

**STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR**

**COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2007

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

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STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR

**AGENCY OFFICIALS**

Director (2/1/2007 to Current)	Ms. Catherine Shannon
Acting Director (12/18/2006 to 1/31/2007)	Ms. Catherine Shannon
Director (7/1/2005 to 12/31/2006)	Mr. Arthur Ludwig
Assistant Director	Mr. Bert Rodriguez
Legal Counsel (9/20/2007 to Current)	Mr. Michael Haggerty
Legal Counsel (7/1/2005 to 10/31/2005)	Mr. James Murray
Fiscal Officer (3/1/2007 to Current)	Mr. Mike Layden
Fiscal Officer (7/1/2005 to 11/15/2006)	Mr. Bob Blinn

Department offices are located at:

#1 West Old State Capital Plaza (fiscal records location)  
Springfield, IL 62701

160 North LaSalle Street, Suite C-1300  
Chicago, IL 60601

State Regional Office  
2309 West Main  
Marion, IL 62959



ILLINOIS DEPARTMENT OF LABOR

Rod R. Blagojevich  
Governor

Catherine M. Shannon  
Director

MANAGEMENT ASSERTION LETTER

March 20, 2008

Honorable William G. Holland  
Auditor General  
State of Illinois  
Hes Park Plaza  
740 East Ash  
Springfield, IL 62703-3154

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

- A. The Illinois Department of Labor 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 Illinois Department of Labor 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 Illinois Department of Labor has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Illinois Department of Labor 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. The money or negotiable securities or similar assets handled by the Illinois Department of Labor on behalf of the State or held in trust by the Illinois Department of Labor have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.



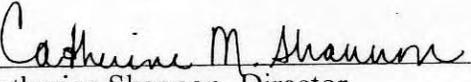
ILLINOIS DEPARTMENT OF LABOR

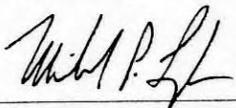
Rod R. Blagojevich  
Governor

Catherine M. Shannon  
Director

Yours very truly,

Illinois Department of Labor

  
Catherine Shannon, Director

  
Michael Layden, Chief Fiscal Officer

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR

**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 contains certain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	16	13
Repeated findings	10	4
Prior recommendations implemented or not repeated	3	2

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

**SCHEDULE OF FINDINGS**

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
07-1	10	Inadequate controls over revenues
07-2	13	Inadequate controls over accounts receivable records and reporting
07-3	15	Property control weaknesses
07-4	19	Inadequate control over Special State Trust Fund
07-5	21	Improper use of appropriated funds
07-6	23	Inaccurate expenditure records
07-7	25	Inadequate contract monitoring
07-8	27	Noncompliance with publication requirements of the Prevailing Wage Act

07-9	28	Inadequate control over contractual agreements
07-10	30	Contracts not properly approved
07-11	31	Inadequate control over travel expenditures
07-12	34	Inadequate controls over voucher processing
07-13	36	Performance evaluations not completed
07-14	37	Voucher approval weaknesses
07-15	38	Time sheets not maintained in compliance with the State Officials and Employees Ethics Act
07-16	39	Inadequate control over an interagency agreement

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

07-17	40	Efficiency Initiative Payments
07-18	40	GAAP Reporting Weaknesses
07-19	40	Noncompliance with Illinois Procurement Code

**EXIT CONFERENCE**

The findings and recommendation appearing in this report were discussed with Department personnel at an exit conference on March 13, 2008. Attending were:

Department of Labor

Catherine Shannon, Director  
 Bert Rodriguez, Assistant Director  
 Mike Layden, Fiscal Officer

Office of the Auditor General

Jane Clark, Manager  
 Courtney Dzierwa, Supervisor  
 Casey Evans, Auditor

Responses to the recommendations were provided on March 20, 2008 by Mike Layden, Fiscal Officer.

SPRINGFIELD OFFICE:  
ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046  
FAX: 217/785-8222 • TTY: 888/261-2887



CHICAGO OFFICE:  
MICHAEL A. BILANDIC BLDG. • SUITE S-900  
160 NORTH LASALLE • 60601-3103  
PHONE: 312/814-4000  
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

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

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have examined the State of Illinois, Department of Labor'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 years ended June 30, 2007. The management of the State of Illinois, Department of Labor is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Labor's compliance based on our examination.

- A. The State of Illinois, Department of Labor 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, Department of Labor 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, Department of Labor 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, Department of Labor 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, Department of Labor on behalf of the State or held in trust by the State of Illinois, Department of Labor 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, Department of Labor'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, Department of Labor's compliance with specified requirements.

As described in findings 07-1, 07-2, and 07-4 in the accompanying schedule of findings, the State of Illinois, Department of Labor did not comply with requirements regarding the accounting and recordkeeping of revenues, receipts, and accounts receivable handled by the State of Illinois, Department of Labor in the General Revenue Fund (Fund 001), the Special State Trust Fund (Fund 251), and the Child Labor Law Enforcement Fund (Fund 357). More specifically, the Department did not comply with the Statewide Accounting Management System (SAMS) Procedure 25.40.20, which requires the Department to reconcile account balances on a monthly basis and notify the State Comptroller's Office of any unreconcilable differences so necessary corrective action can be taken to locate the differences and correct the accounting records. As described in finding 07-3 in the accompanying schedule of findings, the State of Illinois, Department of Labor did not comply with requirements regarding the accounting and recordkeeping of property and equipment in the State of Illinois, Department of Labor's possession. More specifically, the Department did not comply with the State Property Control Act (30 ILCS 605), which states every agency of the State government shall be accountable for the supervision, control and inventory of all property under its jurisdiction. As described in finding 07-5 in the accompanying schedule of findings, the State of Illinois, Department of Labor did not comply with requirements regarding the expenditure and use of funds of the State in accordance with the purpose for which such funds have been appropriated. The Department used lump sum appropriations for purposes other than those specified in the appropriation acts. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Department of Labor 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, Department of Labor complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2007. However, the results of our procedures disclosed other instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 07-6, 07-7, 07-8, 07-9, 07-10, 07-11, 07-12, 07-13, 07-14, 07-15, and 07-16.

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

## **Internal Control**

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 07-1, 07-2, 07-3, 07-4, 07-5, 07-6, 07-7, 07-8, 07-9, 07-10, 07-11, 07-12, 07-13, 07-14, 07-15, and 07-16 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider items 07-1, 07-2, 07-3, 07-4, and 07-5 to be material weaknesses.

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

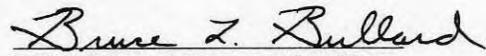
The State of Illinois, Department of Labor's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Department of Labor's response and, accordingly, we express no opinion on it.

## **Supplementary Information for State Compliance Purposes**

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

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

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



BRUCE L. BULLARD, CPA

Director of Financial and Compliance Audits

March 20, 2008

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2007

07-1. **FINDING** (Inadequate controls over revenues)

The Illinois Department of Labor (Department) did not exercise adequate controls over revenues. We noted the following control weaknesses:

- The Department did not maintain documentation to support amounts reported on their Agency Fee Imposition Reports prepared for Fiscal Year 2006. We also noted the Department had a \$15,003 unresolved discrepancy in their documentation to support amounts reported on their Agency Fee Imposition Report prepared for Fiscal Year 2007. The Department also did not retain copies of the Agency Fee Imposition Reports in their entirety for auditor examination and testing. The Department reported fees collected totaling \$898,544 and \$1,081,398 for Fiscal Years 2006 and 2007, respectively.

The State Records Act (5 ILCS 160/8) states the head of each agency shall establish and maintain an active, continuing program for the economical and efficient management of the records of the agency. Good business practices require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for necessary management reports.

- The Department did not maintain documentation of returned checks during the examination period. As a result, we could not determine if collection attempts on these unpaid amounts were made. According to Department records, the Department collected \$1,310,430 and \$1,781,768 in receipts during Fiscal Years 2006 and 2007, respectively, in the General Revenue Fund (Fund 001), Special State Trust Fund (Fund 251), and Child Labor Law Enforcement Fund (Fund 357).

Statewide Accounting Management System (SAMS) (Procedure 26.40.10) requires agencies to document collection efforts on past-due amounts owed to the State. Good business practices states a proper internal control structure should be established to help ensure the collection of revenues.

- The Department could not locate monthly reconciliations of its receipts to Comptroller records for 24 of 24 (100%) months during the examination period for the General Revenue Fund (Fund 001), Special State Trust Fund (Fund 251), and Child Labor Law Enforcement Fund (Fund 357)

Statewide Accounting Management System (SAMS) (Procedure 25.40.20) requires each agency to reconcile its receipts records to Comptroller reports on a monthly basis and to notify the Comptroller's Office of any unreconcilable differences noted so necessary corrective action can be taken to locate the differences and correct the accounting records.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2007

We also noted the following weaknesses in the Department's processing of receipts:

- The Department's records for 51 of 60 (85%) receipts tested, totaling \$160,454, were inconsistent in terms of dates received and dates deposited on the Department's Check Receipts System and the Department's files, respectively.
- The Department's records did not include date stamps for 32 of 60 (53%) receipts tested, totaling \$103,372.
- Nineteen of 60 (32%) receipts tested, totaling \$58,899, were deposited between 4 and 33 days late.
- The Department did not retain copies of the checks or bank deposit slips for 2 of 60 (3%) receipts tested, totaling \$5,995.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2 (a)) generally requires each State agency to deposit into the State Treasury individual receipts exceeding \$10,000 in the same day received, an 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. The Act also requires each State agency to keep a detailed, itemized account of moneys received, including the date of receipt. In addition, good business practice would require that agencies maintain effective accounting control over revenues, including maintaining accurate and thorough records to ensure all revenues due have been received and properly deposited. Good internal controls require copies of original documents, such as checks and bank deposit slips, to be retained to ensure the safeguarding of assets and the accuracy and reliability of accounting data.

