provided with formal feedback or assessment of his or her performance, and areas for improvements and current year's performance goals and objectives may not be identified and communicated

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

in a timely manner. Performance evaluations should also serve as a foundation for salary adjustments, promotions, demotions, discharges, layoffs, recalls and retirement decisions. (Finding Code Nos. 11-5; 09-05; 07-3, 05-4)

**Recommendation**

We recommend the Commission comply with the statute and the Illinois Administrative Code and complete performance evaluations for all employees as required. Management should also design monitoring procedures to ensure that performance evaluations are completed timely.

**Commission Response**

The Commission agrees with this recommendation. While this is a repeat finding, the Commission would like to note that compliance improved markedly from the fiscal year 2008-2009 as a concerted effort was made to have all employee evaluations completed and signed by June 30, 2011. While 52% of employees tested for fiscal years 2008 and 2009 did not have employee evaluations, this dropped to 14% for fiscal years 2010 and 2011. Some of the missing evaluations concerned Arbitrators, Commissioners or their staff who were not evaluated since the Commission did not consider them to fall under the usual performance system. To remedy this, evaluation forms specific to Arbitrators and Commissioners are being developed so the evaluations do not infringe upon their independence in deciding cases.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

11-6. **Finding** (Inadequate controls over Injured Workers Benefit Fund)

The Illinois Workers' Compensation Commission (Commission) did not have adequate controls to ensure that settlements for noncompliance with insurance requirements in accordance with the Workers Compensation Act (Act) are properly documented and monitored.

The Commission, through its Insurance Compliance Department (ICD), administers the Injured Workers Benefit Fund (Fund). The Fund receives and records monies from fees and fines assessed in accordance with the Act. Monies in the fund are expended pursuant to General Assembly appropriations, for payment of workers' compensation benefits for injured employees when the employer has failed to provide coverage.

The ICD investigates employers for noncompliance with the requirement to maintain insurance in accordance with the Act. Employers found noncompliant are penalized of up to \$500 per day for noncompliance or a minimum of \$10,000 if an order is issued by the Commission. The ICD determines the amount of penalty and settles with uninsured employers using the following factors:

- a. The length of time the employer has no coverage;
- b. The number of worker's compensation claims filed against the employer;
- c. Past violation of insurance requirement;
- d. Number of employees;
- e. Employer ability to secure and pay for worker's compensation insurance; and
- f. Existence of mitigating circumstances such as cooperation and willingness to comply.

Although the policy lists the factors to be considered by investigators to determine the penalty or settlement, there is no adequate documentation to support that the guidelines established were observed by the ICD to define the settlement/penalty amount charged to noncompliant employers. The Act requires a penalty of up to \$500 per day for noncompliance or a minimum of \$10,000 after a hearing is held before the Commission. The penalty or settlement amounts of 25 case files tested ranged between \$500 and \$250,000 but there was no documentation maintained to show how the penalties were determined, the basis for reducing the penalties, or the extent of reduction that can be made on the penalty initially determined.

The ICD maintains manual case files which contain correspondences with uninsured employers, settlement agreements, and other documents gathered during investigation and settlement. During our testing of 25 case files, we noted 2 case

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

files that were inactive from the time of the settlement date. The case files had no indications whether the cases were settled, paid, or referred to the Attorney General. It was later determined that these files were put on hold in previous years and were eventually misplaced. In addition, in 1 of 25 (4%) manual files tested, the settlement amount was paid to the ICD over several months. The final payment of the settlement per settlement agreement examined was April 30, 2009. The final settlement amount was received by the ICD August 6, 2009 or 95 days after the final settlement date. According to the Commission, a renegotiation of the payment terms may have been agreed between the ICD and the uninsured employer because the database maintained by the ICD indicated that the final settlement date was July 31, 2009 not April 30, 2009. We cannot determine whether a renegotiation has occurred because there is no documentation maintained in the case files to support the assertion of the Commission.

The State Records Act (5 ILCS 160/8) states the head of each agency shall cause to be made and preserved records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities.

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

Good business practice requires formal policy and procedures be established to guide employees in the performance of their duties and responsibilities.

Commission officials stated they believe the Commission complied with the audit recommendations in the prior year to establish formal policies and procedures to provide guidelines and negotiation and settlement of uninsured employers when the ICD formally established the factors to be considered by the investigators in settling a case.

Inadequate internal control procedures may result in errors not timely detected and corrected. (Finding Code Nos. 11-6, 09-3)

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

CURRENT FINDINGS – STATE COMPLIANCE (Continued)

**Recommendation**

We recommend the Commission strengthen its control over its determination of penalty and settlement amount for uninsured employers. Adequate documentation should be maintained to support the basis of the penalty imposed and the settlement amount agreed by the Commission with uninsured employers. We also recommend the Commission provide adequate oversight so that both manual and electronic case files are properly maintained.

**Commission Response**

The Commission agrees with the recommendation. The Insurance Compliance Department will begin providing written documentation in the case files showing how each settlement amount was determined including reference to the factors considered important according to Commission policy.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

CURRENT FINDINGS – STATE COMPLIANCE (Continued)

11-7. **Finding** (Inadequate control over State property)

The Illinois Workers' Compensation Commission (Commission) did not maintain adequate control over State property. The Commission's property and equipment reported on its Agency Report of State Property (C-15) as of June 30, 2011 and June 20, 2011 were \$2,702,176 and \$2,645,318, respectively.

During our testing, we noted the following:

1. The Commission purchased a fixed assets computer system (system) for \$6,000 in fiscal year 2007 to properly account for all equipment owned and maintained by the Commission. The system was supposed to be fully operational beginning fiscal year 2010. During fiscal year 2010 and 2011, the system did not contain complete records of the Commission's equipment and was not being utilized as planned. Because the system did not contain complete property records, a separate excel file was maintained to account for assets reported to the Office of the Comptroller through the quarterly C-15 reports.
2. The detailed asset listings from the excel file for fiscal years 2010 and 2011 were not maintained and organized to allow proper accountability. The detailed asset listing did not include information such as the voucher number, location of the asset and the department/division charged with custody. In addition, the following problems were noted:
  - Asset tag numbers were not assigned to 70 equipment items totaling \$71,043.18 purchased in fiscal year 2011; 82 equipment items totaling \$52,101.94 purchased in fiscal year 2010; and 8 equipment items totaling \$4,018.57 purchased in fiscal year 2009.
  - Asset tag numbers were also not assigned to 65 equipment items totaling \$54,320.00. There was no indication of purchase dates for these equipment items.
3. The Commission did not maintain detailed asset listings to support the amounts reported in the quarterly C-15 reports. As such tracing of the quarterly C-15 information to supporting documentation could not be performed.



**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

4. Eight of 30 (27%) equipment items tested from the Commission's detailed asset listing could not be physically located. In addition, two asset tag numbers listed as IBM monitors in the detailed property listing were determined to be a 5-drawer cabinet and a desk during physically inspection.
5. Eight of 30 (27%) equipment items physically inspected could not be traced to the property listing. An asset tag number for equipment that was physically inspected was assigned twice to different assets in the property listing. The characteristics of 2 of 30 (7%) equipment items physically inspected did not match with the description of the assets in the property listing. A Keypad tray was an IBM display and Dell monitor was a mail cart when traced to the property listing through their tag numbers.

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 which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

The State of Illinois Central Management Services (CMS) Property Management Policies and Procedures (44 Illinois Administrative Code 5010.230) states the following items must be entered on all agency records and provided by the agencies for Property Control Division records; Identification Number, Location Code Number, Description, Date of Purchase, Purchase Price, Object Code and Voucher Number. Further, CMS Property Management Policies and Procedures (44 Illinois Administrative Code 5010.210) states agencies are responsible for marking each piece of State-owned equipment in their possession with a unique six digit identification number to be assigned by the agency holding the property and Section 5010.240 requires agencies to use the proper location code for reporting the location of equipment.

Commission officials stated these were caused by a lack of adequate procedures and communication concerning the receipt, recording and tagging of State property and equipment and not completing the reconciliation of physical assets to the asset sub-ledger. The Commission is in the process of developing procedures to clearly identify responsibilities of those receiving, accounting for and tagging assets. These procedures will include what information is required when recording assets in the asset sub-ledger upon receipt or transfer, as well as who is responsible for assigning and attaching asset tags.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

Inadequate control over State property may result in inaccurate statewide property information and impairs the ability of the Commission to safeguard its assets. (Finding Code Nos. 11-7, 09-6, 07-4, 05-5, 03-7)

**Recommendation**

We recommend the Commission adhere to Statutory and Administrative requirements and improve its control over property and equipment.

