

**STATE OF ILLINOIS
DEPARTMENT OF LABOR**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2017

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

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STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

AGENCY OFFICIALS

| | |
|--|------------------------|
| Acting Director (1/22/19 - Present) | Mr. Michael D. Kleinik |
| Director (4/24/18 - 1/21/19) | Mr. Joseph Beyer |
| Acting Director (4/17/17 - 4/23/18) | Mr. Joseph Beyer |
| Acting Director (1/17/17 - 4/16/17) | Ms. Anna Hui |
| Director (7/1/15 - 1/16/17) | Mr. Hugo Chaviano |
| Assistant Director (5/28/18 - Present) | Mr. Chris Wieneke |
| Acting Assistant Director (8/7/17 - 5/27/18) | Mr. Chris Wieneke |
| Assistant Director (1/17/17 - 8/6/17) | Vacant |
| Assistant Director (7/1/15 - 1/16/17) | Ms. Anna Hui |
| General Counsel (11/17/16 - Present) | Mr. Benno Weisberg |
| General Counsel (11/1/16 - 11/16/16) | Vacant |
| General Counsel (11/16/15 - 10/31/16) | Ms. Helen Kim |
| General Counsel (7/1/15 - 11/15/15) | Ms. Annice Kelly |
| Chief of Staff (3/16/17 - Present) | Ms. Laura Kotelman |
| Chief of Staff (12/16/16 - 3/15/17) | Vacant |
| Chief of Staff (7/1/15 - 12/15/16) | Mr. Dan Mumpher |
| Chief Fiscal Officer (9/1/16 - Present) | Ms. Jill Mazrim |
| Chief Fiscal Officer (7/1/15 - 8/31/16) | Mr. Todd Miller |

The Department's offices are located at:

| | | |
|--|---|---|
| 900 South Spring Street Springfield, Illinois 62704 | Michael A. Bilandic Building 160 North LaSalle - 13 th Floor Chicago, Illinois 60601 | Regional Office Building 2309 West Main Street Marion, Illinois 62959 |
|--|---|---|



ILLINOIS DEPARTMENT OF LABOR

JB Pritzker
Governor

Joseph Beyer
Director

MANAGEMENT ASSERTION LETTER

January 18, 2019

Honorable Frank J. Mautino
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703

Auditor General Mautino:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, 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 State of Illinois, Department of Labor's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2016, and June 30, 2017, the State of Illinois, Department of Labor has materially complied with the assertions below.

- 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.

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- 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.

Yours truly,

State of Illinois, Department of Labor

SIGNED ORIGINAL ON FILE

Joseph Beyer, Director

SIGNED ORIGINAL ON FILE

Jill Mazrim, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Benno Weisberg, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

| <u>Number of</u> | <u>Current</u> | <u>Prior</u> |
|--|----------------|--------------|
| Findings | Report | Report |
| Findings | 14 | 14 |
| Repeated findings | 12 | 8 |
| Prior recommendations implemented or not repeated | 2 | 1 |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|-----------------------------|-------------|--|---|
| FINDINGS (STATE COMPLIANCE) | | | |
| 2017-001 | 11 | Inadequate Control over Receipts | Material Weakness and Material Noncompliance |
| 2017-002 | 16 | Internal Control over Accounts Receivable | Material Weakness and Material Noncompliance |
| 2017-003 | 21 | Failure to Establish and Maintain Adequate Internal Control over the Special State Trust Fund | Material Weakness and Material Noncompliance |
| 2017-004 | 25 | Inadequate and Inaccurate Reconciliations | Material Weakness and Material Noncompliance |

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|---|-------------|---|--|
| FINDINGS (STATE COMPLIANCE) - Continued | | | |
| 2017-005 | 29 | State Property Control Weaknesses | Material Weakness and Material Noncompliance |
| 2017-006 | 35 | Inadequate Control over Personal Services | Material Weakness and Material Noncompliance |
| 2017-007 | 40 | Noncompliance with the Employee Classification Act | Significant Deficiency and Noncompliance |
| 2017-008 | 44 | Noncompliance with the Fiscal Control and Internal Auditing Act | Significant Deficiency and Noncompliance |
| 2017-009 | 46 | Inadequate Control over Travel Expenditures | Significant Deficiency and Noncompliance |
| 2017-010 | 48 | Inaccurate Financial Reporting of Federal Grant Activity | Significant Deficiency and Noncompliance |
| 2017-011 | 49 | Lack of Disaster Contingency Planning or Testing to Ensure Recovery of Computer Systems | Significant Deficiency and Noncompliance |
| 2017-012 | 51 | Improper Disposal of State Records and Noncompliance with the Private Employment Agency Act | Significant Deficiency and Noncompliance |
| 2017-013 | 53 | Reporting Procedural Deficiencies | Significant Deficiency and Noncompliance |
| 2017-014 | 56 | Inadequate Control over Voucher Processing | Significant Deficiency and Noncompliance |
| PRIOR FINDINGS NOT REPEATED | | | |
| A | 59 | Failure to Maintain Leave of Absence Documentation | |
| B | 59 | Inadequate Monitoring and Controls over Contract and Grant Agreements | |

EXIT CONFERENCE

The Department of Labor waived an exit conference in a correspondence from Laura Kotelman, Chief of Staff, on January 15, 2019. The responses to the recommendations were provided by Laura Kotelman, Chief of Staff, in a correspondence dated January 15, 2019.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

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 two years ended June 30, 2017. 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.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of

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the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Department of Labor complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Department of Labor complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide 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.

Our examination disclosed the following material noncompliance with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. As described in items 2017-001 and 2017-002 in the accompanying schedule of findings, the State of Illinois, Department of Labor did not comply with requirements regarding the collection of State revenues and receipts and ensuring the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law. As described in item 2017-003, the State of Illinois, Department of Labor did not comply with requirements that money or negotiable securities or similar assets 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. As described in items 2017-004 through 2017-006, the State of Illinois, Department of Labor did not comply with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Department of Labor to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the material noncompliance described in the preceding paragraph, the State of Illinois, Department of Labor complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2017-007 through 2017-014.

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

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

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 to determine the examination procedures that are appropriate in the circumstances 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-001 through 2017-006 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-007 through 2017-014 to be significant deficiencies.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2017, and June 30, 2016, in Schedules 1 through 5 and the Analysis of Operations Section 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 June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 5. However, we do not express an opinion on the accompanying supplementary information.