Department personnel stated the lack of documentation was caused by a former employee's poor record keeping. In addition, the Department was without a chief fiscal officer for part of the examination period. The current fiscal officer came on board on March 1, 2007.

Failure to exercise adequate control over revenues is noncompliance with the State Officers and Employees Money Disposition Act and SAMS and could result in inaccurate statewide financial statement reporting. Failure to retain documentation to support reported amounts is noncompliance with the State Records Act. Delayed deposit of cash receipts reduces the amount of funds available for expenditure. (Finding Code No. 07-1, 05-3, 05-5)

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2007

**RECOMMENDATION**

We recommend the Department maintain documentation to support amounts reported on their Agency Fee Imposition Reports and retain copies of the reports in their entirety. The Department should comply with SAMS Procedures 26.40.10 by documenting collection efforts on past-due amounts owed to the State. The Department should also comply with SAMS Procedures 25.40.20 by performing monthly reconciliations of Department records to Comptroller records and notify the Comptroller's Office of any unreconcilable differences noted. We also recommend the Department comply with the State Officers and Employees Money Disposition Act by making timely deposits into the State Treasury and documenting the date that receipts are received. Good internal controls over receipts should also be enforced by the Department to ensure collection of revenue and adequate documentation is maintained and readily available for all transactions.

**DEPARTMENT RESPONSE**

The Department of Labor agrees.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2007

07-2. **FINDING** (Inadequate controls over accounts receivable records and reporting)

The Illinois Department of Labor (Department) did not exercise adequate controls over accounts receivable records and reporting. We noted the following:

- The Department could not locate documentation to support the transactions reported on 21 of 24 (88%) quarterly accounts receivable reports submitted to the Comptroller's Office during Fiscal Years 2006 and 2007.

Statewide Accounting Management System (SAMS) (Procedure 26.20.10) states detailed information should be maintained to facilitate the tracking of accounts receivable, including amounts due from individuals and organizations.

- Two of 3 (67%) quarterly accounts receivable reports prepared by the Department for the quarter ended June 30, 2007 were incomplete and inaccurate. While the receivables amounts were accurately classified by revenue source code, \$822,000 was erroneously excluded from the portion of the report summarizing accounts receivables activity for the General Revenue Fund (Fund 001). Reports prepared describing accounts receivable activity for the Child Labor Law Enforcement Fund (Fund 357) overstated the total value of accounts over 90 days past due by \$3,000. The Department also reported \$3,000 in receivables for Fund 357 in the improper aging categories. In addition, the Department erroneously excluded \$880,000 in receivables when the overall summary of accounts receivable activity was prepared.

Good business practices require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for necessary management reports. Good business practices also require a careful review of source documentation and prepared reports before submission.

- The Department did not maintain adequate accounts receivable records to facilitate aging and collection attempts on unpaid amounts. Further, there does not exist an adequate method of tracking and monitoring complaints related to billings, or receivables, due to the absence of proper accounts receivable records.

SAMS (Procedure 26.20.20) states agencies must age each outstanding receivable relative to its formal due date in order to effectively estimate the collectibility of its receivables and properly focus collection efforts. SAMS (26.20.10) also states detailed information should be maintained to facilitate the tracking of accounts receivable. Good business practices dictate a proper internal control structure be established to ensure the collection of revenues.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2007

- Three of 24 (13%) accounts receivable reports prepared by the Department were submitted to the Comptroller's Office 4 days late.

SAMS (Procedure 26.30.10) states the reports must be received by the Comptroller no later than the last day of the month following the end of the quarter.

Department personnel stated the quarterly accounts receivable reports that should have been prepared by a former employee could not be located. In addition, the accounting records for the Department's receivables are decentralized requiring manual compilation to prepare the necessary reports which led to errors, and the reports were submitted late due to oversight. In addition, the Department was without a chief fiscal officer for three months of the examination period prior to the current fiscal officer coming on board on March 1, 2007.

Department personnel stated the June 30, 2007 reports submitted to the Office of the Comptroller were the first attempt to prepare receivables in accordance with SAMS procedures, i.e., recognize penalties assessed as meeting the definition of a receivable per procedure SAMS 26.20.10. While the Department and the OAG calculation of total gross receivables are the same, the Department acknowledges two sub-totals were not added together and that there were differences in how the aging categories were calculated.

Failure to monitor accounts receivable on a regular basis, identify delinquent accounts receivable, report accurate amounts, and maximize collections can result in lost revenues for the State and inaccuracies in statewide financial reporting. Additionally, failure to maintain adequate documentation for accounts receivable increases the chances of undetected errors occurring in reporting the amounts receivable and the likelihood of accounts receivable not being adequately monitored for collection. Failure to submit accounts receivable reports timely can cause delays in statewide financial reporting. (Finding Code No. 07-2, 05-4)

**RECOMMENDATION**

We recommend the Department maintain detailed records of all billings to support accounts receivable balances reported. We also recommend the Department periodically review all accounts receivable to facilitate collection attempts and to maximize revenues.

**DEPARTMENT RESPONSE**

The Department of Labor agrees.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2007

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

The Illinois Department of Labor (Department) did not exercise adequate control over the recording and reporting of State property. The Department maintained three sets of property inventory records during the period, including two computerized property inventory registers and manually prepared monthly transaction spreadsheets. The results of our testing indicated the three sets differed in content and did not reconcile to each other. We noted the following differences:

- The Annual Inventory Certifications submitted to the Department of Central Management Services (DCMS) were not accurate and complete. The Department reported equipment balances of \$465,655 and \$285,735 for Fiscal Years 2006 and 2007, respectively. The calculated difference between the two reports (\$179,920) does not correspond with \$30,678 in deletions reported by the Department to the Office of the Comptroller on the Quarterly Reports of State Property (C-15) reports for that timeframe. This difference is attributable to the fact the Department utilized one of the computerized property inventory registers for the Fiscal Year 2006 report, and the other computerized property inventory register for the Fiscal Year 2007 report. In addition, one newly purchased item, totaling \$699, was excluded from the May 31, 2006 certification, and two newly purchased items, totaling \$1,106, were excluded from the May 31, 2007 certification. Three equipment items, totaling \$4,207, purchased in prior periods were excluded from both the May 31, 2006 and May 31, 2007 certifications.

The State Property Control Act (30 ILCS 605/6.04) requires each agency to annually certify its inventory to DCMS with a full accounting of all errors or exceptions reported therein. The State Property Control Act (30 ILCS 605/4) also states every agency of the State government shall be accountable for the supervision, control and inventory of all property under its jurisdiction. Good business practices require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for necessary management reports.

- Six of 8 (75%) Quarterly Reports of State Property (C-15's) prepared by the Department and submitted to the State Comptroller's Office did not accurately reflect Department equipment transactions. We noted differences between the addition, deletion, and ending balance amounts reported on the C-15's and the Department's monthly transaction reports.

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**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2007

Good business practices require an agency to review all reported information for accuracy before submission. Statewide Accounting Management System (SAMS) (Procedure 29.20.10) requires an agency to report all additions, deletions, and net transfers affecting each asset class that occurred during the quarter being reported. SAMS (Procedure 29.10.30) also states the C-15 should present the total cost of State property, by category, reflected on the agency's records as of the reporting date.

- For 7 of 10 (70%) additions to property inventory tested, totaling \$2,241, the Department added the items to their monthly transaction spreadsheets but did not add the items to their property inventory register.

Good business practices require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for necessary management reports.

- For 1 of 3 (33%) deletions of property tested, totaling \$13,995, the Department deleted the item from their monthly transaction spreadsheets but did not remove the item from their property inventory register.

Good business practices require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for necessary management reports.

We also noted the following:

- Six items purchased during the period, totaling \$1,403, were not added to the Department's property inventory register. In addition, one item, totaling \$699, was purchased during the period but was not added to the Department's monthly transaction spreadsheets timely. The item was purchased in March 2006, yet the corresponding inventory adjustment was not made until June 2006.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.400) requires agencies to adjust property records within 30 days of acquisition, change, or deletion of equipment items.

- The Department could not locate supporting documentation to verify the historical costs for 6 of 10 (60%) additions to property inventory tested, totaling \$3,225.

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**SCHEDULE OF FINDINGS**  
For the Two Years Ended June 30, 2007

SAMS (Procedure 29.10.10) requires an agency to maintain current property information at a summary level, which includes the cost of each asset. The State Records Act (5 ILCS 160/9) requires the Department preserve records containing adequate and proper documentation.

- For 2 of 3 (67%) transferred out items tested, totaling \$14,223, the Department did not maintain documentation showing they provided the historical cost, purchase price, and date to the receiving agency.

The State Records Act (5 ILCS 160/9) requires the Department preserve records containing adequate and proper documentation.