**Commission Response**

The Commission agrees with this recommendation.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

**PRIOR FINDINGS NOT REPEATED**

A. **Finding** (Lack of system development and change control standards)

During the prior year engagement, the Commission did not establish a formal system development methodology to assist in the planning, development, testing and implementation of computer applications. In addition, the Commission did not have change control procedures for documenting the identification of problems, the requests and approvals of program changes, or the movement of authorized changes into production for all applications. (Finding Code Nos. 09-7, 07-6, 05-8, 03-10, 01-3)

Status: Partially Implemented

During the current year engagement, the Commission had rewritten some of its critical applications; however, a formal systems development methodology had yet to be established and documented. The Commission formally implemented a tool to support the change control procedures in documenting the identification of problems, requests and approvals of program changes, and movements of authorized changes into production for all applications. However, the Commission had still neither updated nor documented its policies and procedures related to the management, control and request for changes. Thus, this part of the prior year finding was reported to the Commission in the Report of Immaterial Findings.

B. **Finding** (Computer security administration deficiencies)

During the prior year engagement, the Commission did not establish adequate security policies and controls over its computer environment. The computer policy was outdated and did not provide details with regards to computer operations at the Commission. In addition, employees were not required to change their passwords on a regular basis to gain access to the local area network. (Finding Code Nos. 09-8; 07-7; 05-9, 03-9)

Status: Partially Implemented

During the current year engagement, the Commission updated several computer policies to address the prior year finding. However, there are still a few policies that need to be updated to fully address the finding and thus were reported to the Commission in the Report of Immaterial Findings.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF FINDINGS**

PRIOR FINDINGS NOT REPEATED (Continued)

- C. **Finding** (Lack of disaster contingency planning or testing to ensure recovery of computer systems)

During the prior year engagement, the Commission did not have a formal comprehensive disaster contingency plan to promote recovery of its computer systems. In addition, recovery tests had not been performed on the local area network. (Finding Code No. 09-9)

Status: Partially Implemented

During the current year engagement, the Commission developed a preliminary disaster recovery plan and tested some critical applications. However, the preliminary disaster recovery plan did not include provisions for an alternate recovery site, procurement plans for replacement of equipment, or defined personnel assignments in the event of disaster to fully address the prior year finding and thus were reported to the Commission in the Report of Immaterial Findings.

- D. **Finding** (Inadequate strategic information technology planning)

During the prior year engagement, the Commission did not have an information technology steering committee or an effective strategic planning process to guide ongoing and future IT projects. (Finding Code No. 09-10)

Status: Partially Implemented

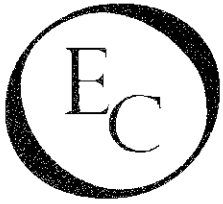
During the current year engagement, the Commission established an information technology steering committee and developed a strategic planning process. These efforts have been in place since February 2010. What remains to be completed is the development of sections in the Strategic Plan document and its subsequent approval. Thus, this part of the prior year finding was reported to the Commission in the Report of Immaterial Findings.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the Self-Insurers' Security Fund of the State of Illinois Workers' Compensation Commission was performed by E.C. Ortiz & Co., LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Self-Insurers' Security Fund's financial statements.



## INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Self-Insurers' Security Fund of the State of Illinois Workers' Compensation Commission as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the State of Illinois Workers' Compensation Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Self-Insurers' Security Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois Workers' Compensation Commission as of June 30, 2011, and its changes in financial position including cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Self-Insurers' Security Fund of the State of Illinois Workers' Compensation Commission as of June 30, 2011, and the changes in financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2012 on our consideration of the State of Illinois Workers' Compensation Commission's internal control over financial reporting of the Self-Insurers' Security Fund and on our tests of the State of Illinois Workers' Compensation Commission's compliance with certain provisions of laws, regulations, contracts and, grant agreements and other matters. The purpose of that report is 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

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 our audit.

The State of Illinois Workers' Compensation Commission has not presented a management's discussion and analysis and budgetary comparison information for the Self-Insurers' Security Fund that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Self-Insurers' Security Fund of the State of Illinois Workers' Compensation Commission.

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

*E. C. Ortiz & Co., LLP*  
January 13, 2012

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
STATEMENT OF NET ASSETS  
June 30, 2011**

**ASSETS**

**Current Assets**

Cash in State Treasury	\$ 22,888,832
Cash in Bank and on Hand	36,587
Cash in Transit	1,861
Accrued Interest Receivable	10,157
Excess Insurance Receivable	402,777
Securities Lending Collateral	8,928,000
Due from Other Funds	10,000,000
Total Current Assets	<u>42,268,214</u>

Total Assets	<u><u>\$ 42,268,214</u></u>
--------------	-----------------------------

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 190,317
Due to Other Funds	2,619
Obligations Under Securities	8,928,000
Deferred Security Deposit	12,858,857
Liabilities for Unpaid Claims	681,038
Total Current Liabilities	<u>22,660,831</u>

**Noncurrent Liabilities**

Compensated Absences	33,000
Liabilities for Unpaid Claims	7,567,513
Total Noncurrent Liabilities	<u>7,600,513</u>

Total Liabilities	<u>30,261,344</u>
-------------------	-------------------

**NET ASSETS**

Restricted Net Assets	<u>12,006,870</u>
-----------------------	-------------------

Total Liabilities and Net Assets	<u><u>\$ 42,268,214</u></u>
----------------------------------	-----------------------------

The accompanying notes are an integral part of the financial statements.



**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2011**

**OPERATING REVENUES**

Assessments	\$ 1,480,420
Excess Insurance Recoveries	370,153
Security Deposits	20,000
Total Operating Revenues	<u>1,870,573</u>

**OPERATING EXPENSES**

Personal Services	117,711
Employee Retirement	33,076
Social Security Contribution	8,664
Group Insurance	20,638
Travel	1,376
Contractual Services	2,688
Telecommunications	437
Printing	19
Deposit Refunds	116,513
Benefit Payments	811,096
Total Operating Expenses	<u>1,112,218</u>

Operating Income	<u>758,355</u>
------------------	----------------

**NONOPERATING REVENUES**

Interest Income	<u>103,058</u>
Total Nonoperating Revenues	<u>103,058</u>

Change in Net Assets	861,413
----------------------	---------

<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>11,145,457</u>
--------------------------------------	-------------------

<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 12,006,870</u></u>
--------------------------------	-----------------------------

The accompanying notes are an integral part of the financial statements.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Assessments, Excess Insurance Recoveries and Security Deposits	\$ 1,657,318
Security Deposits Collected and Interest of Deposits Held	1,544,960
Payments to Suppliers - Net	(499,010)
Payments to Employees and Other Personal Services	(180,295)
Deposit Refunds Paid	(116,513)
Benefit Payments	(1,318,739)
Net Cash Provided by Operating Activities	<u>1,087,721</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY**

Transfer to the General Revenue Fund	<u>(10,000,000)</u>
Net Cash Used in Noncapital Financing Activity	<u>(10,000,000)</u>

**CASH FLOWS FROM INVESTING ACTIVITY**

Interest and Dividends on Investments	<u>119,298</u>
Net Cash Provided by Investing Activity	<u>119,298</u>

Net Decrease in Cash in State Treasury, Cash in Bank , on Hand and In-transit (8,792,981)

Cash in State Treasury, Cash in Bank and on Hand, Beginning of Year 31,720,261

Cash in State Treasury, Cash in Bank and on Hand, End of Year \$ 22,927,280

**Reconciliation of Operating Loss to Net Cash**

**Used in Operating Activities:**

Operating Income	\$ 758,355
Adjustments to Reconcile Operating Loss to Cash Flows from Operating Activities	
Changes in Assets and Liabilities:	
Deferred Security Deposit	1,544,960
Excess Insurance Receivable	(213,255)
Accounts Payable	(480,659)
Due to Other Funds	(13,831)
Compensated Absences	(206)
Liabilities for Unpaid Claims	(507,643)
Net Cash Provided by Operating Activities	<u><u>\$ 1,087,721</u></u>

The accompanying notes are an integral part of the financial statements.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

**(1) Description of Funds**

The Illinois Workers' Compensation Commission Self-Insurers' Advisory Board (the "Board") established within the Illinois Workers' Compensation Commission (Commission) administers the Self-Insurers' Security nonshared proprietary fund described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

The Self-Insurers' Security Fund (940), (the "Fund"), was established by the Workers' Compensation Act (820 ILCS 305/4a-5). The Fund provides compensation to employees of insolvent self-insured employers for any type of injury or occupational disease and all claims for related administrative fees, operating costs of the Board, attorney fees and other costs reasonably incurred by the Board. The Commission may upon the direction of the Board from time to time assess each of the private self-insurers a pro rata share of the funding reasonably necessary to carry out its activities.

**(2) Summary of Significant Accounting Policies**

The financial statements of the individual nonshared proprietary funds administered by the Self-Insurers' Advisory Board established within the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

**A. Reporting Entity**

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- i) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- ii) Fiscal dependency on the primary government.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

Based upon the required criteria, the Self-Insurers' Security nonshared proprietary fund does not have any component unit, nor is it a component unit of another entity. However, because the Self-Insurers' Security nonshared proprietary fund is not legally separate from the State of Illinois (State), it is included in the financial statements of the State as a proprietary fund. The State's Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

The financial statements present only the Self-Insurer's Security nonshared proprietary fund administered by the Self-Insurers' Advisory Board established within the Commission and do not purport to, and do not, present fairly the financial position of the Commission as of June 30, 2011, and changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**B. Basis of Presentation**

In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A statement of net assets; statement of revenues, expenses and changes in net assets; and statement of cash flows has been presented for the Self-Insurers' Security nonshared proprietary fund administered by the Self Insurers' Advisory Board established within the Commission.