As reported in Finding 2017-001, we were not able to determine the State of Illinois, Department of Labor's cash receipts records at June 30, 2016, and June 30, 2017, were complete and accurately reported. Therefore, we were unable to conclude the Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller on Schedule 5 was complete and accurate. In addition, as reported in Finding 2017-004, we were not able to determine the State of Illinois, Department of Labor's expenditure records at August 31, 2016, and September 30, 2017, were complete and accurately reported. Therefore, we were unable to conclude the Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2017, the Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2016, and the Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances on Schedules 1 through 3 were complete and accurate. Finally, as reported in Finding 2017-005, we were not able to determine the State of Illinois, Department of Labor's property records were complete and accurately reported. Therefore, we were unable to conclude the Schedule of Changes in State Property on Schedule 4 was complete and accurate.

We have not applied procedures to the June 30, 2016, accompanying supplementary information in Schedules 3 through 5 and in the Analysis of Operations Section and, accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
January 18, 2019

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Receipts)

The Department of Labor (Department) did not exercise adequate control over its cash receipts and related reporting. According to the State Comptroller's records, the Department remitted \$9,836,323 to the State Treasury during the examination period.

During testing, we noted the following:

- The Department was unable to provide individual receipt records for the General Revenue Fund (Fund 001), Amusement Ride and Patron Safety Fund (Fund 051), Department of Labor Special State Trust Fund (Fund 251), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), and Wage Theft Enforcement Fund (Fund 885) which reconciled to the *Monthly Revenue Status Report* (SB04) from the Office of the State Comptroller.

We noted this condition was primarily due to the computer program used by the Department to process receipts, which was outdated and not fully functional. As such, it is difficult for Department staff to track receipts after entry, produce reports of receipts collected, or sort data stored within the system.

- While the Department's monthly reconciliations of the SB04 reports agreed between the Department's Receipt Deposit Transmittal (Form C-64) reports and the Comptroller's records, we noted the Form C-64s did not reconcile with the Department's individual receipt records.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires the Department to keep proper books with a detail itemized accounting of all moneys received. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds and revenues applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

Due to these conditions, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Department's receipts. In addition, due to these limitations, we were unable to conclude the Department's *Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller* on pages 73-74 was complete and accurate.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Receipts) – Continued

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed the following tests:

Controls over Receipt Processing

- Fourteen of 60 (23%) receipts tested, totaling \$19,965, were deposited between 3 to 198 days late, even after allowing for the Department’s 10-day deposit extension granted by the State Comptroller and State Treasurer.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires the Department deposit receipts collected into the State Treasury within a specific number of business days, depending on the value of cash receipts on hand.

- State Treasurer’s drafts for 2 of 60 (3%) receipts tested, totaling \$2,247, were remitted to the State Comptroller via a Form C-64 between 40 and 43 days after the Department received the State Treasurer’s draft.

The Statewide Accounting Management System (SAMS) (Procedure 25.20.10) requires the Department prepare a Form C-64 with either a State Treasurer’s draft or other acceptable remittance to order moneys deposited into the State Treasury. Good cash management controls include expediting the deposit of cash receipts into the State Treasury to speed the payment of State obligations.

- One of 60 (2%) receipts tested, totaling \$130, was for carnival receipts and was erroneously deposited into Fund 001 as opposed to Fund 051.

The Amusement Ride and Attraction Safety Act (Act) (430 ILCS 85/2-15.3) requires all fees and penalties collected by the Department under the Act be deposited into Fund 051. Further, good internal controls require a careful review of all information available to ensure receipts are deposited into the proper fund.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Receipts) – Continued

Controls over Non-Sufficient Funds (NSF) Checks

- Two of 10 (20%) NSF checks tested, totaling \$240, lacked supporting documentation to substantiate a demand letter for payment was sent by the Department, the payment was eventually collected, appropriate collection activity was pursued, and the vendor's licenses/permits were cancelled or revoked for nonpayment.
- For one of 10 (10%) NSF checks tested, totaling \$1,843, the Department sent a demand letter for the unpaid amount due 366 days after the NSF check was received and processed.

SAMS (Procedure 26.40.10) requires the Department to maintain complete and accurate records of all collection efforts related to each past due account and recommends debts be reaffirmed with a letter and telephone call during the first 60 days after an account becomes past due. In addition, SAMS (Procedure 26.20.10) requires the Department recognize receivables when an entity owes an amount to the State and the transaction is completed to the extent that payment is the only unconsummated act.

Agency Fee Imposition Report (Report)

- Two of 12 (17%) fees on the Department's Fiscal Year 2017 Report did not trace to the Department's records, with noted differences of \$233 and \$55,258. Additionally, 1 of 11 (9%) fees on the Department's Fiscal Year 2016 Report did not trace to the Department's records, with a \$325 noted difference.
- The Department omitted fees related to private employment counseling from its Fiscal Year 2016 Report. The required fees are set forth in the Private Employment Agency Act (225 ILCS 515/1.5(a)(3) and 225 ILCS 515/4), as well as the Illinois Administrative Code (68 Ill. Admin. Code 680.1000(b)). It appears, based off our calculations, \$17,345 should have been reported by the Department for this fee.

SAMS (Procedure 33.16.20) requires the Department to report the amount of cash receipts realized from each fee on each fiscal year's applicable report for all fees imposed or collected.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Receipts) – Continued

- The Fiscal Year 2016 Report was filed 18 days late.

SAMS (Procedure 33.16.20) requires the Department to submit its annual Report to the State Comptroller by August 1.

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

During the prior examination, Department officials indicated fiscal staff turnover and a lack of transition documentation limited the Department’s ability to comply with applicable State laws, rules, and regulations. During the current examination, Department officials indicated similar conditions continued to exist impeding efforts to ensure its receipts are properly recorded and reported.

Failure to establish and maintain internal control over receipts and related reporting increases the risk that errors or other irregularities could occur and not be found within the normal course of operations, delays the recognition of available cash within the State Treasury and could delay the payment of State obligations, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2017-001, 2015-001, 2013-001, 11-1, 09-1, 07-1, 05-3, 05-5)

RECOMMENDATION

We recommend the Department develop and maintain internal controls over its receipts to ensure the timely collection of revenues and adequate documentation is maintained and readily available for all transactions. In addition, the Department should ensure its accounting records reside within a system capable of generating reports, providing detailed records and balances, and producing transaction listings, which are timely reconciled to the State Comptroller’s records. As a part of this reconciliation, any discrepancies should be investigated. Further, the Department should timely establish receivables and initiate collection for NSF checks. Finally, the Department should ensure its annual Report is complete and accurate and filed timely with the State Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Receipts) – Continued

DEPARTMENT RESPONSE

Accepted. The NSF check controls have been corrected with staff as of July 2017. The new ERP system will correct issues with reports containing detailed records and balances.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Inadequate Control over Accounts Receivable)

The Department of Labor (Department) did not exercise adequate control over its accounts receivable and related reporting. At June 30, 2017, the Department's *Aging of Total Gross Receivables* (Form C-98) reported \$2.158 million in total gross receivables.