- Five of 25 (20%) items tested, totaling \$2,816, appeared on the Department's records but could not be located within the Department. Three of 25 (12%) items tested, totaling \$570, were not found in the locations specified in the Department's records. One of 25 (4%) items tested, totaling \$137, was not tagged. One of 25 (4%) items tested, totaling \$146, was not found in the location specified in the Department records and was not tagged.

SAMS (Procedure 29.10.10) requires an agency to maintain current property information at a summary level, which includes a description of each asset and its location. The Illinois Administrative Code (44 Ill. Adm. Code 5010.210) requires agencies to mark 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.

- For 2 of 25 (8%) items tested, the items were located within the Department; however, the physical locations differed from the locations specified in the Department's records. For an additional 2 of 25 (8%) items tested, the description of the items contained in the Department's records did not match the physical items.

SAMS (Procedure 29.10.10) requires an agency to maintain current property information at a summary level, which includes a description of each asset and its location.

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- The Department did not accurately correct errors noted during the previous period. In the prior year, auditors had determined equipment was overstated by \$26,672. In addition, the auditors had also determined equipment items purchased through the Federal Indoor Air Tools for Schools grant during Fiscal Years 2004 and 2005, totaling \$11,649, were not tagged or recorded on the Department's property inventory records, nor were they included on the C-15's submitted to the State Comptroller's Office. We noted no evidence of corrections made related to these errors during the current examination.

Good business practices require proper internal controls be established to ensure the accuracy and reliability of accounting data.

Department personnel stated they could not locate any reconciliations or records related to property transactions that occurred. In addition, the Department notes it was without a chief fiscal officer for part of the examination period. The current fiscal officer came on board on March 1, 2007.

Failure to exercise adequate control over property and maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. (Finding Code No. 07-3, 05-7, 03-6)

**RECOMMENDATION**

We recommend the Department strengthen controls over the recording and reporting of State property by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. We also recommend the Department ensure all equipment is accurately and timely recorded on the Department's property records and properly tagged. In addition, we recommend the Department thoroughly review all reports prepared from internal records for accuracy before submission to the State Comptroller and the Department of Central Management Services.

**DEPARTMENT RESPONSE**

The Department of Labor agrees.

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07-4. **FINDING** (Inadequate control over Special State Trust Fund)

The Illinois Department of Labor (Department) did not exercise adequate control over its Special State Trust Fund (Fund 251). We noted the following control weaknesses:

- The Department did not maintain a ledger of claimants and corresponding dollar amounts comprising the balance held in the Special State Trust Fund. The State Comptroller's Office records showed balances of \$920,829 and \$1,357,403 held in the Fund 251 as of June 30, 2006 and June 30, 2007 respectively.
- The Department could not locate documentation for 24 of 24 (100%) reconciliations prepared for Fund 251 during the examination period. The Department could not locate documentation of expenditure or receipt reconciliations for that timeframe. The lack of reconciliation documentation is discussed further in Findings 07-1 and 07-6.
- The Department could not locate 19 of 47 (40%) vouchers, totaling \$11,476, requested for detail testing of disbursements from Fund 251.
- The Department could not locate further documentation for 12 receipts, totaling \$27,067, received by the Department and deposited into Fund 251. Those receipts should have resulted in either disbursements to the individual claimants or in liability amounts held in Fund 251 until the claimants could be located and paid.
- The Department's records for 1 receipt, totaling \$2,208, did not contain the name or names of the corresponding claimant or claimants.

The Department operates the Special State Trust Fund as an agency fund in the State treasury. The purpose of this fund is to hold wage claims collected from employers by the Department on behalf of Illinois workers (claimants) and hold those monies until the claimants can be located and properly paid. Good business practices require sufficient and properly designed accounting records be maintained to adequately control fiscal operations. The Illinois State Records Act (5 ILCS 160/8-9) requires agency heads to preserve records and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and to establish and maintain an active, continuing program for the economical and efficient management of the records. Statewide Accounting Management System (SAMS) (Procedures 11.40.20 and 25.40.20) require agencies to perform monthly reconciliations of their receipts and disbursements and notify the Comptroller's Office of any unreconcilable differences so necessary corrective action can be taken to locate the differences and correct the accounting records.

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Department personnel stated the lack of documentation was caused by a former employee's poor record keeping. In addition, the Department notes it was without a chief fiscal officer for part of the examination period. The current fiscal officer came on board on March 1, 2007.

Failure to exercise adequate control over the Special State Trust Fund is noncompliance with SAMS and could result in inaccurate statewide financial statement reporting. (Finding Code No. 07-4).

**RECOMMENDATION**

We recommend the Department maintain detailed records for all Special State Trust Fund transactions. We also recommend the Department retain documentation of all reconciliations performed.

**DEPARTMENT RESPONSE**

The Department of Labor agrees and currently maintains documentation of its monthly reconciliations.

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07-5. **FINDING** (Improper use of appropriated funds)

The Illinois Department of Labor (Department) improperly used funds appropriated by the General Assembly.

The Department received lump sum appropriations of \$159,000 in each of Fiscal Year 2006 and Fiscal Year 2007 for costs associated with conducting an annual study regarding the employment progress of women and minorities as mandated by P.A. 87-405. However, an interagency agreement, effective November 16, 2004, transferred all powers, duties, rights and responsibilities with respect to administration of the annual study from the Department of Labor to the Illinois Department of Employment Security. Also, upon approval of the Director of Central Management Services, the one Department of Labor employee assigned to carry out the functions of this program was to be transferred to the Department of Employment Security. In addition, all books, records, documents and pending business and property pertaining to the administration of the program were to become the property of the Department of Employment Security. No monies were to be transferred.

We noted the Department continued to spend from this lump sum appropriation although the Department performed no further duties associated with this study after the transfer to the Department of Employment Security. During Fiscal Year 2006, the Department spent a total of \$157,965 from this appropriation for personal services, printing, advertising, equipment, telecommunications and travel expenses for Department functions unrelated to the progress of women and minorities study. In Fiscal Year 2007, \$157,821 was expended from this appropriation for personal services, advertising, travel, and telecommunications expenses unrelated to the women and minorities study.

Public Acts 94-0015 and 94-0798 (Appropriation Acts) designated the expenditure authority from which the Department was authorized to expend its appropriations. The Appropriation Acts specifically state the lump sum is to be used for all costs associated with conducting the study mandated by P.A. 87-405, regarding the employment progress of women and minorities.

Department personnel stated they failed to amend the language in the appropriation bills to allow costs in FY06 and FY07 related to promoting and enforcing the Equal Pay and Victims Economic Security and Safety Acts. The FY08 appropriation bill language has been corrected.

Appropriations made by the General Assembly specify the purposes for which the public funds of the State may be expended. Expending money for costs other than those designated by the Appropriation Acts is a violation of the appropriation process and limits legislative control. (Finding Code No. 07-5, 05-8)

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**RECOMMENDATION**

We recommend the Department limit expenditures from appropriated line items to the purpose for which they are appropriated.

**DEPARTMENT RESPONSE**

The Department of Labor agrees. The FY 2008 and FY 2009 appropriations language has been changed to allow for costs associated with Equal Pay and the Victims Economic Safety and Security Acts.

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07-6. **FINDING** (Inaccurate expenditure records)

The Illinois Department of Labor (Department) did not maintain accurate and properly reconciled expenditure records. We noted the following:

- We noted 13 unrecorded transactions during Fiscal Year 2006 and 54 unrecorded transactions during Fiscal Year 2007. The total dollar amounts of the unrecorded transactions were \$1,655 and \$526,412, respectively. The Fiscal Year 2007 unrecorded transactions were identified by Department personnel during the reconciliation process. However, the transactions were not subsequently posted to the Department's expenditure records.
- We also noted 8 incorrectly recorded transactions during Fiscal Year 2006 and 14 incorrectly recorded transactions during Fiscal Year 2007. The net dollar amounts of the incorrectly recorded transactions were \$4,711 and \$208,450, respectively.

In addition, the Department was unable to locate reconciliations for Fiscal Year 2006 and 8 months of Fiscal Year 2007 for the General Revenue Fund (Fund 001), the Special State Trust Fund (Fund 251), and the Child Labor Law Enforcement Fund (Fund 357). Reconciliations prepared for these periods were completed retroactively. However, the reconciliations prepared for Fiscal Year 2006 did not address all funds and divisions of the Department.

Statewide Accounting Management System (SAMS) (Procedure 11.40.20) requires each agency to reconcile appropriation expenditures monthly and notify the Comptroller of irreconcilable differences. Good business practices require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for necessary management reports. The Illinois State Records Act (5 ILCS 160/9) requires the head of each agency establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.

Department personnel stated they could not locate any expenditure reconciliations and acknowledged poor record keeping practices. The Department stated it was without a chief fiscal officer for part of the examination period. The current fiscal officer came on board on March 1, 2007. The current fiscal officer retroactively prepared reconciliations but did not include all division and funds due to oversight and the unrecorded transactions were not posted due to time constraints.

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Failure to maintain accurate and complete expenditure records could result in expenditures made in excess of available appropriations. Failure to perform monthly reconciliations between Department records and Comptroller records impairs the Department's and the Comptroller's ability to identify possible errors and take corrective action to ensure accurate accounting of Department expenditures. (Finding Code No. 07-6)

**RECOMMENDATION**

We recommend the Department maintain accurate and complete records of all expenditures. We also recommend the Department perform monthly reconciliations of agency expenditures to Comptroller records as required by SAMS to ensure the accuracy of their expenditure records.