Operating revenues, such as security deposits, assessments, and excess insurance reimbursements, result from exchange transactions associated with the principal activity of the Self Insurer's Security Fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

**C. Basis of Accounting**

The Self-Insurers' Security nonshared proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Self Insurers' Advisory Board gives (or receives) value without directly receiving (or giving) equal value in exchange are not applicable. On an accrual basis, revenues from assessments, reimbursements from excess insurance, and security deposits are recognized in the fiscal year in which the underlying exchange transaction occurs. Resources received before the exchange has occurred are reported as deferred revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Self-Insurers' Security nonshared proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The State also has the option of following subsequent private-sector guidance for their business type activities and enterprise funds, subject to this same limitation. The State has elected not to follow subsequent private-sector guidance for the Self-Insurers' Security nonshared proprietary fund administered by the Self-Insurers' Advisory Board established within the Commission.

**D. Cash and Cash Equivalents**

Cash and cash equivalents consist principally of deposits held in the State Treasury. Cash and cash equivalents also include cash in bank and on hand and cash in transit.

**E. Compensated Absences**

The liability for compensated absences reported in the individual nonshared proprietary funds consists of unpaid, accumulated vacation and sick leave balances for Fund Employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and medicare tax).

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

**F. Net Assets**

Equity is displayed in one component as follow:

*Restricted* - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when needed.

**G. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(3) Deposits**

The State Treasurer is the custodian of the State's deposit and investment maintained in the State Treasury. As of June 30, 2011, deposits in the custody of the State Treasurer was \$22,888,832 of which \$12,858,857 is restricted for the payment of deferred security deposits which consist of letters of credit drawn upon and held by the Commission as a security for the payment of the private self-insurers' obligations incurred under the Workers' Compensation Act, cash in bank and on hand was \$36,587 and cash in transit was \$1,861.

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Self Insurers' Advisory Board does not

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

own individual securities. Details on the nature of these deposits and investments are available within the State of Illinois, Comprehensive Annual Financial Report (CAFR).

**(4) Excess Insurance Receivable**

Excess insurance receivable consists of receivables from insurance companies as reimbursements of claims paid by the Commission in excess of the retention limit.

**(5) Due from/ to Other Funds**

Due from other funds represents transfer to the General Revenue Fund (GRF) of \$10,000,000 requested by the Office of the Comptroller on November 3, 2010. This amount was transferred pursuant to the State Finance Act (30 ILCS 105/5h) (Act), which allows the State Treasurer and the State Comptroller to make transfers to the GRF, the Healthcare Provider Relief Fund, or the Common School Fund, as directed by the Governor, out of special funds of the State, to the extent allowed by federal law in order to meet cash flow deficits and to maintain liquidity in the GRF, the Healthcare Provider Relief Fund, and the Common School Fund.

The following balances at June 30, 2011 represent amounts due to other Agency and State of Illinois Funds:

Office of the Auditor General	\$ 844
State Employees' Retirement System	853
Central Management System	922
	<u>\$ 2,619</u>

**(6) Securities Lending Transaction**

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2011, Deutsche Bank Group lent U.S. Agency Securities, U.S. Treasury Bills, and U.S. Agency Discount Notes and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank Group provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank Group is obligated to indemnify the State Treasurer if Deutsche Bank Group loses any securities, collateral or investments of the State Treasurer in Deutsche Bank Group's custody. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or Deutsche Bank Group.

During the fiscal year, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank Group and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements plus cash collateral held, and the fair value of securities on loan for the State Treasurer as of June 30, 2011 were \$3,456,373,500. Securities on loan are reported at fair value with the exception of U.S. Treasury Bills and U.S. Agency Discount notes which are reported at amortized cost.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2011 arising from securities lending agreements to the various funds of the State. The securities lending collateral invested in repurchase agreements allocated to the Self-Insurers' Security Fund was \$8,928,000 as of June 30, 2011.

**(7) Deferred Security Deposit**

Deferred Security Deposit consists of proceeds drawn upon letters of credit by the Commission, including related interest, as a security for the payment of the private self-insurer's obligations incurred under the Workers' Compensation Act.

**(8) Liability for Unpaid Claims**

The liability for unpaid claims is established based on estimates of ultimate cost of claims that have been reported but not settled, including the effects of inflation and



**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

other societal factors. The following represents changes in aggregate liabilities during the year ended June 30, 2011.

Liability for unpaid claims, beginning of year	\$ 8,756,194
Total provision for events of the current fiscal year and any change in the provision for events of prior fiscal years	17,749
Payments of claims	<u>(525,392)</u>
Liability for unpaid claims, end of year	<u>\$ 8,248,551</u>

**(9) Pension**

Substantially all of the Fund's full-time employees who are not eligible for participation in another State-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system in which State employee participates, except for those covered by State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal years 2011 and 2010 are included in State of Illinois' CAFR for the years ended June 30, 2011 and 2010, respectively. The SERS also issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling (217) 785-7202. The State of Illinois CAFR may be obtained in writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams St., Springfield, Illinois 62704-1871 or by calling (217) 782-2053.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Commission pays employer retirement contributions in the Fund based upon an actuarially determined percentage of their payrolls. For fiscal year 2011, the employer contribution rate was 30.253%. The Commission's contribution to SERS was \$33,076 for the year ended June 30, 2011.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SELF-INSURERS' SECURITY NONSHARED - PROPRIETARY FUND  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

**(10) Post Employment Benefits**

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants maybe required to contribute towards health, dental and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60 at which time the benefit becomes \$5,000.

The total cost of the State's portion of health, dental, vision and life insurance benefits of all members, including post-employment health, dental, vision and life insurance benefits, is recognized as expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION**

**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
- Comparative Schedule of Receipts, Disbursements, and Fund Balance  
(Cash Basis) - Locally Held Funds
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash  
Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Significant Account Balances
- Rate Adjustment Fund - Schedule of Fund Balance (Not Examined)
- Status of Litigation (Not Examined)

- Analysis of Operations:

- Agency Functions and Planning Program
- Average Number of Employees
- Emergency Purchases
- 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 Rate Adjustment Fund - Schedule of Fund Balance, Status of Litigation and 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  
 WORKERS' COMPENSATION COMMISSION  
 SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
 Appropriations for Fiscal Year 2011  
 Fourteen Months Ended August 31, 2011**

	Appropriations (Net After Transfers)	Expenditures through 6/30/11	Approximate Lapse Period Expenditures 7/1/11 -11/30/11	Approximate Total Expenditures	Approximate Balances Lapsed
<u>PUBLIC ACT 96-0956</u>					
<b><u>APPROPRIATED FUNDS</u></b>					
<u>General Revenue Fund - 001</u>					
Social Assistance	\$ 822,600	\$ -	\$ 822,600	\$ 822,600	\$ -
<u>Illinois Workers' Compensation Commission Operations Fund - 534</u>					
Personal Services	\$ 12,253,600	\$ 10,723,489	\$ 473,468	\$ 11,196,957	\$ 1,056,643
State Contributions to Employee Retirement	3,708,000	3,140,492	(16,660)	3,123,832	584,168
State Contribution to Social Security	937,400	783,430	34,897	818,327	119,073
Group Insurance	2,697,000	2,333,041	106,147	2,439,188	257,812
Contractual Services	2,414,600	1,555,145	201,904	1,757,049	657,551
Travel	256,000	194,864	24,361	219,225	36,775
Commodities	83,000	46,475	1,933	48,408	34,592
Printing	37,000	35,018	1,348	36,366	634
Equipment	90,000	11,655	35,962	47,617	42,383
Telecommunications	220,000	132,519	26,398	158,917	61,083
Printing and Distribution of Workers' Compensation Handbooks of Rights and Obligations of Employers	118,000	3,302	-	3,302	114,698
Implementation and Operation of an Accident Reporting System	255,000	107,423	6,141	113,564	141,436
Establishment, Administration and Operations of the Insurance Compliance Division	997,100	667,557	31,439	698,996	298,104
Establishment of the Medical Fee Schedule	220,000	21,766	2,046	23,812	196,188
 Total Illinois Workers' Compensation Commission Operations Fund - 534	 24,286,700	 19,756,176	 929,384	 20,685,560	 3,601,140
 <b>TOTAL APPROPRIATED FUNDS</b>	 <b>\$ 25,109,300</b>	 <b>\$ 19,756,176</b>	 <b>\$ 1,751,984</b>	 <b>\$ 21,508,160</b>	 <b>\$ 3,601,140</b>
 <b><u>NON-APPROPRIATED FUNDS</u></b>					
<u>Injured Workers Benefit Fund - 179</u>					
Social Assistance		\$ 1,693,950	\$ -	\$ 1,693,950	
 Total Injured Workers Benefit Fund - 179		 \$ 1,693,950	 \$ -	 \$ 1,693,950	