During testing, we noted the following:

- The Department was unable to provide detailed individual accounts receivable records for the General Revenue Fund (Fund 001), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), and Wage Theft Enforcement Fund (Fund 885).
- During analytical reviews, we noted the Department reported the same outstanding accounts receivable balance throughout Fiscal Year 2016, with no adjustments, additions, or collections. In following up on this matter with Department officials, they indicated a former employee carried over the prior year's accounts receivable amount for all funds and all quarters during Fiscal Year 2016 because the Department did not have any reports available to produce accurate additions and collections amounts.
- The Department was unable to provide an aging schedule to support its Form C-98s.
- The Department was unable to provide current policies or procedures for handling and reporting its accounts receivable. In discussing this matter with Department officials, they indicated some divisions have adopted its own collection procedures that have not been formally approved by the Department.
- During testing of non-sufficient funds (NSF) checks during our receipt testing, we noted the following:
 - Two of 10 (20%) NSF checks tested, totaling \$240, lacked supporting documentation to substantiate a demand letter for payment was sent by the Department, the payment was eventually collected, appropriate collection activity was pursued, and the vendor's licenses/permits were cancelled or revoked for nonpayment.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Inadequate Control over Accounts Receivable) – Continued

- One of 10 (10%) NSF checks tested, totaling \$1,843, the Department sent a demand letter for the unpaid amount due 366 days after the NSF check was received and processed.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/3) states that it is the “public policy of this State to aggressively pursue the collection of accounts or claims due and payable to the State of Illinois through all reasonable means.” The Statewide Accounting Management System (SAMS) (Procedure 26.20.10) requires the Department recognize receivables when an entity owes an amount to the State and the transaction is completed to the extent that payment is the only unconsummated act. In addition, SAMS (Procedure 26.40.10) requires the Department to maintain complete and accurate records of all collection efforts related to each past due account and recommends debts be reaffirmed with a letter and telephone call during the first 60 days after an account becomes past due. Under SAMS (Procedure 26.40.10), these records should, at a minimum, include a listing of accounts receivable, detail transaction histories for each account, collection attempt history, referrals to the Comptroller’s Offset System, the Department of Revenue’s Debt Collection Bureau, and/or the Attorney General’s Office, and any write-off transactions with required approvals.

Due to these conditions, we were unable to conclude whether the Department’s population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Department’s accounts receivable.

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed the following tests:

- Six of 32 (19%) *Accounts Receivable Activity* (Form C-97) reports filed by the Department were incomplete, as the major revenue source codes for each type of accounts receivable were omitted. Additionally, 20 of 32 (63%) Form C-98 reports were incomplete, as the major revenue source codes for each type of accounts receivable were omitted.
- One of 32 (3%) Form C-97 reports tested was not mathematically accurate, with a total misstatement of \$35 thousand. Additionally, 4 of 32 (13%) Form C-98 reports were not mathematically accurate, with misstatements ranging between \$1 thousand to \$12 thousand.

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2017-002. **FINDING** (Inadequate Control over Accounts Receivable) – Continued

- The beginning gross receivables on one quarter did not agree with the prior quarter's ending gross receivables for 1 of 32 (3%) Form C-97 reports tested, with a total misstatement of \$456 thousand.
- The sub-total of gross receivables was incorrectly reported on 2 of 32 (6%) Form C-97 reports.
- For one of 32 (3%) Form C-98 reports tested, the total gross receivables amount did not agree with the same quarter's total gross receivables on the Form C-97, with a total misstatement of \$18 thousand.
- Collections received by the Department during the first quarter of Fiscal Year 2018, totaling \$800, were included as collections on the Department's fourth quarter of Fiscal Year 2017 Form C-97.

SAMS (Procedure 26.20.10) requires the Department to record and maintain detailed information related to each receivable and to maintain documentation of all collection efforts. Further, SAMS (Procedure 26.40.10), states these records should, at a minimum, include a listing of accounts receivable, detail transaction histories for each account, collection attempt history, referrals to the Comptroller's Offset System, the Department of Revenue's Debt Collection Bureau, and/or the Attorney General's Office, and any write-off transactions with required approvals. Additionally, SAMS (Procedure 26.20.20) requires the Department to examine the collection history for each type of receivable that it recognizes in order to establish guidelines for estimating the amount of the debt that will be uncollectible. Finally, SAMS (Procedure 26.20.20) requires each outstanding receivable due to the State to be aged relative to its formal due date and reported based upon standard aging periods.

- The Department could not provide support for:
 - additions, totaling \$715 thousand, from three different funds during three separate quarters during Fiscal Year 2017;
 - collections, totaling \$101 thousand, from four different funds during three separate quarters during Fiscal Year 2017; and,
 - adjustments, totaling \$880 thousand, from two different funds during the first quarter of Fiscal Year 2017.

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2017-002. **FINDING** (Inadequate Control over Accounts Receivable) – Continued

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve adequate and proper documentation of the Department's essential transactions designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

- The Department's Form C-97 and Form C-98 reports for the second quarter of Fiscal Year 2017 were filed 18 days late.

SAMS (Procedure 26.30.10) requires the Department to file its accounts receivable reports with the State Comptroller no later than the last day of the month following the end of quarter.

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

During the prior examination, Department officials indicated fiscal staff turnover and a lack of transition documentation limited the Department's ability to comply with applicable State laws, rules, and regulations. During the current examination, Department officials indicated similar conditions continued to exist impeding efforts to ensure its accounts receivable are properly recorded and reported.

Failure to exercise adequate controls over accounts receivable led to reporting errors, reducing the reliability of Statewide financial information, and could result in delays in collecting cash from outstanding accounts receivable. In addition, failure to establish and maintain internal controls over accounts receivable increases the risk that errors or irregularities could occur and not be found in the normal course of operations and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2017-002, 2015-002, 2013-002, 11-2, 09-2, 07-2, 05-4)

RECOMMENDATION

We recommend the Department take action to ensure its accounts receivable are properly recorded, collection efforts are made, and accounts receivable reports are properly prepared in accordance with all applicable laws, rules, and regulations.

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2017-002. **FINDING** (Inadequate Control over Accounts Receivable) – Continued

DEPARTMENT RESPONSE

Accepted. The Department will continue to work to implement Accounts Receivable features in ERP to adequately report collection efforts and record Accounts Receivable.

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2017-003. **FINDING** (Failure to Establish and Maintain Adequate Internal Control over the Special State Trust Fund)

The Department of Labor (Department) failed to establish and maintain adequate control over its Special State Trust Fund (Fund 251), which holds unpaid wages due to employees. As of June 30, 2017, Fund 251 had \$1,402,480 in cash.