**DEPARTMENT RESPONSE**

The Department of Labor agrees and currently performs monthly expenditure reconciliations.

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07-7. **FINDING** (Inadequate contract monitoring)

The Illinois Department of Labor (Department) established a contract with a vendor for knowledgeable legal assistance to be provided to the Department to help them eliminate their current backlog of debarment hearings and other hearings under the Prevailing Wage Act. The contract set forth a maximum of \$19,900 to be paid to the vendor for the period July 1, 2006 through June 30, 2007.

However, the Department did not adequately monitor vendor billings to ensure the vendor did not continue to provide services after the contract maximum had been met. As a result, the vendor continued to render legal services and submit billings, totaling \$22,285, during Fiscal Year 2007 after the contract maximum had been met. These invoices were received by the Department from August 31, 2006 through March 31, 2007. The vendor has subsequently filed a claim in the Secretary of State's Court of Claims to obtain payment.

Good business practices require the Department to adequately and timely monitor invoices received by a vendor to ensure the contract maximum is not exceeded. Good business practices also require the Department to have timely communication with the vendor to ensure both parties are aware that no payments will be made once the contract maximum has been met or the Department and the vendor should discuss the possibility of a contract amendment if additional services are determined to be needed. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that agencies establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliance with applicable laws, rules and agreements.

Department personnel stated the Department was provided services above the contractually stated amount due to staff turnover in key positions that would have monitored the expenditures.

Failure to adequately monitor vendor billings increases the risk that vendors will incur expenses and then file a claim with the Secretary of State's Court of Claims. This could lead to unnecessary expenditures by both the Department and the Secretary of State to process the claim. (Finding Code No. 07-7)

**RECOMMENDATION**

We recommend the Department increase oversight and review of all vendor billings received, including comparison of billings received and paid to amounts set forth in contracts. The Department should also amend contracts timely when services will be needed in excess of the maximum contract amounts.

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**DEPARTMENT RESPONSE**

The Department of Labor agrees.

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- 07-8. **FINDING** (Noncompliance with publication requirements of the Prevailing Wage Act)

The Illinois Department of Labor (Department) did not comply with the timelines required regarding the publication of contractor's debarment under the Prevailing Wage Act. We noted four of four (100%) instances tested where a contractor or subcontractor's debarment period was effective prior to the Department's publication of the contractor or subcontractor's name in the Illinois Register as a debarred contractor.

The Prevailing Wage Act (Act) (820 ILCS 130/11a) states the Department shall publish in the Illinois Register no less often than once each calendar quarter a list of contractors or subcontractors found to have disregarded their obligations to employees under the Act. The Act further states no contract shall be awarded to a contractor or subcontractor appearing on the list, or to any firm, corporation, partnership or association in which such contractor or subcontractor has an interest until two years have elapsed from the date of publication of the list containing the name of such contractor or subcontractor.

Department personnel stated there was a misinterpretation of the statute related to reporting requirements.

Failure to debar contractors and subcontractors for a period of two years from the date of publication in the Illinois Register reduces the penal value of the debarment and is noncompliance with State statute. (Finding Code No. 07-8)

**RECOMMENDATION**

We recommend the Department comply with the requirements of the Prevailing Wage Act. In addition, the Department should ensure the contractor or subcontractor's debarment is not effective prior to the publication of the contractor or subcontractor's name in the Illinois Register.

**DEPARTMENT RESPONSE**

The Department of Labor agrees and has changed Department procedures related to the publication of the contractor or subcontractor's name in the Illinois Register.

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07-9. **FINDING** (Inadequate control over contractual agreements)

The Illinois Department of Labor (Department) did not exercise adequate control over contractual agreements. During testing, we noted the following:

- One of five (20%) contractual agreements, totaling \$19,122, where services began 84 days before the contract was approved and subsequently submitted to the State Comptroller's Office. In addition, the Department did not file a late filing affidavit until 161 days after the commencement of services. Further, the contract obligation document was not authorized until 160 days after the commencement of services.

Good business practices require all contracts entered into be approved by all involved parties prior to the beginning of services. The Illinois Procurement Code (30 ILCS 500/20-80) requires an agency to file the contract covering the services along with an affidavit, signed by the chief executive officer of the agency or his or her designee, with the Comptroller's Office stating that the services were agreed to before commencement of the services and setting forth an explanation of why the contract liability was not filed within 30 days of execution.

- One of five (20%) contractual agreements, totaling \$13,022, where the contract obligation document was approved 1 day after the commencement of services. In addition, the contract was not signed and dated by the head of the agency or an authorized individual.

Good business practices require contract obligation documents be approved by an approved agency official or designee prior to beginning of services. In addition, the State Comptroller's Accounting Bulletin 124 requires every contract that is required to be filed with the Comptroller's Office bear either the signature of the head of the agency or a delegated individual.

- Two of five (40%) contractual agreements, totaling \$39,022, did not include typed or printed names below the signature of the agency head or authorized individual.

The State Comptroller's Accounting Bulletin 124 requires every contract signatory have their name and title typed or printed legibly below their actual signature.

Department personnel stated the contractual agreements were not approved timely due to administrative delays, and the contractual agreements did not include the typed or printed name below the appropriate signatures due to oversight.

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Failure to exercise adequate control over contractual agreements may result in loss of State funds and may subject the State to unnecessary legal risks. (Finding Code No. 07-9, 05-6)

**RECOMMENDATION**

We recommend the Department strengthen controls to ensure contractual agreements are properly completed and approved by agency officials prior to the performance of services by contractors and ensure late filing affidavits are filed timely when necessary. Further, we recommend the Department ensure that every contract signatory have their name and title typed or printed legibly below their actual signature.

**DEPARTMENT RESPONSE**

The Department of Labor agrees.

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07-10. **FINDING** (Contracts not properly approved)

The Illinois Department of Labor (Department) did not obtain proper prior approval for legal services contracts.

The Department entered into three contracts with the same vendor totaling \$19,122, \$10,320, and \$19,900 respectively, for legal assistance on enforcement actions and investigations. The contracts were considered by Department personnel to be exempt from the Illinois Procurement Code (30 ILCS 500) due to the nature of services to be provided by the law firm. However, the Department did not obtain proper prior approval from the chief legal counsel to the Governor.

The Illinois Procurement Code (Code) (30 ILCS 500/1-10(b)(7)) states the Code is not applicable to contracts necessary to prepare for enforcement actions or investigations, provided the chief legal counsel to the Governor gives his or her approval when the procuring agency is one subject to the jurisdiction of the Governor.

Department personnel stated the prior approval from the Governor's Chief Legal Counsel was not obtained due to oversight.

Failure to obtain proper prior approval for legal services contracts could lead to the inefficient use of State resources and is noncompliance with the Illinois Procurement Code. (Finding Code No. 07-10)

**RECOMMENDATION**

We recommend the Department ensure proper prior approval from the chief legal counsel to the Governor is obtained prior to obtaining legal services from an outside vendor.

**DEPARTMENT RESPONSE**

The Department of Labor agrees.

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07-11. **FINDING** (Inadequate control over travel expenditures)

The Illinois Department of Labor (Department) did not maintain adequate internal controls over its travel expenditures. During testing, we noted the following:

- Twelve of 25 (48%) travel vouchers tested, totaling \$18,736, included travel for periods ranging from two to five and a half months. In addition, eleven of these vouchers, totaling \$18,629, were submitted from 65 to 218 days after the completion of the first instance that travel had taken place.

Good internal controls require travel vouchers be submitted timely. Further, according to IRS Publication 535, employee travel expense reimbursements will be considered taxable wages if the travel expenses are not submitted within a reasonable period of time.

- Three of 25 (12%) travel vouchers tested contained reimbursements for lodging that were in excess of rates allowed by travel allowances. The excess reimbursements totaled \$247.

The Governor's Travel Control Board Guidelines (Guidelines) (Section 3000.410) state it is the responsibility of each employee to request the lowest available lodging rate at the time of making reservations. Also, the Guidelines state hotels listed in the Preferred Hotel Listing must always be contacted first when seeking overnight accommodations.

- One of 25 (4%) travel vouchers tested contained an excess reimbursement as a result of inaccurate per diem calculations, totaling \$28.

Good internal controls require a careful review of reported information for accuracy before vouchers are approved for reimbursement.

- Two of 25 (8%) travel vouchers tested claimed mileage in amounts greater than the usual route. The travelers did not explain or separately detail the reasons for the excess mileage. Mileage claimed was greater than mileage for the usual route by 20 to 37 miles, resulting in excess payments of \$23.

The Illinois Administrative Code (80 Ill. Adm. Code 2800.240) requires when a privately owned vehicle is used, a travel voucher must show commuting mileage, the dates, points of travel, and mileage. If the distance traveled between any given points is greater than the usual route between these points shown on a road map, the reason for the greater distance shall be explained and detailed separately.

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- The designated employee headquarters documented on the Travel Headquarters (TA-2) reports did not match the headquarters documented on the travel vouchers. Four of 25 (16%) vouchers tested listed incorrect employee headquarters locations.

The Illinois Travel Regulation Council Rules (80 Ill. Adm. Code 3000.140) defines headquarters as the post of duty or station at which official duties require the employee to spend the largest part of working time.