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2011  
Fourteen Months Ended August 31, 2011**

<u>PUBLIC ACT 96-0956</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures through 6/30/11</u>	<u>Approximate Lapse Period Expenditures 7/1/11 -11/30/11</u>	<u>Approximate Total Expenditures</u>	<u>Approximate Balances Lapsed</u>
<u>Self-Insurers' Administration Fund - 274</u>					
General and Administrative		\$ 426,292	\$ 20,404	\$ 446,696	
Total Self-Insurers' Administration Fund - 274		<u>\$ 426,292</u>	<u>\$ 20,404</u>	<u>\$ 446,696</u>	
<u>Second Injury Fund - 431</u>					
Social Assistance		\$ 1,249,186	\$ (474)	\$ 1,248,712	
Total Second Injury Fund - 431		<u>\$ 1,249,186</u>	<u>\$ (474)</u>	<u>\$ 1,248,712</u>	
<u>Rate Adjustment Fund - 685</u>					
Social Assistance		\$ 10,674,622	\$ 512,475	\$ 11,187,097	
Total Rate Adjustment Fund - 685		<u>\$ 10,674,622</u>	<u>\$ 512,475</u>	<u>\$ 11,187,097</u>	
<u>Self-Insurers' Security Fund - 940</u>					
Social Assistance		\$ 1,597,441	\$ 176,785	\$ 1,774,226	
General and Administrative		298,235	3,334	301,569	
Total Self-Insurers' Security Fund - 940		<u>\$ 1,895,676</u>	<u>\$ 180,119</u>	<u>\$ 2,075,795</u>	
<b>TOTAL NON-APPROPRIATED FUNDS</b>		<u>\$ 15,939,726</u>	<u>\$ 712,524</u>	<u>\$ 16,652,250</u>	
<b>TOTAL ALL FUNDS - FISCAL YEAR 2011</b>	<u>\$ 25,109,300</u>	<u>\$ 35,695,902</u>	<u>\$ 2,464,508</u>	<u>\$ 38,160,410</u>	<u>\$ 3,601,140</u>

Notes : The above information was taken from the State Comptroller's records which have been reconciled to the records of the Commission.  
Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.  
Approximate lapse period expenditures do not include interest payments approved for payment by the Commission and submitted to the State Comptroller for payment after November.

**STATE OF ILLINOIS  
 WORKERS' COMPENSATION COMMISSION  
 SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
 Appropriations for Fiscal Year 2010  
 Fourteen Months Ended August 31, 2010**

<u>PUBLIC ACT 96-0046</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures through 6/30/10</u>	<u>Lapse Period Expenditures 7/1/10 - 8/31/10</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<b><u>APPROPRIATED FUNDS</u></b>					
<b><u>Illinois Workers' Compensation Commission Operations Fund - 534</u></b>					
Personal Services	\$ 11,751,300	\$ 10,428,805	\$ 475,658	\$ 10,904,463	\$ 846,837
State Contributions to Employee Retirement	3,334,800	2,968,548	135,194	3,103,742	231,058
State Contributions to Social Security	898,900	761,114	35,205	796,319	102,581
Group Insurance	3,146,400	2,168,582	105,760	2,274,342	872,058
Contractual Services	2,466,100	1,493,049	333,936	1,826,985	639,115
Travel	256,000	202,785	27,025	229,810	26,190
Commodities	76,000	62,652	3,498	66,150	9,850
Printing	37,000	31,537	2,895	34,432	2,568
Equipment	95,000	11,987	55,864	67,851	27,149
Telecommunications	220,000	155,848	28,421	184,269	35,731
Printing and Distribution of Workers' Compensation Handbooks of Rights and Obligations of Employers	118,000	31,401	6,181	37,582	80,418
Implementation and Operation of an Accident Reporting System	255,000	180,813	3,297	184,110	70,890
Establishment and Administration and Operations of the Insurance Compliance Division	1,150,000	556,854	35,185	592,039	557,961
Establishment of the Medical Fee Schedule	225,000	42,903	66,459	109,362	115,638
 Total Illinois Workers' Compensation Commission Operations Fund - 534	 <u>24,029,500</u>	 <u>19,096,878</u>	 <u>1,314,578</u>	 <u>20,411,456</u>	 <u>3,618,044</u>
 <b>TOTAL APPROPRIATED FUNDS</b>	 <u><u>\$ 24,029,500</u></u>	 <u><u>\$ 19,096,878</u></u>	 <u><u>\$ 1,314,578</u></u>	 <u><u>\$ 20,411,456</u></u>	 <u><u>\$ 3,618,044</u></u>

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2010  
Fourteen Months Ended August 31, 2010**

<u>PUBLIC ACT 96-0046</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures through 6/30/10</u>	<u>Lapse Period Expenditures 7/1/10 - 8/31/10</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<b><u>NON-APPROPRIATED FUNDS</u></b>					
<b><u>Injured Workers Benefit Fund - 179</u></b>					
Social Assistance		\$ 1,596,794	\$ -	\$ 1,596,794	
Total Injured Workers Benefit Fund - 179		<u>\$ 1,596,794</u>	<u>\$ -</u>	<u>\$ 1,596,794</u>	
<b><u>Self-Insurers' Administration Fund - 274</u></b>					
General and Administrative		\$ 421,313	\$ 21,534	\$ 442,847	
Total Self-Insurers' Administration Fund - 274		<u>\$ 421,313</u>	<u>\$ 21,534</u>	<u>\$ 442,847</u>	
<b><u>Second Injury Fund - 431</u></b>					
Social Assistance		\$ 1,350,894	\$ -	\$ 1,350,894	
Total Second Injury Fund - 431		<u>\$ 1,350,894</u>	<u>\$ -</u>	<u>\$ 1,350,894</u>	
<b><u>Rate Adjustment Fund - 685</u></b>					
Social Assistance		\$ 14,942,581	\$ 23,670	\$ 14,966,251	
General and Administrative		40	-	40	
Total Rate Adjustment Fund - 685		<u>\$ 14,942,621</u>	<u>\$ 23,670</u>	<u>\$ 14,966,291</u>	
<b><u>Self-Insurers' Security Fund - 940</u></b>					
Social Assistance		\$ 1,897,226	\$ 372,406	\$ 2,269,632	
General and Administrative		4,766,665	283,459	5,050,124	
Total Self-Insurers' Security Fund - 940		<u>\$ 6,663,891</u>	<u>\$ 655,865</u>	<u>\$ 7,319,756</u>	
<b>TOTAL NON-APPROPRIATED FUNDS</b>		<u>\$ 24,975,513</u>	<u>\$ 701,069</u>	<u>\$ 25,676,582</u>	
<b>TOTAL ALL FUNDS - FISCAL YEAR 2010</b>	<u>\$ 24,029,500</u>	<u>\$ 44,072,391</u>	<u>\$ 2,015,647</u>	<u>\$ 46,088,038</u>	<u>\$ 3,618,044</u>

Note : The above information was taken from the State Comptroller's records which have been reconciled to the records of the Commission.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**

	Fiscal Years Ended June 30,		
	2011 PA 96-0956	2010 PA 96-0046	2009 PA 95-0733
<b><u>APPROPRIATED FUNDS</u></b>			
<b><u>General Revenue Fund - 001</u></b>			
<u>Appropriations (Net After Transfers)</u>	\$ 822,600	\$ -	\$ -
<u>Expenditures</u>			
Social Assistance	\$ 822,600	\$ -	\$ -
Total Expenditures, Fund - 001	\$ 822,600	\$ -	\$ -
<b><u>Illinois Workers' Compensation Commission Operations Fund - 534</u></b>			
<u>Appropriations (Net After Transfers)</u>	\$ 24,286,700	\$ 24,029,500	\$ 22,459,800
<u>Expenditures</u>			
Personal Services	11,196,957	10,904,463	10,569,348
State Contributions to Employee Retirement	3,123,832	3,103,742	2,228,460
State Contributions to Social Security	818,327	796,319	763,813
Group Insurance	2,439,188	2,274,342	2,165,298
Contractual Services	1,757,049	1,826,985	1,668,363
Travel	219,225	229,810	240,604
Commodities	48,408	66,150	75,964
Printing	36,366	34,432	36,816
Equipment	47,617	67,851	54,101
Telecommunications	158,917	184,269	189,976
Printing and Distribution of Workers' Compensation Handbooks of Rights and Obligations of Employers	3,302	37,582	95,865
Implementation and Operation of an Accident Reporting System	113,564	184,110	215,365
Establishment and Administration and Operations of the Insurance Compliance Division	698,996	592,039	675,335
Establishment of the Medical Fee Schedule	23,812	109,362	115,512
Total Expenditures, Fund - 534	20,685,560	20,411,456	19,094,820
<b>TOTAL APPROPRIATED FUNDS</b>	<b>\$ 21,508,160</b>	<b>\$ 20,411,456</b>	<b>\$ 19,094,820</b>
<u>Lapsed Balances</u>	\$ 3,601,140	\$ 3,618,044	\$ 3,364,980
<b><u>NON-APPROPRIATED FUNDS</u></b>			
<b><u>Injured Workers' Benefit Fund - 179</u></b>			
<u>Expenditures</u>			
Social Assistance	\$ 1,693,950	\$ 1,596,794	\$ 708,142
Total Expenditures, Fund - 179	\$ 1,693,950	\$ 1,596,794	\$ 708,142