Pursuant to the Illinois Wage Payment and Collection Act (WPCA) (820 ILCS 115/11.5(a)), the Department collects, when necessary, an employee's wages or final compensation due and holds these moneys until the employee (now, claimant) can be located by the Department and properly paid. Additionally, pursuant to the Minimum Wage Law (MWL) (820 ILCS 105/12(b)), the Department collects, when necessary, unpaid minimum wages and overtime due to employees and holds these moneys until the employee (now, claimant) can be located by the Department and properly paid. Finally, the Statewide Accounting Management System (SAMS) (Procedure 05.50.01) notes fiduciary funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals and SAMS (Exhibit 27.50.10-A) notes Fund 251 is an agency type of fiduciary fund.

During testing, we noted the following problems:

- 32 of 60 (53%) claimant payment requests tested, totaling \$127,119, were approved for payment between 14 to 334 days after the claimant filed their claim with the Department.

The WPCA (820 ILCS 115/11.5(b)) requires the Department pay valid claims upon request from the claimant. As the Department has not adopted administrative rules regarding the amount of time needed to reasonably process a claim as allowed for by the WPCA (820 ILCS 115/11.5(c)), we considered the WPCA's requirement for all wages due to employees be paid within 13 days of the end of a payroll period under the WPCA (820 ILCS 115/4) to be a reasonable period of time to process these claims and present a voucher for payment to the State Comptroller.

- We were unable to reconcile the Department's ledger of claimants to the Fund 251's cash balance from the *Monthly Cash Report* (SB05) prepared by the Office of the State Comptroller. We noted unreconciled differences of \$73,346 and \$75,377 at June 30, 2016, and June 30, 2017, respectively.

SAMS (Procedure 07.30.20) notes "the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled

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2017-003. **FINDING** (Failure to Establish and Maintain Adequate Internal Control over the Special State Trust Fund) – Continued

that data properly. Agency reconciliation is the primary control that insures these requirements are being satisfied.”

Further, SAMS (Procedure 05.50.01) notes an agency’s funds assets must equal its liabilities; therefore, the available cash within Fund 251 should reconcile to the Department’s listing of amounts collected on behalf of, and now due to, claimants.

Additionally, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve adequate and proper documentation of the functions, procedures, and essential transactions of the Department to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department’s activities.

- At June 30, 2017, the Department is holding claimant balances related to as far back as Calendar Year 2003 activity. Each of these balances require a proper disposition by the Department.

For wages collected pursuant to the MWL, the MWL (820 ILCS 105/12(b)) requires any sum unable to be paid to an employee within one year after its recovery shall be transferred into the General Revenue Fund. For wages collected pursuant to the WPCA, as no direct statutory disposition has been established under the WPCA, these amounts represent property held by a government. Through December 31, 2017, the Uniform Disposition of Unclaimed Property Act (UDUPA) (765 ILCS 1025/8.1(a)) noted property held by a government shall be presumed abandoned after five years. Further, the UDUPA (765 ILCS 1025/11(a)) required the Department to annually report property presumed abandoned under the UDUPA as of June 30 to the State Treasurer, along with a report with information about the owner of the property and the history of the transaction, by November 1. On and after January 1, 2018, the Revised Uniform Unclaimed Property Act (RUUPA) (765 ILCS 1026/15-201) notes property held by a government shall be presumed abandoned after three years. Further, the RUUPA (765 ILCS 1026/15-403(a)) requires the Department to annually report property presumed abandoned under the RUUPA as of June 30 to the State Treasurer for in-State addresses and to other state authorities for out-of-State addresses, along with a report with information about the owner of the property and the history of the transaction, by November 1.

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2017-003. **FINDING** (Failure to Establish and Maintain Adequate Internal Control over the Special State Trust Fund) – Continued

In addition to the foregoing, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State’s resources. Good internal controls over compliance include establishing a control environment that allows the Department to carry out its assigned duties and responsibilities in accordance with State laws, rules, and regulations as written.

During the prior examination, Department officials indicated fiscal staff turnover and a lack of transition documentation limited the Department’s ability to comply with applicable State laws, rules, and regulations. During the current examination, Department officials indicated similar conditions continued to exist impeding efforts to ensure Fund 251’s transactions were properly recorded and reported.

Failure to establish and maintain adequate control over Fund 251 resulted in delays in paying collected back wages due to claimants, hinders the reliability of Statewide financial reporting, delays the payment of State obligations from the General Revenue Fund, delays claimants from identifying unclaimed property through the State Treasurer’s unclaimed property program and/or other states’ unclaimed property programs, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2017-003, 2015-003, 2013-004, 11-4, 09-4, 07-4)

RECOMMENDATION

We recommend the Department take action to ensure:

- supporting documentation is obtained and preserved, along with the posting of proper accounting entries, when receipts for unclaimed wages are collected and remitted into Fund 251;
- a notation within the Department’s records is made to indicate amounts collected pursuant to the WPCA or the MWL when receipts are collected and remitted into Fund 251;
- claimant claims are promptly processed and paid, along with the posting of proper accounting entries, when distributed from Fund 251;
- reconciliations of the total amount due to claimants at the end of each month to the SB05 report are performed and any unreconciled discrepancies are investigated and properly resolved;

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2017-003. **FINDING** (Failure to Establish and Maintain Adequate Internal Control over the Special State Trust Fund) – Continued

- amounts due to claimants older than one year under the MWL are promptly transferred to the General Revenue Fund, with the timely posting of proper accounting entries; and,
- amounts due to claimants under the WPCA are properly handled under the relevant provisions of the RUUPA, with the timely posting of proper accounting entries.

DEPARTMENT RESPONSE

Accepted. The Department has control over the Special State Trust Fund current payments. The Department is still working to resolve differences in fund balances and electronic records in the time frame of 2003 to September 2016. DOL is working to transfer some accounts to the State Treasurer with proper documentation if the funds have been on DOL books for five years.

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2017-004. **FINDING** (Inadequate and Inaccurate Reconciliations)

The Department of Labor (Department) did not perform adequate and accurate reconciliations during the examination period.