- Two of 25 (8%) travel vouchers tested contained reimbursements for expenses between the employees' residence and headquarters, totaling \$17.

The Governor's Travel Control Board Regulations (Section 3000.220) states expenses incurred between an employee's residence and headquarters are not reimbursable.

- Three of 20 (15%) top travelers tested were reimbursed twice for the same travel on different travel vouchers, totaling \$715.

Good internal controls require appropriate personnel to check travel vouchers to ensure that double billing has not occurred.

- One of 20 (5%) top travelers tested was reimbursed for travel expenses on four different travel vouchers that include travel dates and destinations which appear to be in conflict and/or contradict other travel vouchers.

Good internal controls require appropriate personnel to check travel vouchers to ensure conflicting and/or contradicting travel dates and destinations have not occurred on different travel vouchers.

Department personnel stated the majority of the issues are attributed to a lack of adequate supervisory review over travel expenditures.

Failure to submit travel vouchers in a timely manner could distort travel expenditures from month to month. Additionally, according to IRS Publication 535, employee travel expense reimbursements will be considered taxable wages if the travel expenses are not submitted within a reasonable period of time. Inadequate control over travel expenditures could result in overpayment to travelers and is an inefficient use of State resources. Improper designation of headquarters could entitle the employee to reimbursement for commuting costs and other travel expenses not otherwise allowed.

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Reimbursing employees for normal commuting expenses is an inefficient use of State resources. Failure to follow the Governor's Travel Control Board regulations increases the risk that non-reimbursable expenditures will occur and not be detected. Failure to implement adequate controls over payments of travel expenditures increases the risk that errors, double billing, and irregularities will occur and not be detected. In addition, lack of adequate controls resulted in overpayment of \$1,030 to employees. (Finding Code No. 07-11)

**RECOMMENDATION**

We recommend the Department implement controls to verify claimed travel reimbursements prior to payment. We also recommend the Department implement controls over its travel expenditures to include ensuring employees submit travel vouchers timely and the Governor's Travel Control Board regulations are followed. We also recommend the Department request reimbursement from those employees overpaid.

**DEPARTMENT RESPONSE**

The Department of Labor agrees.

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07-12. **FINDING** (Inadequate controls over voucher processing)

The Illinois Department of Labor (Department) did not exercise adequate controls over voucher processing. We noted the following:

- Sixty-two of 248 (25%) vouchers tested, totaling \$192,118, were not signed and dated by the receiving officer.

Statewide Accounting Management System (SAMS) (Procedure 17.20.20) states each invoice-voucher, upon receipt of goods or services, must be signed by the receiving officer, verifying goods or services meet the stated specifications.

- Forty of 248 (16%) vouchers tested, totaling \$71,098, were approved for payment from 4 to 148 days late.

The Illinois Administrative Code (74 Ill. Adm. Code Section 900.70) requires an agency to review a bill and either deny the bill in whole or part, ask for more information necessary to review the bill, or approve the bill in whole or in part, within 30 days after physical receipt of the bill.

- Thirteen of 248 (5%) vouchers selected for testing, totaling \$8,344, could not be located by the Department.

The Illinois State Records Act (5 ILCS 160/9) requires the head of each agency establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.

- Three of 248 (1%) vouchers tested, totaling \$2,430, did not contain adequate supporting documentation.

The Statewide Accounting Management System (SAMS) Procedure 17.10.20 requires that each State agency maintain all supporting documentation necessary to substantiate their expenditures.

- Two of 248 (1%) vouchers tested, totaling \$25,610, were for 4 copiers for the Springfield, Marion, and Chicago offices. These vouchers were processed from the Child Labor Law Enforcement Fund. These purchases should have been made from the General Revenue Fund.

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Public Acts 94-0015 and 94-0798 (Appropriation Acts) designated the expenditure authority from which the Department was authorized to expend its appropriations. The Appropriation Acts specifically state the Child Labor Law Enforcement Fund appropriations are to be used to meet the ordinary and contingent expenses of the Department of Labor for the administration of Child Labor Law and Day and Temporary Labor Services Act. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the establishment and maintenance of a system of internal controls to safeguard funds against waste, loss, unauthorized use and misappropriation. Furthermore, strong internal controls and good business practices dictate policies be established to delineate appropriate uses of funds.

Department personnel stated the majority of the voucher processing issues noted were caused by inadequate record keeping and lack of supervisory review before processing.

The lack of a receiving officer's signature reduces the overall control over expenditures and may lead to inappropriate expenditures. Failure to approve vouchers timely could subject the State to unnecessary interest charges. Failure to maintain vouchers is noncompliance with the Illinois State Records Act. Failure to pay the required interest on vouchers is noncompliance with the State Prompt Payment Act. The failure to maintain adequate supporting documentation for expenditures could result in incorrect accounting information and could cause unnecessary expenditures. The failure to use funds for the designated purpose could result in waste and misappropriation of funds. (Finding Code No. 07-12, 05-9, 03-2, 01-1, 99-1)

**RECOMMENDATION**

We recommend the Department comply with SAMS procedures by having a receiving officer sign each voucher to indicate goods were received according to stated specifications. We also recommend the Department implement procedures to ensure all vouchers are approved timely in accordance with the Illinois Administrative Code and develop and implement procedures to identify all vouchers not paid within 60 days to ensure the proper amount of interest is paid in accordance with the State Prompt Payment Act. In addition, the Department should comply with the Illinois State Records Act and ensure it maintains an adequate system of recordkeeping. Further, we recommend the Department expend appropriations only for its designated purpose.

**DEPARTMENT RESPONSE**

The Department of Labor agrees.

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07-13. **FINDING** (Performance evaluations not completed)

The Illinois Department of Labor (Department) did not complete employee performance evaluations timely. We noted the Department did not perform annual employee performance evaluations for 11 of 19 (53%) employees tested during the examination period. Four of these employees have not had an annual performance evaluation since 2003, and three of these employees have not had an annual performance evaluation since 2005.

The Illinois Department of Labor Employee Handbook states employees shall be evaluated at least annually. The Illinois Administrative Code (80 Ill. Adm. Code 302.270) states performance records shall include an evaluation of employee performance, and that for every certified employee, each agency shall prepare such an evaluation not less often than annually.

Department personnel stated performance evaluations were not completed timely due to oversight by those supervisors and managers responsible and due to competing priorities.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustment, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. (Finding Code No. 07-13, 05-10)

**RECOMMENDATION**

We recommend the Department comply with its Employee Handbook and the Illinois Administrative Code and perform evaluations timely for all employees.

**DEPARTMENT RESPONSE**

The Department of Labor agrees.

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07-14. **FINDING** (Voucher approval weaknesses)

The Illinois Department of Labor (Department) did not exercise adequate control over voucher approvals.

We noted the Director of the Department did not sign all vouchers exceeding \$1,000. We noted 21 of 110 (19%) vouchers selected for testing, totaling \$69,188, did not include the Director's original signature. The Department's Fiscal Officer, who has signature authority for the Director, stamped the Director's signature on these vouchers exceeding \$1,000. The Department's response to prior year finding 03-2 stated an adequate segregation of duties would be achieved by having the Director sign all voucher requests greater than \$1,000.

Good business practices require adequate segregation of duties in order to help ensure the safeguarding of assets through the prevention of improper expenditures. The maintenance of appropriate segregation of duties promotes operational efficiency and enhances the accuracy and reliability of accounting data.

Department personnel stated the voucher approvals in question occurred during the prior administration. The current director has signed all vouchers over \$1,000.

Voucher approval weaknesses increase the likelihood that a loss from errors or irregularities could occur and remain undetected in the normal course of employees executing their assigned duties. (Finding Code No. 07-14, 05-12, 03-2, 01-1, 99-1)

**RECOMMENDATION**

We recommend the Department ensure an adequate segregation of duties in order to maintain effective internal control over the recordkeeping and accounting duties concerned with asset physical control over expenditures.

**DEPARTMENT RESPONSE**

The Department of Labor agrees. Additionally, the Director reviews and approves all financial transactions with an amount of \$1,000 or more.

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- 07-15. **FINDING** (Time sheets not maintained in compliance with the State Officials and Employees Ethics Act)

The Illinois Department of Labor (Department) did not maintain time sheets in compliance with the State Officials and Employees Ethics Act (Act).

We noted the Department did not maintain time sheets in compliance with the Act. Employees are required to sign in upon arriving at work and sign out upon leaving work. In addition, employees are also required to sign in and out each time they leave the premises for breaks and lunch in a separate binder. However, the sign in sheets do not document the time spent each day on official State business to the nearest quarter hour.

The Act requires the Department to adopt personnel policies consistent with the Act. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour."

Department personnel stated that there was a misinterpretation of the time keeping requirements. The Department has since modified the time sheets to reflect actual time spent on State business each day.

By not maintaining appropriate time sheets, the Department is not in compliance with the Act. (Finding Code No. 07-15, 05-13)

**RECOMMENDATION**

We recommend the Department amend its policies to require all employees to maintain time sheets in compliance with the Act.

**DEPARTMENT RESPONSE**

The Department of Labor agrees and has since implemented new time sheets that reflect actual time spent on State business each day.