**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**

	Fiscal Years Ended June 30,		
	2011 PA 96-0956	2010 PA 96-0046	2009 PA 95-0733
<b><u>Self-Insurers' Administration Fund - 274</u></b>			
<u>Expenditures</u>			
General and Administrative	\$ 446,696	\$ 442,847	\$ 519,754
Total Expenditures, Fund - 274	\$ 446,696	\$ 442,847	\$ 519,754
<b><u>Second Injury Fund - 431</u></b>			
<u>Expenditures</u>			
Social Assistance	\$ 1,248,712	\$ 1,350,894	\$ 1,122,566
Total Expenditures, Fund - 431	\$ 1,248,712	\$ 1,350,894	\$ 1,122,566
<b><u>Rate Adjustment Fund - 685</u></b>			
<u>Expenditures</u>			
Social Assistance	\$ 11,187,097	\$ 14,966,251	\$ 11,422,451
General and Administrative	-	40	-
Total Expenditures, Fund - 685	\$ 11,187,097	\$ 14,966,291	\$ 11,422,451
<b><u>Self-Insurers' Security Fund - 940</u></b>			
<u>Expenditures</u>			
Social Assistance	\$ 1,774,226	\$ 2,269,632	\$ 2,151,721
General and Administrative	301,569	5,050,124	227,923
Total Expenditures, Fund - 940	\$ 2,075,795	\$ 7,319,756	\$ 2,379,644
<b>TOTAL APPROPRIATIONS ALL FUNDS</b>	<b>\$ 25,109,300</b>	<b>\$ 24,029,500</b>	<b>\$ 22,459,800</b>
<b>TOTAL EXPENDITURES ALL FUNDS</b>	<b>\$ 38,160,410</b>	<b>\$ 46,088,038</b>	<b>\$ 35,247,377</b>
<b><u>SALARIES PAID FROM THE COMPTROLLERS</u></b>			
<b><u>EXECUTIVE SUMMARY APPROPRIATION:</u></b>			
Chairman of the Workers' Compensation Commission	\$ 119,474	\$ 125,775	\$ 120,486
Commissioners (Members: Nine in 2011, 2010 and 2009)	994,239	1,055,166	1,078,560
	\$ 1,113,713	\$ 1,180,941	\$ 1,199,046

**STATE OF ILLINOIS  
 WORKERS' COMPENSATION COMMISSION  
 COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND  
 BALANCE (CASH BASIS) - LOCALLY HELD FUNDS**

	Fiscal Years Ended June 30,		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b><u>Transcript Deposit Fund - 1168</u></b>			
Cash Balance, July 1	\$ 47,998	\$ 42,500	\$ 44,376
Receipts	12,433	21,656	14,210
Disbursements	<u>(11,795)</u>	<u>(16,158)</u>	<u>(16,086)</u>
Cash Balance, June 30	<u>\$ 48,636</u>	<u>\$ 47,998</u>	<u>\$ 42,500</u>

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SCHEDULE OF CHANGES IN STATE PROPERTY  
For the Two Years Ended June 30, 2011**

	Office Furniture and Equipment	EDP Equipment	Equipment not Classified Elsewhere	Total
Balance July 1, 2009	\$ 1,112,089	\$ 1,387,307	\$ 190,671	\$ 2,690,067
Additions	11,080	50,960	9,254	71,294
Net transfers, deletions and adjustments	<u>(11,854)</u>	<u>(65,671)</u>	<u>(38,518)</u>	<u>(116,043)</u>
Balance June 30, 2010	1,111,315	1,372,596	161,407	2,645,318
Additions	1,173	52,188	131	53,492
Net transfers, deletions and adjustments	<u>7,639</u>	<u>10,964</u>	<u>(15,238)</u>	<u>3,365</u>
Balance June 30, 2011	<u>\$ 1,120,127</u>	<u>\$ 1,435,748</u>	<u>\$ 146,300</u>	<u>\$ 2,702,175</u>

This schedule has been reconciled to property reports submitted to the Office of the Comptroller.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION SCHEDULE OF CASH  
RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**

	Fiscal Years Ended June 30,		
	2011	2010	2009
<b><u>GENERAL REVENUE FUND - 001</u></b>			
Miscellaneous Collections	\$ 7,023	\$ 8,943	\$ 9,268
Receipts in Transit:			
Beginning of Year	-	34	17
End of Year	-	-	(34)
Total Deposits Remitted to Comptroller	<u>\$ 7,023</u>	<u>\$ 8,977</u>	<u>\$ 9,251</u>
<b><u>INJURED WORKERS' BENEFIT FUND - 179</u></b>			
Fines, Penalties or Violations	\$ 1,060,671	\$ 912,037	\$ 1,237,225
Receipts in Transit:			
Beginning of Year	60,115	262,544	158,417
End of Year	(22,466)	(60,115)	(262,544)
Total Deposits Remitted to Comptroller	<u>\$ 1,098,320</u>	<u>\$ 1,114,466</u>	<u>\$ 1,133,098</u>
<b><u>SELF-INSURERS' ADMINISTRATION FUND - 274</u></b>			
Licenses, Fees or Registrations	\$ 356,500	\$ 365,000	\$ 320,500
Receipts in Transit:			
Beginning of Year	9,000	14,500	14,500
End of Year	(8,000)	(9,000)	(14,500)
Total Deposits Remitted to Comptroller	<u>\$ 357,500</u>	<u>\$ 370,500</u>	<u>\$ 320,500</u>

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION SCHEDULE OF CASH  
RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**

	Fiscal Years Ended June 30,		
	2011	2010	2009
<b><u>SECOND INJURY FUND - 431</u></b>			
Statutory Assessments	\$ 1,543,241	\$ 1,597,903	\$ 1,460,158
Receipts in Transit:			
Beginning of Year	222	5	86
End of Year	-	(222)	(5)
Total Deposits Remitted to Comptroller	<u>\$ 1,543,463</u>	<u>\$ 1,597,686</u>	<u>\$ 1,460,239</u>
<b><u>OPERATIONS FUND - 534</u></b>			
Statutory Assessments	\$ 3,607,122	\$ 2,417,853	\$ 2,239,186 *
Receipts in Transit:			
Beginning of Year	2,136	-	712 *
End of Year	(794,291)	(2,136)	-
Total Deposits Remitted to Comptroller	<u>\$ 2,814,967</u>	<u>\$ 2,415,717</u>	<u>\$ 2,239,898 *</u>
<b><u>RATE ADJUSTMENT FUND - 685</u></b>			
Statutory Assessments	\$ 10,001,181	\$ 15,537,150	\$ 19,256,455
Receipts in Transit:			
Beginning of Year	3,221	32	1,735
End of Year	(3,541)	(3,221)	(32)
Total Deposits Remitted to Comptroller	<u>\$ 10,000,861</u>	<u>\$ 15,533,961</u>	<u>\$ 19,258,158</u>

\* Amounts reported in the prior year report were revised to present the actual receipts of the Operations Fund that were deposited to the State Treasury. The prior year report included surcharges collected by the Illinois Department of Insurance from Insurance Companies in accordance with the Illinois Workers' Compensation Act.

**STATE OF ILLINOIS  
 WORKERS' COMPENSATION COMMISSION  
 COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION SCHEDULE OF CASH  
 RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**

	Fiscal Years Ended June 30,		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b><u>SELF-INSURERS' SECURITY FUND - 940</u></b>			
Securities Collected, Assessments and Reimbursements	\$ 3,624,254	\$ 5,749,947	\$ 4,520,563
Receipts in Transit:			
Beginning of Year	21,677	73,297	23,747
End of Year	<u>(36,487)</u>	<u>(21,677)</u>	<u>(73,297)</u>
Total Deposits Remitted to Comptroller	<u>\$ 3,609,444</u>	<u>\$ 5,801,567</u>	<u>\$ 4,471,013</u>

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**

The Illinois Workers' Compensation Commission's (Commission) explanation for significant fluctuations in expenditures of 20 percent or more as presented in the Comparative Schedule of Appropriations, Expenditures and Lapsed Balances is detailed below.

**General Revenue Fund – 001**

Expenditures in the General Revenue Fund (GRF) were \$822,600 in FY 2011 compared to \$0 in FY 2010. These expenditures concerned payments to injured workers of uninsured employers that normally would have been paid from the Injured Workers' Benefit Fund (IWBF). During fiscal year 2011, the State Treasurer borrowed funds from the IWBF and later returned them to the GRF which required the Commission to make IWBF payments from the GRF.