Monthly Appropriations Status Report (SB01)

The Department had expenditure transactions within nine funds within the State Treasury: the General Revenue Fund (Fund 001), Amusement Ride and Patron Safety Fund (Fund 051), Department of Labor Special State Trust Fund (Fund 251), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), Budget Stabilization Fund (Fund 686) (Fiscal Year 2017 activity only), Department of Labor Federal Trust Fund (Fund 724), Federal Industrial Services Fund (Fund 726), and Wage Theft Enforcement Fund (Fund 885). During testing, we noted the following:

- The Department did not prepare any reconciliations of its records to the SB01 prepared by the Office of the State Comptroller (Comptroller) during Fiscal Year 2017. As a result, we could not examine 135 of the 227 (59%) SB01 reconciliations the Department should have performed.
- For the 92 SB01 reconciliations the Department should have performed during Fiscal Year 2016, we noted:
 - 6 (7%) were not prepared by the Department;
 - 57 (62%) were performed between 10 and 198 days late;
 - 33 (36%) were incomplete, as the Department did not include the reconciliation of cumulative expenditures during the fiscal year;
 - 11 (12%) were incorrectly altered by the Department;
 - 2 (2%) were not signed or dated by the preparer, so we were unable to determine the reconciliation was prepared timely;
 - 1 (1%) was performed prior to the end of the month which the Department was trying to reconcile;
 - 1 (1%) was improperly reconciled, as reconciled monthly totals were not computed;
 - 1 (1%) was improperly reconciled, as the ending reconciled balance was understated by \$444,367; and,
 - 1 (1%) was improperly reconciled, as a reconciling item was not described correctly on the reconciliation.
- During our comparison of the Comptroller's expenditure records to the Department's expenditure records, we noted the following:
 - Eight vouchers, totaling \$123,028, were reversed or voided within the Comptroller's records, but were not reversed or voided in the Department's records.

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2017-004. **FINDING** (Inadequate and Inaccurate Reconciliations) – Continued

- Four vouchers, totaling \$7,928, were reversed or voided within the Department’s records, but were not reversed or voided in the Comptroller’s records.
- Twelve vouchers, totaling \$170,250, were included within the Comptroller’s records, but did not appear within the Department’s records.
- Twenty-two vouchers, totaling \$35,821, were included within the Department’s records, but did not appear within the Comptroller’s records.

Non-Shared Funds *Monthly Cash Report* (SB05) Reconciliations

The Department had seven non-shared funds, including Fund 051, Fund 251, Fund 357, Fund 446, Fund 724, Fund 726, and Fund 885. During testing, we noted the following:

- The Department did not prepare 120 of 168 (71%) SB05 reconciliations for Fund 051, Fund 251, Fund 357, Fund 446, and Fund 885. The combined cash balance of those funds, according to the Comptroller’s records, was \$3,266,697 and \$3,022,922 at June 30, 2016, and June 30, 2017, respectively.
- For the 48 SB05 reconciliations performed by the Department for Fund 724 and Fund 726, we were unable to either balance or re-perform the reconciliations due to incomplete and inaccurate expenditure records. We noted instances of expenditures and expenditure reversals within the Department’s records missing from the Comptroller’s records and expenditures reported on the SB05 missing from the Department’s records.

The total noted cumulative differences between the Department’s cash balance and the Comptroller’s cash balance was:

- (\$377) and \$18,302 for Fund 724 during Fiscal Year 2016 and Fiscal Year 2017, respectively; and,
- (\$1,064) and (\$3,881) for Fund 726 during Fiscal Year 2016 and Fiscal Year 2017, respectively.

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2017-004. **FINDING** (Inadequate and Inaccurate Reconciliations) – Continued

Agency Contract Report (SC14) and Obligation Activity Report (SC15)

The Department had expenditure transactions within nine funds within the State Treasury: Fund 001, Fund 051, Fund 251, Fund 357, Fund 446, Fund 686 (Fiscal Year 2017 activity only), Fund 724, Fund 726, and Fund 885. During testing, we noted the Department did not perform any reconciliations between the Department's records and the SC14 and SC15 reports prepared by the State Comptroller during the examination period. The Comptroller's records show the Department had \$179,665 and \$72,307 in contracts at June 30, 2016, and June 30, 2017, respectively.

The Statewide Accounting Management System (SAMS) (Procedure 07.30.20) notes "the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that insures these requirements are being satisfied." As such, SAMS Procedures 11.40.20, 09.40.30, 15.30.30, and 15.30.30 establish processes for a reconciliation of the SB01, SB05, SC14, and SC15 reports generated by the Comptroller within 60 days after month end.

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

Due to these conditions, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Department's expenditures and contracts. In addition, due to these limitations, we were unable to conclude the Department's *Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2017* on pages 61-63, *Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2016* on pages 64-66, and *Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances* on pages 67-71 were complete and accurate.

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed tests of the Department's expenditures and contractual obligations and noted the matters described in Finding 2017-009 and Finding 2017-014.

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2017-004. **FINDING** (Inadequate and Inaccurate Reconciliations) – Continued

During the prior examination, Department officials indicated fiscal staff turnover and a lack of staff limited the Department's ability to comply with applicable State laws, rules, and regulations. During the current examination, Department officials indicated similar conditions continued to exist impeding efforts to ensure its reconciliations were adequate and accurate.

Failure to promptly prepare adequate and accurate reconciliations between the Department's records and the Comptroller's records led to unidentified errors, reduced the overall reliability of Statewide financial information, and could result in overpayments and underpayments to vendors. In addition, failure to establish and maintain internal controls over accounts receivable increases the risk that errors or irregularities could occur and not be found in the normal course of operations and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2017-004, 2015-004, 2013-006, 11-7, 09-5, 07-6)

RECOMMENDATION

We recommend the Department take action to ensure it timely prepares adequate and accurate reconciliations of its accounting records to the Comptroller's records each month and investigates and resolves all discrepancies.

DEPARTMENT RESPONSE

Implemented. Reconciliations have been completed on a regular basis since July 1, 2018.

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2017-005. **FINDING** (State Property Control Weaknesses)

The Department of Labor (Department) did not exercise adequate control over the accuracy, completeness, and timeliness of its State property records and related reporting.

During testing, we noted the Department did not maintain detailed documentation supporting its quarterly *Agency Report of State Property* reports (Form C-15) filed with the Office of the State Comptroller (State Comptroller). As of June 30, 2016, and June 30, 2017, the Department reported total property balances of \$1,214,870 and \$1,257,540, respectively.

We noted the following problems:

- 1) We could not agree the addition and deletion reports provided to us by the Department to activity reported on the Department's Form C-15s, as we noted an unreconciled difference of \$11,285.
- 2) The Department's ending property balance reported on its fourth quarter Form C-15 for Fiscal Year 2015 did not agree with the beginning balance reported on its first quarter Form C-15 for Fiscal Year 2016, as we noted an unreconciled difference of \$692.

The Statewide Accounting Management System (SAMS) (Procedure 29.10.30) states a Form C-15 should present the total cost of State property reflected on the Department's records as of the reported date and reconcile the beginning balance to the ending balance of property.