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07-16. **FINDING** (Inadequate control over an interagency agreement)

The Illinois Department of Labor (Department) did not exercise adequate control over its one interagency agreement. The Department entered into an interagency agreement with the Department of Financial and Professional Regulation (DFPR) and the Office of the Governor to share the services of a liaison to advance the Department's, DFPR's and the Office of the Governor's objectives, functions, goals and policies.

The interagency agreement was not signed prior to the effective date by the Department, the DFPR or the Office of the Governor. The Department signed the agreement 15 days after the effective date of the agreement. All three signatures were not obtained until 32 days after the effective date of the agreement.

Good internal controls require the approval of agreements prior to the effective date and services be performed only after the agreement is approved by all parties. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that agencies establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliance with applicable laws, rules, and agreements.

Department personnel stated the signatures were not obtained timely due to administrative delays related to the Agreement, and the effective date was not changed due to oversight.

In order to assess whether the agreement sufficiently documents the responsibilities of the appropriate parties, the agreement needs to be approved prior to the effective date. (Finding Code No. 07-16)

**RECOMMENDATION**

We recommend the Department ensure interagency agreements are approved prior to the effective date of the agreement and prior to services being rendered.

**DEPARTMENT RESPONSE**

The Department of Labor agrees.

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

07-17. **FINDING** (Efficiency Initiative Payments)

During the prior examination, the Department made payments for efficiency initiative billings from improper line item appropriations.

During the current examination, the Department was not billed for any efficiency initiatives. (Finding Code No. 05-1)

07-18. **FINDING** (GAAP Reporting Weaknesses)

During the prior examination, the Department did not provide complete support for amounts reported in the Department's Fiscal Year 2005 Generally Accepted Accounting Principles (GAAP) packages submitted to the Office of the Comptroller in a timely manner. In addition, some of the estimated amounts reported by the Department differed materially from the actual amounts.

During the current examination, the Department maintained support for tested amounts. In addition, no material differences were noted between the Department's estimated amounts and actual amounts. (Finding Code No. 05-2)

07-19. **FINDING** (Noncompliance with Illinois Procurement Code)

During the prior examination, the Department did not comply with the Illinois Procurement Code regarding the publication of pamphlets and documents. None of the pamphlets printed by the Department during the examination period contained the following information: "Printed by the authority of the State of Illinois," the date of each publication, the number of copies printed, and the printing order number.

During the current examination, the Department materially complied with this part of the Illinois Procurement Code. For the publications tested, we noted only one instance where the printing order number was not included. (Finding Code No. 05-11)

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

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

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

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property (Not Examined)
- Comparative Schedule of Cash Receipts (Not Examined)
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller (Not Examined)
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending

- Analysis of Operations:

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

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on 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  
ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30, 2007

	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
			July 1 to August 31	August 31		
P.A. 94-0798						
FISCAL YEAR 2007						
<b>APPROPRIATED FUNDS</b>						
<b>General Revenue Fund - 001</b>						
Personal Services	\$ 3,965,800	\$ 3,771,672	\$ 5,142	\$ 3,776,814	\$ 188,986	
Employee Retirement						
Contributions Paid by Employer	0	0	0	0	0	
State Contribution to State						
Employees' Retirement System	457,400	434,960	1,013	435,973	21,427	
State Contributions to Social Security	285,100	279,932	673	280,605	4,495	
Contractual Services	191,700	129,553	57,343	186,896	4,804	
Travel	182,100	157,736	20,268	178,004	4,096	
Commodities	24,500	21,831	1,040	22,871	1,629	
Printing	16,900	12,999	1,693	14,692	2,208	
Equipment	6,000	5,630	0	5,630	370	
Electronic Data Processing	58,200	47,898	8,169	56,067	2,133	
Telecommunications	82,300	44,122	29,396	73,518	8,782	
Displaced Homemaker Grant Program						
Administration and Operations	55,200	35,515	0	35,515	19,685	
Employment Progress of Women and Minorities	159,000	153,911	3,910	157,821	1,179	
Displaced Homemaker Grant Program	621,300	485,385	126,850	612,235	9,065	
Total General Revenue Fund	\$ 6,105,500	\$ 5,581,144	\$ 255,497	\$ 5,836,641	\$ 268,859	

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

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30, 2007

P.A. 94-0798 FISCAL YEAR 2007	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31		
<b>Child Labor Enforcement Trust Fund - 357</b>					
Administration of Child Labor Law	\$ 200,000	\$ 11,966	\$ 2,067	\$ 14,033	\$ 185,967
Total Child Labor Enforcement Trust Fund	\$ 200,000	\$ 11,966	\$ 2,067	\$ 14,033	\$ 185,967
<b>Total - All Appropriated Funds</b>	<u>\$ 6,305,500</u>	<u>\$ 5,593,110</u>	<u>\$ 257,564</u>	<u>\$ 5,850,674</u>	<u>\$ 454,826</u>
<b>NON-APPROPRIATED FUNDS</b>					
<b>Department of Labor Special State Trust Fund - 251</b> Grants and Awards	\$ 1,083,440		\$ 0	\$ 1,083,440	
<b>Department of Labor Federal Trust Fund - 724</b> Administration of Federal Project	\$ 0		\$ 0	\$ 0	
<b>Total - All Non-Appropriated Funds</b>	<u>\$ 1,083,440</u>		<u>\$ 0</u>	<u>\$ 1,083,440</u>	
<b>GRAND TOTAL ALL FUNDS</b>	<u>\$ 6,676,550</u>		<u>\$ 257,564</u>	<u>\$ 6,934,114</u>	

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

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30, 2006

	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31		
P.A. 94-0015					
FISCAL YEAR 2006					
<b>APPROPRIATED FUNDS</b>					
<b>General Revenue Fund - 001</b>					
Personal Services	\$ 3,529,100	\$ 3,260,732	\$ 150,004	\$ 3,410,736	\$ 118,364
Employee Retirement					
Contributions Paid by Employer	32,400	24,939	0	24,939	7,461
State Contribution to State					
Employees' Retirement System	275,000	254,138	11,691	265,829	9,171
State Contributions to Social Security	270,000	242,072	11,142	253,214	16,786
Contractual Services	302,190	99,880	48,700	148,580	153,610
Travel	173,310	143,671	27,879	171,550	1,760
Commodities	20,500	16,798	2,674	19,472	1,028
Printing	30,400	19,128	2,092	21,220	9,180
Equipment	13,200	2,586	0	2,586	10,614
Electronic Data Processing	76,000	55,175	4,009	59,184	16,816
Telecommunications	76,300	62,215	10,918	73,133	3,167
Displaced Homemaker Grant Program					
Administration and Operations	55,200	46,277	4,840	51,117	4,083
Employment Progress of Women and Minorities	159,000	157,149	816	157,965	1,035
Displaced Homemaker Grant Program	621,300	499,291	118,666	617,957	3,343
Total General Revenue Fund	\$ 5,633,900	\$ 4,884,051	\$ 393,431	\$ 5,277,482	\$ 356,418

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

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30, 2006

P.A. 94-0015 FISCAL YEAR 2006	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31		
<b>Child Labor Enforcement Trust Fund - 357</b>					
Administration of Child Labor Law	\$ 158,000	\$ 22,203	\$ 29,732	\$ 51,935	\$ 106,065
Total Child Labor Enforcement Trust Fund	\$ 158,000	\$ 22,203	\$ 29,732	\$ 51,935	\$ 106,065
<b>Total - All Appropriated Funds</b>	<b>\$ 5,791,900</b>	<b>\$ 4,906,254</b>	<b>\$ 423,163</b>	<b>\$ 5,329,417</b>	<b>\$ 462,483</b>
<b>NON-APPROPRIATED FUNDS</b>					
<b>Department of Labor Special State Trust Fund - 251</b> Grants and Awards	\$ 831,964	\$ 831,964	\$ 0	\$ 831,964	
<b>Department of Labor Federal Trust Fund - 724</b> Administration of Federal Project	\$ 0	\$ 0	\$ 0	\$ 0	
<b>Total - All Non-Appropriated Funds</b>	<b>\$ 831,964</b>	<b>\$ 831,964</b>	<b>\$ 0</b>	<b>\$ 831,964</b>	
<b>GRAND TOTAL ALL FUNDS</b>	<b>\$ 5,738,218</b>	<b>\$ 5,738,218</b>	<b>\$ 423,163</b>	<b>\$ 6,161,381</b>	

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

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

	Fiscal Year		
	2007	2006	2005
	P.A. 94-0798	P.A. 94-0015	P.A. 93-0842
<b>General Revenue Fund - 001</b>			
Appropriations (Net of Transfers)	\$ 6,105,500	\$ 5,633,900	\$ 5,852,533
Personal Services	\$ 3,776,814	\$ 3,410,736	\$ 3,425,871
Employee Retirement			
Contributions Paid by Employer	0	24,939	4,030
State Contribution to State			
Employees' Retirement System	435,973	265,829	539,754
State Contributions to Social Security	280,605	253,214	250,109
Contractual Services	186,896	148,580	184,069
Travel	178,004	171,550	173,822
Commodities	22,871	19,472	19,086
Printing	14,692	21,220	24,932
Equipment	5,630	2,586	10,636
Electronic Data Processing	56,067	59,184	83,635
Telecommunications	73,518	73,133	75,105
Displaced Homemaker Grant Program			
Administration and Operations	35,515	51,117	46,488
Employment Progress of Women and Minorities	157,821	157,965	179,281
Displaced Homemaker Grant Program	612,235	617,957	616,894
Total Expenditures	\$ 5,836,641	\$ 5,277,482	\$ 5,633,712
Lapsed Balances	\$ 268,859	\$ 356,418	\$ 218,821
<b>Child Labor Enforcement Trust Fund - 357</b>			
Appropriations (Net of Transfers)	\$ 200,000	\$ 158,000	\$ 157,700
Administration of Child Labor Law	\$ 14,033	\$ 51,935	\$ 148,604
Lapsed Balances	\$ 185,967	\$ 106,065	\$ 9,096