**Illinois Workers' Compensation Commission Operations Fund - 534**

Expenditures for State contributions to employee retirements increased by \$875,282 or 39% in fiscal year 2010 due to an increase in calculated contribution rate from 21.049% in fiscal 2009 to 28.377% in fiscal year 2010.

Expenditures for commodities decreased by \$17,742 or 27% in fiscal year 2011 due to cost cutting measures adopted by the Commission.

Expenditures for equipment increased by \$13,750 or 25% in fiscal year 2010 due to purchases of computer monitors to replace outdated monitors and purchase of additional laptop computers. In fiscal year 2011, equipment expenditures decreased by \$20,234 or 30% due to lesser equipment purchased during the fiscal year.

Expenditures for printing and distribution of Workers' Compensation Handbooks of Rights and Obligations of Employers decreased by \$58,283 or 61% in fiscal year 2010 due to a return to normal spending levels after higher expenditures in fiscal year 2009 as a result of bulk printing of handbooks. In fiscal year 2011, printing and distribution expenditures decreased by \$34,280 or 91%, due to a decrease in mailing costs as the Commission cancelled its contract with bulk-mailing vendor after review of the vendors' performance.

Expenditures for implementation and operation of an Accident Reporting System decreased by \$70,546 or 38% in fiscal year 2011 due to a decrease in salaries and wages charged against this expenditure line item. There was a decrease in salaries and wages due to leave of absences of employees.

Expenditures for Establishment of the Medical Fee Schedule decreased by \$85,550 or 78% in fiscal year 2011 due to lower fees paid to consultants as a result of a reduction in the scope of work performed in fiscal 2011 as compared to fiscal year 2010.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**

**Injured Workers' Benefit Fund - 179**

Expenditures for social assistance increased by \$888,652 or 125% in fiscal year 2010 due to payments of claims for injured workers of uninsured employers. The payment of benefit claims varies depending on the number of eligible claims received and the amount of money in the fund in each fiscal year.

**Second Injury Fund - 431**

Expenditures for social assistance increased by \$228,328 or 20% in fiscal year 2010 due to payment of claims. The payment of benefit claims varies depending on the number and amount of eligible claims and the amount of settlement.

**Rate Adjustment Fund – 685**

Expenditures for social assistance increased by \$3,543,800 or 31% in fiscal year 2010 due to an increase in payments of liabilities associated with “back” claims, i.e. claims which were eligible for payments in prior years but not filed for a year or more after initial eligibility. This increase in “back” claims in fiscal year 2010 was the result of the Commission’s effort to notify potential claimants who had become eligible in prior years but had failed to file or to continue to prove eligibility in later years. In fiscal year 2011, social assistance expenditures decreased by \$3,779,154 or 25% since the bulk of individuals eligible for “back” claims due to the Commission’s previous effort had already been identified and paid in the previous year so “back” payments were smaller than in fiscal year 2010.

**Self-Insurers' Security Fund - 940**

Expenditures for social assistance decreased by \$495,406 or 22% in fiscal year 2011 due to a decline in settlement claims as the Fund continue to settle outstanding claims of employees of bankrupt self-insured companies.

Expenditures for general and administrative increased by \$4,822,201 or 2116% in fiscal year 2010 due to the refund of previously drawn securities to self-insured companies that were able to present another acceptable security to the Commission. In fiscal year 2011, general and administrative expenditures decreased by \$4,748,555 or 94% as the amount of the security refunded to self insured companies was lesser during the year as compared to the prior year when refunds were unusually high.



**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**

The Illinois Workers' Compensation Commission's (Commission) explanations for significant fluctuations in receipts of 20 percent or more as presented in the Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller is as follows:

**General Revenue Fund – 001**

Miscellaneous cash receipts decreased by \$1,920 or 21% in fiscal year 2011 due to lesser deposits from the Transcript Deposit Fund that collects \$35 from a party who appeals for review of the Commission's decision.

**Illinois Workers' Compensation Commission Operations Fund - 534**

Cash receipts from assessments increased by \$1,189,269 or 49% in fiscal year 2011. Assessments due in fiscal year 2012 were mailed to self- insured companies before the end of fiscal year 2011. Because of this, some assessments were received in fiscal year 2011 instead of fiscal year 2012.

**Injured Workers' Benefit Fund - 179**

Cash receipts from fines, penalties and violations decreased by \$325,188 or 26% in fiscal year 2010. Receipts from fines and penalties will vary depending upon the number and amount of settled cases during the year.

**Rate Adjustment Fund – 685**

Cash receipts from assessments decreased by \$5,535,969 or 36% in fiscal year 2011. The Commission did not charge assessments to employers in March 2011 as the fund has more than \$20,000,000 balance in February 2011. As provided in the Illinois Worker's Compensation Act, when the fund balance reaches the amount of \$5,000,000, assessment will cease entirely.

**Self-Insurers' Security Fund - 940**

Cash receipts from securities collected, assessments and reimbursements increased by \$1,224,384 or 27% in fiscal year 2010 due to several drawdowns of bonds/letter of credit/escrow from the security deposit of self-insured companies. In fiscal year 2011, there was a decrease of \$2,125,693 or 37% due to lesser drawdowns of bonds/letter of credit/escrow fees from self-insured companies.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**

The Illinois Workers' Compensation Commission's explanation for significant lapse period spending of 20% or more as presented in the Schedule of Appropriations, Expenditures, and Lapsed Balances for fiscal years 2011 and 2010 is detailed below.

**Fiscal Year 2011**

**General Revenue Fund – 001**

During fiscal year 2011, the State Treasurer transferred \$822,600 from the Injured Workers Benefit Fund to the General Revenue Fund. The money transferred was returned during the lapse period in the General Revenue Fund instead of the Injured Workers Benefit Fund. The expenditures during the lapse period were payment of benefit claims of Injured Workers Benefit Fund.

**Illinois Workers' Compensation Commission Operations Fund - 534**

Lapse period spending on equipment was \$35,962 or 76% of total expenditures. Several equipment items were ordered towards the end of the fiscal year. These were received and paid during the lapse period.

**Fiscal Year 2010**

**Illinois Workers' Compensation Commission Operations Fund - 534**

Lapse period spending on equipment was \$55,864 or 82% of total expenditures. Several equipment items were ordered towards the end of the year. These were received and paid during the lapse period.

Lapse period spending on Medical Fee Schedule operations was \$66,459 or 61% of total expenditures. The expenditures paid during the lapse period were the fees of the consultants for the Commission's medical fee schedule project management, creation of new fee schedule, licenses and web hosting. The Commission received and paid vendor invoices during the lapse.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES**

A comparative schedule of significant variations in balance sheet accounts that differed from the previous year by 20 percent or more is shown below. The Illinois Workers' Compensation Commissions' management provided the following explanations for the significant variations in balance sheet accounts.

**Self Insurers' Security Fund – 940**

	FISCAL YEAR ENDED JUNE 30		INCREASE (DECREASE)	
	<u>2011</u>	<u>2010</u>	<u>AMOUNT</u>	<u>%</u>
Cash in State Treasury	\$22,888,832	\$31,680,634	\$(8,791,802)	(28%)
Accrued Interest Receivable	10,157	26,397	(16,240)	(62%)
Excess Insurance Receivable	402,777	189,522	213,255	113%
Due from Other Funds	10,000,000	-	10,000,000	100%
Securities Lending Collateral/ Obligations Under Securities	8,928,000	12,303,179	(3,375,179)	(27%)
Accounts Payable	190,317	670,976	(480,659)	(72%)
Due to Other Funds	2,619	16,450	(13,831)	(84%)

**Cash in State Treasury**

The decrease in cash in State Treasury was due to the \$10 million transferred to the General Revenue Fund (GRF) in November 2010 pursuant to the State Finance Act (30 ILCS 105/5h). See further explanation of this transfer under "Due from other funds" below.

**Accrued interest receivable**

The decrease in accrued interest receivable was due to lower interest rates in fiscal year 2011 and lesser cash balance of funds deposited with the State Treasury as a result of the \$10 million transfer to the GRF.

**Excess insurance receivables**

The increase in excess insurance receivables was due to the timing of billing and collection of reimbursements from excess insurance carriers at the end of the fiscal year.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES**

**Due from other funds**

The increase in due from other funds was due to the interfund transfer of \$10 million in November 2010 to the GRF to assist in maintaining general funds liquidity as allowed by the statute. This transfer is pursuant to the State Finance Act (30 ILCS 105/5h) (Act) which allows the State Treasurer and the State Comptroller to make transfers to the GRF, the Healthcare Provider Relief Fund, or the Common School Fund, as directed by the Governor, out of special funds of the State, to the extent allowed by federal law in order to meet cash flow deficits and to maintain liquidity in the GRF, the Healthcare Provider Relief Fund, and the Common School Fund. Also by statute, this borrowing must be repaid to the Self-Insurers' Security Fund within 18 months of borrowing.