- 3) We were unable to reconcile the Department's Form C-15s to the State Comptroller's *Object Expense/Expenditures Report* (SA02), as personnel at the Department were unable to provide any documentation to support amounts reported on its Form C-15s. We noted unreconciled differences between the Form C-15s and the SA02s of \$35,752 and \$20,757 during Fiscal Year 2016 and Fiscal Year 2017, respectively.

SAMS (Procedure 07.30.20) requires the Department to reconcile its records to the SA02 within 60 days of month end.

- 4) The Department could not provide its Fiscal Year 2016 *Certification of Inventory* and *Discrepancy Report* which should have been filed with the Department of Central Management Services (CMS). As such, we were unable to determine if any discrepancies were noted during the annual inventory count and the risk of data exposure from missing or stolen data stored on items like computers, servers, and laptops.

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2017-005. **FINDING** (State Property Control Weaknesses) – Continued

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.460(f)) requires the Department’s Director complete and sign the *Certificate of Inventory* and *Discrepancy Report* and file the report with CMS. Further, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve adequate and proper documentation of its functions, procedures, and essential transactions designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department’s activities.

- 5) The Department’s property listing was incomplete. For the 1,279 items on the listing, we noted:
- the purchase date was not reported for 994 (78%) items;
 - a voucher number was not reported for 961 (75%) items;
 - the purchase price was not reported for 835 (65%) items; and,
 - the listing included 16 (1%) items which appeared to be missing or were not tagged with an equipment number.

The Code (44 Ill. Admin. Code 5010.230) requires the Department to include an identification number, date of purchase, purchase price, and voucher number for each item in its equipment records.

Due to these conditions, we were unable to conclude whether the Department’s population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Department’s equipment. In addition, due to these limitations, we were unable to conclude the Department’s *Schedule of Changes in State Property* on page 72 was complete and accurate.

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed the following tests:

Controls over State Property and Equipment

- During forwards testing (list to floor), we noted the location code was not included on the property listing for one of 40 (3%) items selected for testing. The total value of this item could not be determined due to missing acquisition prices on the property listing.

SAMS (Procedure 29.10.10) requires the Department to maintain detailed property records, including an item’s location.

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2017-005. **FINDING** (State Property Control Weaknesses) – Continued

- During backwards testing (floor to list), we noted the following:
 - Three of 40 (8%) items selected for testing and identified as in use at the Department’s Springfield location were not tagged and could not be positively identified. As such, a value for these items could not be determined.

The Code (44 Ill. Admin. Code 5010.210(a)) requires the Department to mark its property to identify the equipment as State property.

- The item’s physical location within the Department did not match the location code noted on the Department’s property listing for two of 40 (5%) items selected for testing. Due to the incomplete records, we could not determine a value for these items.
- One of 40 (3%) items selected for testing was obsolete and was no longer in use by the Department; however, the Department had not reported this item to CMS as transferable equipment. The value of this item was not determinable.

SAMS (Procedure 29.10.10) requires the Department to maintain detailed property records, including an item’s location, and to identify equipment items that are obsolete, damaged, or no longer used in operations and remove these items from its property records. Further, the Code (44 Ill. Admin. Code 5010.620(a)) requires the Department to regularly survey its property and report transferable equipment to CMS.

- During additions testing, we noted the following:
 - Ten of 11 (91%) items tested, totaling \$50,725, were added to the Department’s inventory records between 210 and 483 days late.

The Code (44 Ill. Admin. Code 5010.400) requires the Department to adjust its property records within 30 days of acquiring, changing, or deleting an item.

- Freight charges of \$14 were not added to the asset value for one of 11 (9%) items selected for testing, totaling \$834. As a result, the Department’s property records were understated by \$14.

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2017-005. **FINDING** (State Property Control Weaknesses) – Continued

SAMS (Procedure 03.30.20) states freight charges should be added to the net invoice cost of an item.

- One of 11 (9%) items tested, totaling \$270, were recorded for an incorrect amount, which resulted in the value of the item being understated by \$11.
- During analytical reviews, we noted the Department purchased video conferencing equipment, totaling \$20,486, for use at the Department's Springfield office. This purchase included a laptop, conference television, microphone, and control pad. We noted the laptop was also recorded on the property listing of the Department of Innovation and Technology (DoIT) and the Department's listing reflected the total price of the equipment for each of the three tags issued for this purchase. As such, the Department's property value was overstated by \$40,972.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. Good internal controls include ensuring only property vested in the Department is reflected at the proper cost on its Form C-15s.

- During deletions testing, we noted the Department did not report the cost or the item's acquisition date on 10 of 10 (100%) CMS Surplus Property Delivery Forms tested.

The *CMS Surplus Property Delivery Form* requires the Department report the acquisition date and cost of equipment items delivered to CMS.

- The Department filed one of eight (13%) Form C-15s six days late.

SAMS (Procedure 29.20.10) requires the Form C-15 to be filed no later than the last day of the month following the last day of the quarter.

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2017-005. **FINDING** (State Property Control Weaknesses) – Continued

In addition to the foregoing, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources. Good internal controls over compliance include establishing a control environment that allows the Department to carry out its assigned duties and responsibilities in accordance with State laws, rules, and regulations as written.

During the prior examination, Department personnel indicated turnover within the fiscal staff and a lack of transition documentation limited their ability to comply with applicable law. During the current examination, Department personnel indicated similar circumstances continued to affect and impede their efforts to ensure property records were properly maintained.

Failure to exercise adequate control over property and to maintain accurate and complete property records, including ensuring items are tagged as State property, increases the potential for fraud and loss of property. In addition, inaccurate and untimely reporting hinders the accuracy of, and delays preparation of, Statewide financial information and may result in unnecessary equipment expenditures by the State. Further, the absence of complete and accurate property records results in incorrect accounting records, inaccurate financial reporting, and noncompliance with State laws. (Finding Code No. 2017-005, 2015-005, 2013-003, 11-3, 09-3, 07-3, 05-7, 03-6)

RECOMMENDATION

We recommend the Department strengthen its controls over the recording and reporting of State property by reviewing its inventory and recordkeeping practices to ensure compliance with State law. In addition, the Department should ensure all equipment is tagged as State property and accurately and timely recorded on the Department's property records. Further, the Department should maintain documentation of any equipment additions, deletions, and transfers. Finally, the Department should thoroughly review all reports prepared from its records for accuracy and completeness prior to submitting the reports to external parties.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-005. **FINDING** (State Property Control Weaknesses) – Continued

DEPARTMENT RESPONSE

Implemented. The Department conducted a thorough review of inventory which was completed in August 2017 ensuring all items were tagged and accounted for. Staff was informed of proper documentation of additions, deletions, and transfers. Information will be entered into the new ERP system soon.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-006. **FINDING** (Inadequate Control over Personal Services)

The Department of Labor (Department) failed to maintain proper controls over its personal services functions.