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

	Fiscal Year		
	2007	2006	2005
<b>GRAND TOTAL - ALL APPROPRIATED FUNDS</b>			
Appropriations (Net of Transfers)	<u>\$ 6,305,500</u>	<u>\$ 5,791,900</u>	<u>\$ 6,010,233</u>
Total Expenditures	<u>\$ 5,850,674</u>	<u>\$ 5,329,417</u>	<u>\$ 5,782,316</u>
Lapsed Balances	<u>\$ 454,826</u>	<u>\$ 462,483</u>	<u>\$ 227,917</u>
<b>NON-APPROPRIATED FUNDS</b>			
<b>Department of Labor Special State Trust Fund - 251</b>			
Grants and Awards	<u>\$ 1,083,440</u>	<u>\$ 831,964</u>	<u>\$ 666,697</u>
<b>Department of Labor Federal Trust Fund - 724</b>			
Administration of Federal Project	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,941</u>
<b>Total All Non-Appropriated Funds</b>	<u>\$ 1,083,440</u>	<u>\$ 831,964</u>	<u>\$ 674,638</u>
<b>GRAND TOTAL EXPENDITURES - ALL FUNDS</b>	<u>\$ 6,934,114</u>	<u>\$ 6,161,381</u>	<u>\$ 6,456,954</u>
<b>General Revenue Fund - 001 State Comptroller</b>			
<b>State Officers' Salaries</b>			
Appropriations (Net of Transfers)	<u>\$ 313,100</u>	<u>\$ 294,700</u>	<u>\$ 294,700</u>
Director	\$ 103,251	\$ 106,898	\$ 105,400
Assistant Director	100,707	96,100	23,125
Chief Factory Inspector	46,445	44,321	44,321
Superintendent of Safety Inspection Education	<u>51,089</u>	<u>48,752</u>	<u>48,752</u>
Total Expenditures	<u>\$ 301,492</u>	<u>\$ 296,071</u>	<u>\$ 221,598</u>
Lapsed Balances	<u>\$ 11,608</u>	<u>\$ (1,371)</u>	<u>\$ 73,102</u>

STATE OF ILLINOIS  
 ILLINOIS DEPARTMENT OF LABOR  
**SCHEDULE OF CHANGES IN STATE PROPERTY (NOT EXAMINED)**  
 For the Two Years Ended June 30, 2007

	Equipment
Balance at July 1, 2005	\$ 702,115
Additions	12,413
Deletions	54,584
Net Transfers	0
Balance at June 30, 2006	\$ 659,944
Balance at July 1, 2006	\$ 659,944
Additions	15,553
Deletions	10,677
Net Transfers	0
Balance at June 30, 2007	\$ 664,820

Note: Data presented is considered not examined. The above schedule has been derived from property reports submitted to the Office of the Comptroller. We were unable to reconcile the property records submitted to the Office of the Comptroller to records maintained within the Department. See Finding Code No. 07-3 and the Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS (NOT EXAMINED)**  
For the Fiscal Years Ended June 30,

<u>GENERAL REVENUE FUND - 001</u>	<u>Fiscal Year</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Private Employment Agencies Inspection Fees	\$ 89,630	\$ 128,451	\$ 110,115
Labor Standards Fees	9,905	1,550	3,725
Carnival-Amusement Ride Inspection Fees	104,948	112,403	109,540
Nurse Agencies	73,575	86,856	84,700
Miscellaneous	11,669	16,103	10,503
Fines and Penalties	115,354	163,287	269,452
Total Receipts	<u>\$ 405,081</u>	<u>\$ 508,650</u>	<u>\$ 588,035</u>

**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS  
REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)**  
For the Fiscal Years Ended June 30,

<u>GENERAL REVENUE FUND - 001</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts per Department Records	\$ 405,081	\$ 508,650	\$ 588,035
Add: Deposits in Transit, Beginning of Year	*	*	36,195
Less: Deposits in Transit, End of Year	*	*	(22,680)
Adjustments			
Negative Clearing Account	*	*	(16,762)
Other Adjustments	*	*	(2,567)
Deposits Remitted to the Comptroller	<u>\$ 457,151</u>	<u>\$ 493,606</u>	<u>\$ 582,221</u>

\* Note: Data presented is considered not examined. See Finding Code No. 07-1 and the Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS (NOT EXAMINED)**  
For the Fiscal Years Ended June 30,

<u>SPECIAL STATE TRUST FUND - 251</u>	Fiscal Year		
	2007	2006	2005
Collection of Labor Law Claims	\$ 807,121	\$ 385,342	\$ 812,678

**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS  
REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)**  
For the Fiscal Years Ended June 30,

<u>SPECIAL STATE TRUST FUND - 251</u>	2007	2006	2005
Receipts per Department Records	\$ 807,121	\$ 385,342	\$ 812,678
Add: Deposits in Transit, Beginning of Year	*	*	32,266
Less: Deposits in Transit, End of Year	*	*	(92,264)
Other Adjustments	*	*	4,703
Deposits Remitted to the Comptroller	\$ 1,679,643	\$ 1,213,517	\$ 757,383

\* Note: Data presented is considered not examined. See Finding Code No. 07-1 and 07-4 and the Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS (NOT EXAMINED)**  
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2007	2006	2005
<u>CHILD LABOR LAW ENFORCEMENT FUND - 357</u>			
Collection of Fines and Penalties	\$ 0	\$ 0	\$ 59,761
Day Labor Registration and Penalties	569,566	416,438	41,849
Total Receipts	<u>\$ 569,566</u>	<u>\$ 416,438</u>	<u>\$ 101,610</u>

**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS  
REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)**  
For the Fiscal Years Ended June 30,

	2007	2006	2005
<u>CHILD LABOR LAW ENFORCEMENT FUND - 357</u>			
Receipts per Department Records	\$ 569,566	\$ 416,438	\$ 101,610
Add: Deposits in Transit, Beginning of Year	*	*	13,150
Less: Deposits in Transit, End of Year	*	*	<u>(4,850)</u>
Deposits Remitted to the Comptroller	<u>\$ 581,033</u>	<u>\$ 413,928</u>	<u>\$ 109,910</u>

\* Note: Data presented is considered not examined. See Finding Code No. 07-1 and the Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Fiscal Years Ended June 30, 2007

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

**General Revenue Fund (001)**

Employee Retirement Contributions Paid by Employer

The decrease in Employee Retirement Contributions Paid by Employer expenditures in Fiscal Year 2007 was due to the employer retirement contribution being paid entirely from this appropriation in the previous year.

State Contribution to State Employees' Retirement System

The increase in State Contributions to State Employees' Retirement System expenditures in Fiscal Year 2007 was due to the contribution percentage increasing from 7.792% in Fiscal Year 2006 to 11.525% in Fiscal Year 2007.

Contractual Services

The increase in contractual services expenditures in Fiscal Year 2007 was due to outside attorneys being retained in the absence of the Chief Legal Counsel.

Printing

The decrease in printing expenditures in Fiscal Year 2007 was due to an increase in the amount of information available on the Department's website; therefore fewer printed materials were needed to inform the public of new labor laws.

Displaced Homemaker Grant Program Administration

The decrease in Displaced Homemaker Grant Program Administration expenditures in Fiscal Year 2007 was due to a reallocation of payroll costs based on a change in job duties.

**Child Labor Law Enforcement Fund (357)**

Administration of Child Labor Law

The decrease in Administration of Child Labor Law expenditures in Fiscal Year 2007 was due to a reallocation of personal services and related costs to other appropriations of the Department.

**Special State Trust Fund (251)**

Grants & Awards

The increase in grants and awards expenditures in Fiscal Year 2007 was due to an increase in the number of claims paid. The number of claims paid in a year fluctuates due to the number of wage claim complaints filed and investigated as well as the Department's success in locating the workers to whom the wages are owed.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Fiscal Years Ended June 30, 2007

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

**General Revenue Fund (001)**

Employee Retirement Contributions Paid by Employer

The increase in Employee Retirement Contributions Paid by Employer expenditures in Fiscal Year 2006 was due to a decrease of expenditures in Fiscal Year 2005. In Fiscal Year 2005, a one-time change allowed for contributions paid by employer to be paid from the personal services line. In Fiscal Year 2006 these costs returned to being paid entirely from the contributions paid by employer line.

State Contribution to State Employees' Retirement System

The decrease in State Contributions to State Employees' Retirement System expenditures in Fiscal Year 2006 was due to the contribution percentage decreasing from 16.107% in Fiscal Year 2005 to 7.792% in Fiscal Year 2006.

Equipment

The decrease in equipment expenditures resulted from the Department purchasing a number of office equipment items during Fiscal Year 2005, including a postage meter, fax machine, office chairs, and filing cabinets. These purchases were not repeated in Fiscal Year 2006.