**Securities lending collateral/ obligations under securities**

The decrease in securities lending collateral/ obligations under securities was due to the lower cash balance at the end of the fiscal year. In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at end of the fiscal year arising from securities lending agreements to the various funds of the State.

**Accounts payable**

The decrease in accounts payable was due to the timing of payments to supplier and claimants.

**Due to other funds**

The decrease in due to other funds was due to lower audit/examination fees owed to the Office of the Auditor General (OAG) at the end of fiscal year 2011. The amount owed to the OAG is based on the scope of work performed. The Commission's Self-Insurer's Security Fund is subject to financial audit annually, while the Commission is subject to compliance examination every two years. In fiscal year 2011, the amount owed was for cost of the financial audit of the Self-Insurers' Security Fund for fiscal year 2010. In fiscal year 2010, the amount owed was for the cost of the financial audit of the Self-Insurers' Security Fund for fiscal year 2009 and the cost allocated to the Self-Insurers' Security Fund for the compliance examination for fiscal years 2009 and 2008.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
RATE ADJUSTMENT FUND – SCHEDULE OF FUND BALANCE  
(Not Examined)**

The Workers' Compensation Act (820 ILCS 305/7(f)) provides for the rate of assessments to be charged to employers for the Rate Adjustment Fund (RAF). Assessment rates vary depending on the fund balance as of February and August of each year. For the past twenty years until June 30, 2009, assessments have been at the maximum allowed. As the balance of the fund as of February 2011 has exceeded the statutory amount for a moratorium on employer contributions, the Commission did not assess the employers in March 2011. Presented below are RAF balances for the fiscal years ended June 30, 2011, 2010 and 2009 respectively:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Beginning Fund Balance (Deficit)</b>	\$5,711,356	\$1,547,556	\$(6,039,745)
Revenues			
Statutory Assessments	10,008,211	15,543,468	19,256,455
Other Revenue	13,184,231	-	-
Interest Income	98,029	123,510	327,656
Expenses			
Social Assistance	(10,607,218)	(11,503,178)	(11,476,902)
Interest Expense	<u>(1,673,814)</u>	<u>-</u>	<u>(519,908)</u>
<b>Ending Fund Balance</b>	<u>\$16,720,795</u>	<u>\$5,711,356</u>	<u>\$1,547,556</u>

The Commission is required to provide a cost of living adjustment (COLA) based on the State's computed average weekly wage, pursuant to Sections 8(f) and 8(g) of the Workers' Compensation Act, to persons who have received an award from the Commission that provides for Permanent Total Disability 8(f) or Statutory Permanent Total Disability 8(e)18 or if an employee's death is determined to be related to a work injury.

Other revenue of \$13,184,231 represents transfer from the settlement fund to pay the outstanding loan to the General Revenue Fund. The settlement fund was created as a result of the settlement of a lawsuit between the Chamber of Commerce and the Illinois Workers' Compensation Commission.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
STATUS OF LITIGATION (Not Examined)**

*Illinois State Chamber of Commerce v. John Filan, et al*

The Illinois Chamber of Commerce (plaintiff) filed a lawsuit challenging the constitutionality of the State of Illinois' 2004 Budget Implementation Act which imposed the Workers' Compensation Commission Operations Fund Surcharge. On November 29, 2004, the Circuit Court of Cook County granted summary judgment in favor of the plaintiff declaring that the Budget Implementation Act of 2004 as it relates to the Illinois Workers' Compensation Commission Operations Fund Surcharge is unconstitutional and ordered that all monies currently held or thereafter received pursuant to the surcharge be placed in an "Escrow Account" with no disbursements until further order of the Circuit Court. The State Defendants appealed to the Illinois Supreme Court. In January 2005, the plaintiff named as defendants the insurance companies (Insurance Company Intervenors) who had collected the surcharge and remitted to the State. Starting 2005, the Insurance Company Intervenors paid the surcharge collected under protest under the Illinois State Officers and Employees Money Disposition Act. The protest payments were deposited into the "Protest Fund". The Circuit Court ordered that the Protest Payments would remain in the Protest Fund until the termination of the lawsuit. On October 6, 2005 the Illinois Supreme Court reversed the Circuit Court's order granting summary judgment and remanded the case to the Circuit Court for further proceedings.

In fiscal year 2010, the parties reached an amicable resolution and a Settlement Agreement, Release and Consent Decree (Settlement Agreement) was entered into by the parties. On July 19, 2010, the Circuit Court gave order for Final Approval of the Settlement Agreement. The order established a Settlement Fund (Fund) of \$44,000,000, composed of \$31,600,000 from the Protest Fund and \$12,400,000 from the Escrow Account. A transfer in the amount of \$13,184,231 from the Fund to the General Revenue Fund (GRF) was made to release the loan of Rate Adjustment Fund (RAF) from the GRF incurred in prior years in accordance with Public Act 094-0277 which authorized the State Comptroller and Treasurer to transfer at the request of the Chairman of the Commission up to a total of \$19,000,000 from the GRF to the Rate Adjustment Fund to the extent that there were insufficient money in the Rate Adjustment Fund to pay claims and obligations.

At June 30, 2011, the fund balance of the settlement fund was \$30,815,769. Based on the court order, the balance in the Settlement Fund will remain in the fund for use by the Commission for payment of liabilities that the Rate Adjustment Fund was determined to have incurred pursuant to the RAF review performed by the Commission to estimate their potential liability for back claims. In prior years, the Commission discovered discrepancy problems and conducted reviews of all RAF cases, their histories, and payments to identify potential cases that may have been eligible for payments from the RAF fund. The Commission developed a statistical model based on experience of back claims in order to refine their potential liability estimates. The Office of the Comptroller reviewed the Commission's information and an estimated potential liability for back claims was in the range of \$18 to \$22 million. In accordance with the court order, the settlement fund can also

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
STATUS OF LITIGATION (Not Examined)**

be used for Capital or System Improvements, or for use by the Department of Insurance to increase staff and equipment for the fraud unit operated by the Department of Insurance.

*Hagan, et al v. Quinn*

On June 28 2011, the Governor signed into law House Bill 1698/ Public Act 097-0018. Under the new legislation, the terms of all existing arbitrators are declared to have terminated on July 1, 2011 and the arbitrators have to seek a new appointment to become Arbitrators. The arbitrators (plaintiffs) filed a complaint against the Governor and members of the State of Illinois Workers' Compensation Commission seeking money damages together with declaratory and injunctive relief to restore the plaintiffs as arbitrators of the Commission. The case is pending in the Central District Federal Court. The plaintiffs filed a motion for preliminary injunction seeking to stop the termination and replacement of the plaintiffs as arbitrators. The court conducted a hearing and the motion was denied on July 29, 2011. Defendants filed a motion to dismiss the complaint. The plaintiffs filed a response to the motion on November 4, 2011. The motion has not been ruled upon by the court as of January 9, 2012. No anticipated ruling date has been offered by the court.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
AGENCY FUNCTIONS AND PLANNING PROGRAM**

FUNCTIONS

The Illinois Workers Compensation Commission (Commission) administers the Workers' Compensation Act (820 ILCS 305/0) (Act) and the Workers' Occupational Diseases Act (820 ILCS 320/). The Self-Insurers' Advisory Board, established within the Commission, was created for the purpose of administrating the Self-Insurers' Security Fund.

The Commission consists of ten members appointed by the Governor with the consent of the Senate. Of the ten members, three are representatives of employers, three are employees covered under the Act and four are representative citizens not identified with either the employing or employee classes. The Chairman of the Commission has the general supervisory authority over all personnel of the Commission, including arbitrators and Commissioners, including but not limited to the assignment and distribution of cases and assignment of Commissioners to panels.

The Act authorizes the Commission to function as a quasi-judicial body with the equivalent of court status in that its records, when properly represented, are accepted by regularly constituted courts as legal evidence and its decisions are final unless an appeal is made to the Courts, i.e. Circuit Court, Appellate Court, and Supreme Court. The Commission has authority to formulate rules and orders for its procedures, administer oaths and issue subpoenas commanding witnesses to produce documents.

The applications for adjustment of claims are first heard by a Commission Arbitrator. Appeal of an Arbitrator's decision is heard by a panel of three members of the Commission. The Commission can affirm, reverse or modify the Arbitrator's decision. A case can then be appealed to the Circuit Court after which further appeal is taken to the Appellate Court. Appeals to the Supreme Court are at the option of the Supreme Court.

The mission of the Commission is to resolve disputes that arise between injured workers and their employers regarding workers' compensation, and to assure financial protection to injured workers and their dependents at reasonable costs to employers and to provide employers timely resolution of cases allowing for lower legal bills and higher levels of productivity. The Commission coordinates the various elements of the public service and information functions to structure a cohesive public service and information department. These elements are comprised of telephone responses to requests for information, distribution of forms and literature, *pro se* counseling and preparation of literature for distribution.