During testing, we noted the following:

- We tested performance evaluations for 18 employees and noted:
 - six (33%) employees did not have annual performance evaluations during Fiscal Year 2016 and/or Fiscal Year 2017;
 - three (17%) employees requiring probationary performance evaluations did not have these evaluations performed during the examination period, as these employees were missing five total probationary evaluations; and,
 - six (33%) employees' annual performance evaluations during Fiscal Year 2016 and/or Fiscal Year 2017 were completed between 67 and 621 days late.

The *Illinois Department of Labor Policy Manual* (Manual) requires certified employees to be evaluated once per year. Further, the Manual requires employees serving a six-month probationary period be evaluated at the end of their third month and again at the end of 5½ months of employment. Further, the Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270(d)) requires the Department to prepare an evaluation of its employees not less often than annually.

- Leave requests for 12 of 18 (67%) employees tested were not properly approved in advance of the requested day off. We noted 42 instances when leave time was approved between 1 and 40 days after the leave had occurred. These leave requests included vacation time, personal time, compensatory time, equivalent earned time, holiday time, and other authorized absences.

The Manual requires vacation and personal time to be approved in advance of the requested day off. Further, the Code (80 Ill. Admin. Code 303.350) requires employees to provide advance notice of absences from work whenever possible.

- The use of sick time was not post-approved within a reasonable amount of time for 11 of 18 (61%) employees tested, as requests were approved between 2 and 20 days after the sick leave occurred.

Standards of good business practice require leave requests to be approved in a timely manner.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-006. **FINDING** (Inadequate Control over Personal Services) – Continued

- Four of 12 (33%) employees tested with overtime submitted requests to work overtime between one to nine days after the date when overtime was first worked during the pay period.

The Manual requires employees to obtain written approval before working any overtime, including work performed prior to or after regular working hours and during lunch breaks.

- Three of 18 (17%) employees tested lacked documentation authorizing miscellaneous payroll deductions, including:
 - union dues withholding authorizations;
 - credit union deduction authorizations; and,
 - voluntary life insurance authorizations.

The Statewide Accounting Management System (SAMS) (Procedure 23.20.30) requires the Department to retain all payroll deduction authorization forms.

- State and/or federal income taxes for 3 of 18 (17%) employees tested were withheld at an incorrect rate based upon the employees' *Federal/Illinois W-4 Employee's Withholding Allowance Certificate* (Form C-25) in each employee's personnel file. We noted differences between the data used to prepare the payroll compared to each employee's respective Form C-25, including:
 - additional amounts elected for deduction from each paycheck;
 - the number of allowances claimed; and,
 - the employee's withholding status.

SAMS (Procedure 23.20.05) requires the Department have on file a properly completed Form C-25 for all active employees.

- Nonmember (fair share) union fees for 2 of 18 (11%) employees tested were deducted at the incorrect rate from the employee's pay. We noted the Department used the incorrect deduction code for one employee and failed to update the other employee's deduction rate to reflect the current fair share rate.

SAMS (Procedure 23.10.30) requires the Department to be responsible for accurately completing payroll vouchers, including attesting to the accuracy of each employee's gross earnings, deductions, net pay, and other data reported on the payroll voucher.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-006. **FINDING** (Inadequate Control over Personal Services) – Continued

- Two of four (50%) employees hired during the examination period tested completed initial ethics training 268 and 556 days late.

The State Officials and Employees Ethics Act (5 ILCS 430/5-10) requires all new hires complete initial ethics training within 30 days after starting employment and certify, in writing, that they have completed the training program.

- The Department failed to maintain sufficient internal records of its payroll voucher approvals. Proper authorization for payment was not documented on 30 of 34 (88%) payroll vouchers tested, totaling \$2,510,691. For these vouchers, the supporting documentation maintained by the Department did not include the signed payroll voucher authorization and certification pages.

SAMS (Procedure 23.10.40) states that each payroll voucher consists of four parts: (1) an abbreviated detail page, (2) a trailer page, (3) a total page, and (4) a certification page that must be signed by an authorized person. Further, SAMS (Procedure 23.20.40) requires the Department to retain a copy of the payroll voucher upon distribution. Further, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of its essential transactions to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

During the prior examination, Department personnel indicated adequate procedures and mechanisms were not established by preceding administrations to ensure timely submission of evaluations, approval of leaves, and other personal services functions. Further, senior management and staff turnover, in addition to a lack of resources, contributed to the inability to track, process, and follow up on personal services problems with supervisors. During the current examination, Department personnel indicated both oversight by the responsible staff and unfamiliarity with personal services procedures contributed to these problems.

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

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-006. **FINDING** (Inadequate Control over Personal Services) – Continued

Failure to establish and maintain adequate fiscal and administrative controls over personal services represents noncompliance with laws, rules, and regulations, and could:

- undermine the ability of management to monitor employee development and communicate performance expectations;
- result in errors or other irregularities going undetected in employee benefit time allowances, potentially impacting the accuracy of financial reporting and potentially resulting in employees using benefit time they had not earned;
- result in excessive overtime costs the Department lacks an appropriation to pay;
- result in unnecessary legal risks due to inaccurate or incomplete withholding from an employee's pay;
- result in employees not being fully aware of their ethical obligations under the law; and,
- result in unapproved payroll expenditures. (Finding Code No. 2017-006, 2015-008, 2013-008)

RECOMMENDATION

We recommend the Department establish and maintain fiscal and administrative internal controls over its personal services functions, including:

- timely performing performance evaluations in accordance with the Manual and the Code;
- ensuring employees submit leave documentation in a timely manner;
- ensuring employees obtain approval prior to working overtime;
- maintaining complete and accurate personnel files, including correct Form C-25s and authorizations for deductions;
- ensuring all employees timely complete ethics training and complete the associated attendance verification for retention by the Department;
- ensuring payroll vouchers are prepared from and agree with all source documentation; and,
- ensuring all payroll vouchers are signed by an authorized person.