Electronic Data Processing

The decrease in Electronic Data Processing expenditures in Fiscal Year 2006 was primarily due to payment from Fiscal Year 2007 appropriations for electronic data processing services received and billed in Fiscal Year 2006. The services were rendered by another State agency, and the Illinois Administrative Code allows for catch-up billings to be processed from the following fiscal year's appropriations.

**Special State Trust Fund (251)**

Grants & Awards

The increase in grants and awards expenditures in Fiscal Year 2006 was due to an increase in the number of claims paid. The number of claims paid in a year fluctuates due to the number of wage claim complaints filed and investigated. Additionally, the increase in grants and awards expenditures in Fiscal Year 2006 was due to the implementation of a program to aid in finding the mailing addresses of claimants.

**Child Labor Law Enforcement Fund (357)**

Administration of Child Labor Law

The decrease in Administration of Child Labor Law expenditures in Fiscal Year 2006 was due to a decrease in the number of employees being paid from this fund.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Fiscal Years Ended June 30, 2007

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

**Department of Labor Federal Projects Fund (724)**

Administration of Federal Project

The decrease in administration of federal project expenditures in Fiscal Year 2006 was due to the program ending during Fiscal Year 2005. The Department has received no further funding for this program.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Two Fiscal Years Ended June 30, 2007

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS**  
**2007 AND 2006**

**General Revenue Fund (001)**

Private Employment Agencies Inspection Fees

The decrease of \$38,821 was due to the decrease in the number of new license applications and license renewals received by the Department.

Fines and Penalties

The decrease of \$47,933 was due to a decrease in penalties assessed and unsuccessful collection attempts by the Department.

**Special State Trust Fund (251)**

Collection of Labor Law Claims

The increase of \$421,779 was due to an overall increase in wage claim complaints by employees and collections by the Department.

**Child Labor Law Enforcement Fund (357)**

Day Labor Penalties

The increase of \$153,128 was due to increased enforcement of the Day and Temporary Labor Services Act and an increase in collection efforts.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS**  
**2006 AND 2005**

**General Revenue Fund (001)**

Fines and Penalties

The decrease of \$106,165 was due to a decrease in penalties assessed and unsuccessful collection attempts by the Department.

**Special State Trust Fund (251)**

Collection of Labor Law Claims

The decrease of \$427,336 was due to a decrease in wage claim complaints and collections.

STATE OF ILLINOIS  
ILLINOIS DEPARTMENT OF LABOR  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Two Fiscal Years Ended June 30, 2007

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS  
2006 AND 2005, continued**

**Child Labor Law Enforcement Fund (357)**

Fines and Penalties

The 100% decrease was due to all amounts deposited into the fund pertained to Day Labor penalties during Fiscal Year 2006. Additionally, all other fines and penalties not pertaining to Day Labor penalties were deposited into the General Revenue Fund subsequent to Fiscal Year 2005.

Day Labor Penalties

The increase of \$374,589 was mainly due to an increase in registration fees charged to agencies and an increase in penalties assessed and collected. Specifically, a statutory change resulted in the registration fees increasing from \$250 per agency during Fiscal Year 2005 to \$1,000 per agency in Fiscal Year 2006.

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**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Two Fiscal Years Ended June 30, 2007

**FISCAL YEAR 2007**

**General Revenue Fund (001)**

Contractual Services

Contractual services expenditures totaling \$57,343 during the lapse period were mainly for facility management fee billings received and processed late in the fiscal year.

Telecommunications

Telecommunications expenditures totaling \$29,396 during the lapse period were mainly for telecommunications billings received and processed late in the fiscal year.

Displaced Homemaker Grant Program

Displaced Homemaker Grant Program expenditures totaling \$126,850 during the lapse period were due to a large number of reimbursement requests from grantees received by the Department late in the fiscal year.

**FISCAL YEAR 2006**

**General Revenue Fund (001)**

Contractual Services

Contractual services expenditures totaling \$48,700 during the lapse period were mainly for legal services rendered to the Department during Fiscal Year 2006. The related invoices were not received and processed until the lapse period.

**Child Labor Law Enforcement Fund (357)**

Administration of Child Labor Law

Administration of Child Labor Law expenditures totaling \$29,732 during the lapse period were mainly for four copiers purchased by the Department late in the fiscal year. The related invoices were not received and processed until the lapse period.

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ILLINOIS DEPARTMENT OF LABOR  
**ANALYSIS OF OPERATIONS**  
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**AGENCY FUNCTIONS AND PLANNING**

The Illinois Department of Labor was created in 1917 through the Civil Administrative Code. The Department administers and enforces various Illinois Labor Laws that regulate wages, hours, working conditions, minors in the work force, and licensing of employers in certain businesses. Through the regulation of amusement rides, employment agencies, and nurse registries, the Department protects and serves the people of the State of Illinois.

The Department promotes and protects the rights, wages, welfare, working conditions, safety and health of Illinois workers through education and the enforcement of the State labor laws and standards, and safeguards the public through the regulation of amusement rides.

Departmental operations are carried out through the following six divisions:

1. The Administration Division provides support services and overall administrative resources to the program divisions. These include fiscal/budget management, procurement, legal division, personnel, legislative liaison services, electronic data processing (EDP), and affirmative action.
2. The Equal Opportunity Workforce Division administers the Displaced Homemaker Program, the Equal Pay Act, the Victims Economic Security and Safety Act (VESSA), the Private Employment Agencies Act, and the Nurse Agency Licensing Act.
3. The Fair Labor Standards Division is responsible for administering and enforcing nine statutes. These statutes include the Minimum Wage Law, Wage Payment and Collection Act, Day and Temporary Labor Services Act, Child Labor Law, One Day Rest in Seven Act, Farm Labor Contractor Certification Act, Industrial Homework Law, School Visitation Rights Act, and Street Trades Law.
4. The Conciliation and Mediation Division enforces prevailing wage standards for workers employed on public works projects. The Division also provides arbitration and mediation services and enforces certain “whistleblower” protection laws.
5. The Public Employee Safety Division is responsible for occupational safety and health regulations for an estimated 14,000 State and local governmental work sites. The Division’s jurisdiction extends protection to more than 727,000 employees working in State, township, county and municipal governments, including park, school and fire protection districts.

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**AGENCY FUNCTIONS, continued**

6. The Carnival and Amusement Ride Safety Division enforces safety standards through annual inspections and the issuance of permits for amusement rides, inflated attractions, ski lifts, rope tows, go-kart tracks, aerial trams, dry slides and some water amusements. In addition, bungee cords and other elastic devices came under jurisdiction of the Division in 1994. All amusement rides and amusement attractions open to the public are subject to regulation. The Carnival-Amusement Safety Board develops rules, which the Division enforces.

**PLANNING PROGRAM**

The Department reviews and revises its fiscal year strategic plan annually. The Department's plan delineates priorities and initiatives on which the Department focuses its efforts. The plan also identified five key priorities that provide the general framework for the Department's operations.

**MONITORING**

The progress on individualized tasks identified in the plan is monitored through quarterly senior staff meetings. Senior staff also submits monthly reports to the Director, which detail the progress and operating statistics of each division.

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For the Two Years Ended June 30, 2007

**AVERAGE NUMBER OF EMPLOYEES**

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

<u>Function</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Office	10	10	11
Employment Progress of Women & Minorities	3	3	2
Displaced Homemakers	1	1	1
Public Safety	16	16	17
Fair Labor Standards	<u>46</u>	<u>42</u>	<u>46</u>
Total Average Full-Time Employees	<u><u>76</u></u>	<u><u>72</u></u>	<u><u>77</u></u>

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For the Two Years Ended June 30,

A summary of operating statistics, prepared from Department records, is presented below.

	Fiscal Year		
	2007	2006	2005
<u><b>PUBLIC EMPLOYEE SAFETY</b></u>			
Number of complaints received due to safety problems noted in public buildings	61	92	91
Number of days spent on investigations of safety problems noted in public buildings	390	506	453
Average number of days needed to investigate a safety problem in a public building	6.4	5.5	5.0
<u><b>CARNIVAL/AMUSEMENT RIDE SAFETY</b></u>			
Rides inspected	2,132	1,843	1,874
Number of amusement ride injuries due to mechanical failure per 10,000,000 riders	1	0	0
<u><b>CHILD LABOR LAW ENFORCEMENT</b></u>			
Number of child labor law complaints received	344	458	205
Percent of child labor complaints resolved	100%	100%	100%
<u><b>DISPLACED HOMEMAKER PROGRAM</b></u>			
Number of participants	1,484	1,515	1,373
Number of participants who obtained employment	455	419	342
Number of participants who obtained education or training	396	441	366
<u><b>ILLINOIS PREVAILING WAGE</b></u>			
Prevailing wage complaints completed	682	1,081	1,201
Percent of complaints investigated and closed within 180 days of receipt	58%	97%	80%

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	Fiscal Year		
	2007	2006	2005
<b><u>LABOR ARBITRATION SERVICE ACT</u></b>			
Arbitration hearings	15	42	47
Percent of arbitration decisions issued within 60 days of hearing	100%	100%	98%
<b><u>MINIMUM WAGE LAW</u></b>			
Number of investigations completed	1,224	942	887
Percent of complaints investigated and closed within 2 years of receipt	95%	96%	97%