**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
AGENCY FUNCTIONS AND PLANNING PROGRAM**

PLANNING PROGRAM

The Commission has established formal written long and short-term goals and objectives, which are conducive to fulfilling its mandates as follows:

- Enhance timeliness and quality of case resolutions and other services;
- Investigate, identify, and enforce insurance compliance;
- Improve technology to enhance customer access to and usefulness of Workers' Compensation Commission data; and
- Monitor and investigate the incidence of employer noncompliance with Workers' Compensation insurance requirements.

The priority of each Commission's department is to streamline processes with the support of Information Technology department.

AMENDMENT TO THE ILLINOIS WORKERS' COMPENSATION ACT

House Bill 1698 was signed into law as Public Act 97-0018 by Governor Quinn on June 28, 2011. Besides making changes to the substantive body of workers' compensation law that affects the benefits received by injured workers, the new law mandates several significant changes in the operations of the Commission, including a complete reorganization and recalculation of the Medical Fee Schedule maintained by the Commission, the termination of the terms of all current Arbitrators, and rotation requirements for the assignment of Arbitrators to Commission hearing sites.

Effective at the close of business on July 1, 2011, the terms of all Arbitrators were terminated and each Arbitrator continued to serve until the Governor either reappointed that Arbitrator or appointed a successor. Also terminated on the effective date of the Act was the terms of all current members of the Workers' Compensation Advisory Board. The Governor was required to reappoint members of the Advisory Board within 30 days.

Under the new law, at least three Arbitrators must be assigned to each hearing site and cases are randomly assigned to each Arbitrator. In addition, an Arbitrator is not allowed to hear cases in any county, other than Cook County, for more than two years in a each three-year term. Further, the law added additional training requirements for both Arbitrators and Commissioners. In addition to current statutory training requirements, each Arbitrator and Commissioner must take at least 20 hours of training every 2 years in the areas of professional and ethical standards, the detection of workers' compensation fraud, standards of evidence-based treatment, and the substantive and procedural aspects of coal workers' pneumoconiosis. The Chairman of the Commission is now required to evaluate the performance of each Arbitrator and recommend to the Commission whether the Arbitrator should be reappointed. For claims filed by current and former Commission employees, these cases are now required to be assigned to a certified independent Arbitrator not employed by the Commission.

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
AGENCY FUNCTIONS AND PLANNING PROGRAM**

Public Act 97-0018 reduces the reimbursement rates for medical services in the Medical Fee Schedule by 30% effective September 1, 2011. For out-of-state medical services, the reimbursement rate to be paid is the lesser of that state's fee schedule or the fee schedule for the region where the employee resides. The law also mandates the replacement of the current 29 Geozips of the Medical Fee Schedule with 4 regions for non-hospital services and 14 regions for hospital services. The Commission now has the authority to make automatic code updates to the Medical Fee Schedule every January 1. Employers in Illinois are now able to establish preferred provider programs approved by the Department of Insurance for the treatment of injured workers.

Both the fraud and insurance non-compliance units are now able to report any fraud violation to the Special Prosecutions Bureau of the Criminal Division of the Office of the Attorney General, in addition to the State's Attorney of the county where the alleged violation occurred. The insurance non-compliance unit now may also issue a citation to employers that fail to obtain workers' compensation insurance as required under the Act. The penalties for workers' compensation fraud have also been increased.

Other substantive changes in the law include the capping of the wage differential award at age 67 or five years after injury, whichever is later. The award for carpal tunnel syndrome is capped at 15% of the loss of use of a hand.

**CHAIRMAN AND COMMISSIONERS**

The Commission's Chairman and Commissioners during the two year period ended June 30, 2011 are as follows:

<b>CHAIRMAN</b>			
Mitch Weisz, Chairman (3/22/10 to Current) Amy Masters, Acting Chairman (11/21/08 to 3/21/10)			
<b>COMMISSIONERS</b> (During the Examination Period)			
<b>Employee representatives:</b>	Molly Mason	David Gore	Thomas Tyrell (from 2/14/11)
			Barbara Sherman (through 10/25/10)
<b>Public representatives:</b>	Yolaine Dauphin	James DeMunno	Daniel Donohoo (from 5/17/10)
			Paul Rink (through 2/26/10)
<b>Employer representatives:</b>	Kevin Lamborn	Mario Basurto	Nancy Lindsay

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
AVERAGE NUMBER OF EMPLOYEES**

	For Fiscal Years Ended June 30		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Administrative – General	88	86	83
Arbitrators	31	32	32
Court Reporters	27	27	28
Electronic Data Processing	9	9	9
Peoria Office	-	-	1
Metro East Office	-	-	1
Accident Reporting	1	2	2
Insurance Compliance	7	6	5
Administrative Exempt	3	2	2
Third Commission Panel	-	-	6
Self-Insurers' Administration Fund	4	4	5
Self-Insurers' Security Fund	1	2	2
	<u>171</u>	<u>170</u>	<u>176</u>
 Total Average Employees	 <u>171</u>	 <u>170</u>	 <u>176</u>
 Commissioners, including the Chairman	 <u>10</u>	 <u>10</u>	 <u>10</u>

The Commissioners are paid from the Comptroller's State Officers' Salaries appropriation. Amounts paid are to be in accordance with State Statutes (820 ILCS 305/13).

**STATE OF ILLINOIS  
 WORKERS' COMPENSATION COMMISSION  
 EMERGENCY PURCHASES  
 For the Two Years Ended June 30, 2011**

The Commission made one emergency purchase in fiscal year 2011 and three emergency purchases in fiscal year 2010.

<b>FY</b>	<b>Vendor (Description)</b>	<b>Estimated Amount*</b>
2011	Capitol Strategies, Springfield, IL – Services related to computer programming on mainframe system.	\$45,000
Total		\$45,000

<b>FY</b>	<b>Vendor (Description)</b>	<b>Actual Amount*</b>
2010	Ingenix Health Intelligence, Minnetonka, MN - Services in establishing medical fee schedule and manual.	\$197,505
2010	Ellis System, Lake Forest, IL – File folders for several years of case files.	15,110
2010	Midwest Comp Review Services, Milwaukee, WI – Service to provide assistance in developing medical fees.	115,196
Total		\$327,811

*\*As reported in the affidavit filed with the Auditor General.*

**STATE OF ILLINOIS  
WORKERS' COMPENSATION COMMISSION  
SERVICE EFFORTS AND ACCOMPLISHMENTS (Not Examined)  
For the Two Years Ended June 30, 2011**

**ANALYSIS OF WORKERS' COMPENSATION CASES**

<u>CASE LOAD VOLUME</u>	<u>Fiscal Years Ended June 30,</u>		
	<u>2011*</u>	<u>2010</u>	<u>2009</u>
<u>Summary</u>			
Cases Pending at Beginning of Year	92,495	95,632	97,252
New Cases Filed During the Year	50,119	50,854	55,497
Cases Reinstated During the Year	1,800	1,929	1,786
Total Cases to be Processed	144,414	148,415	154,535
Deduct Cases Closed During Year	(53,695)	(55,920)	(58,903)
<b>CASES PENDING AT YEAR END</b>	<b>90,719</b>	<b>92,495</b>	<b>95,632</b>
 <u>ANALYSIS OF CASES FILED</u>			
Application for Arbitration	42,119	42,701	46,752
Original Applications for Approval of Settlement Contracts	8,000	8,153	8,745
<b>TOTAL NEW CASES FILED</b>	<b>50,119</b>	<b>50,854</b>	<b>55,497</b>
 <u>ANALYSIS OF CASES CLOSED</u>			
<u>By Arbitrators and Commissioners</u>			
Dismissed at Review	175	176	83
Dismissed by Applicants at Arbitration	600	606	595
Dismissed for Want of Prosecution at Arbitration	4,067	4,390	4,593
By Decisions of Arbitrators and Commissioners	2,585	2,802	2,402
By Approval of Settlement Contracts and Lump Sum Settlements	46,268	47,946	51,230
<b>TOTAL CASES CLOSED</b>	<b>53,695</b>	<b>55,920</b>	<b>58,903</b>

\* Estimated as of June 30.

**STATE OF ILLINOIS  
 WORKERS' COMPENSATION COMMISSION  
 SERVICE EFFORTS AND ACCOMPLISHMENTS (Not Examined)  
 For the Two Years Ended June 30, 2011**

**ANALYSIS OF WORKERS' COMPENSATION CASES**

	Fiscal Years Ended June 30,		
	2011*	2010	2009
Cases Pending at Beginning of Year	64.05%	64.44%	62.93%
New Cases Filed During the Year	34.70%	34.26%	35.91%
Cases Reinstated During the Year	1.25%	1.30%	1.16%
Total Cases to be Processed	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

	2011-2010		2010-2009	
	Increase/(Decrease)		Increase/(Decrease)	
	No. of Cases	%	No. of Cases	%
Total Cases to be Processed	(4,001)	(2.7%)	(6,120)	(4.0%)
Deduct Cases Closed During the Year	(2,225)	(4.0%)	(2,983)	(5.1%)
Cases Pending at Year End	(1,776)	(1.9%)	(3,137)	(3.3%)

\* Estimated as of June 30.