DEPARTMENT RESPONSE

- Accepted. Timely performance evaluations. HR sends supervisors a list of evaluation due dates at beginning of the year and periodic reminders.
- Accepted. Timely leave/OT requests. HR sends all DOL staff reminders semi-monthly to submit.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

- Accepted. Complete correct personnel files. DOL endeavors to keep files updated.
- Implemented. Ethics training. The latest version of training has been added to the new hire packet. (It was sent to Ethics Officer but not to HR – so there was a delay initially.)
- Accepted. Ensuring payroll vouchers are prepared from and agree with all source documentation. Payroll is now verified from documents prepared by and compared to the payroll vouchers. When HR changes a rate, HR staff makes sure to keep documentation in the file. HR will continue to ensure records are kept up to date.
- Implemented. Payroll vouchers signed by authorized person. The Comptroller will not pay if the office does not receive the signed vouchers. DOL now keeps electronic copies of the signed pages.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-007. **FINDING** (Noncompliance with the Employee Classification Act)

The Department of Labor (Department) did not ensure it fully enforced applicable provisions of the Employee Classification Act (Act).

The Act (820 ILCS 185/3) was intended to address the practice of misclassifying employees as independent contractors. The Department has certain enforcement responsibilities under the Act to fulfill the General Assembly's intent.

Reporting Requirements

The Act (820 ILCS 185/43(a)) requires every contractor report all payments made to individuals, sole proprietors, and partnerships performing construction services if the recipient is not classified as an employee to the Department during the prior tax year annually by April 30. The Act requires each report include:

- 1) the contractor's name, address, and business identification number;
- 2) the individual, sole proprietor, or partnership name, address, and federal employer identification number; and,
- 3) the total amount the contractor paid to the individual, sole proprietor, or partnership, including payments for services, materials, and equipment.

We selected 40 reports for testing, noting the Department deemed 31 reports were complete and 9 reports were incomplete. During testing, we noted the following:

- The Department did not assess penalties or schedule the case for a hearing before an administrative law judge for seven of the nine (78%) incomplete reports tested.
- Five of the 31 (16%) complete reports were filed with the Department between one and 41 days late. Further, one of the nine (11%) incomplete reports was filed with the Department 10 days late.

The Act (820 ILCS 185/43(c)) requires the Department, if it finds upon investigation that a contractor failed to file a report or filed an incomplete report in violation of § 43 of the Act shall notify the contractor in writing of the violation, assess a civil penalty under § 40 of the Act, and refer the case to an administrative law judge for the scheduling of a formal hearing in accordance with Article 10 of the Illinois Administrative Procedure Act. Further, the Illinois Administrative Code (56 Ill. Admin. Code 240.520(b)) provides that each violation of the Act, for each person and each day the violation continues, constitutes a separate and distinct violation. Lastly, the Act (820 ILCS 185/40(a)) imposes penalties of \$1,000 for first-time violations and \$2,000 for subsequent violations during the next five years.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-007. **FINDING** (Noncompliance with the Employee Classification Act) –
Continued

Department personnel indicated, like they did during the previous examination, that these problems persisted due to oversight and error by responsible staff.

Notification of Complaints

The Department did not exercise adequate control over its handling of complaints filed by interested parties. During testing, we noted the following:

- For two of five (40%) complaints tested, the Department provided notice in writing of the complaint to the affected employer 172 and 228 days after it received the complaint, 52 and 108 days late.
- For one of five (20%) complaints tested, the Department was unable to provide documentation to substantiate a written notification letter was sent to the affected employer.

The Act (820 ILCS 185/25(a)) requires, within 120 days from the filing of a complaint with the Department, the Department provide written notice of the complaint and provide the employer “the location and approximate date of the project or projects, affected contractors, and the nature of the allegations being investigated.” Further, the State Records Act (5 ILCS 160/8) requires the Department’s Director make and preserve records containing adequate and proper documentation of the functions, procedures, decisions, and essential transactions of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department’s activities.

Department personnel indicated these problems were due to oversight and error by responsible staff.

Administrative Rule Conflicts with Statute

The Department’s rules adopted within the Illinois Administrative Code (56 Ill. Admin. Code 240.405(b)) have not been changed to reflect the passage of Public Act 099-0303, which was effective on August 6, 2015. We noted the rule still requires contractors report all payments made to individuals, sole proprietors, and partnerships performing construction services if the recipient is not classified as an employee to the Department during the prior tax year by January 31, rather than April 30, each year. Further, the Department’s rule still indicates contractors may file their report electronically, while the statute requires electronic filing.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-007. **FINDING** (Noncompliance with the Employee Classification Act) –
Continued

The Act (820 ILCS 185/65) authorizes the Department to adopt reasonable rules to implement and administer the Act. Good internal controls over compliance include monitoring previously adopted rules and regulations to ensure they are consistent with current law and, if needed, seeking appropriate remedies to ensure consistency within the law.

Department personnel indicated these problems were due to oversight and error by responsible staff.

Failure to enforce the Act’s reporting requirements and penalty assessments could hinder the achievement of the Act’s legislative intent to address the practice of misclassifying employees as independent contractors, affects the collection of penalties due to affected employees, and represents noncompliance with State law. Further, failure to provide notice to affected employers of a complaint does not allow for the due process afforded those entities as intended by the General Assembly and represents noncompliance with State law. In addition, failure to monitor previously adopted administrative rules to ensure they are consistent with current law leads to unharmonious provisions and could lead to confusion among the public about the actual requirements established by State law. (Finding Code No. 2017-007, 2015-011)

RECOMMENDATION

We recommend the Department:

- 1) review its duties and responsibilities under the Act;
- 2) ensure its internal processes and procedures are designed to carry out the duties and responsibilities assigned to the Department under the Act, including ensuring untimely and/or incomplete reports are processed in accordance with the Act’s provisions and affected employers receive a written notice of complaints filed; and,
- 3) train all Department officials and employees involved in any element of carrying out the Department’s duties and responsibilities under the Act on how to perform their specific function.

Further, the Department should review its administrative rules to ensure they are consistent with the Act.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-007. **FINDING** (Noncompliance with the Employee Classification Act) –
Continued

DEPARTMENT RESPONSE

Accepted. DOL will implement the audit recommendations.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-008. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Department of Labor (Department) did not comply with the Fiscal Control and Internal Auditing Act (Act).

During testing, we noted the following:

- The Department did not maintain an internal audit function. Specifically, we noted the Department's Director had not appointed a chief internal auditor and the Department did not maintain a full-time program of internal auditing. As a result, the required two-year plan, identifying audits scheduled for the pending fiscal year, was not prepared, and no internal audits of Department functions were carried out during Fiscal Year 2016 or Fiscal Year 2017.

The Act (30 ILCS 10/2001(a)) requires the Department to maintain a full-time program of internal auditing. The Act (30 ILCS 10/2002(a)) requires the Department's Director to appoint a chief internal auditor for the Department who meets certain statutory criteria. In addition, the Act (30 ILCS 10/2003(a)) requires the Department's Director to ensure the Department's internal auditing program includes:

- a two-year plan, identifying audits scheduled for the pending fiscal year, to be approved by the Department's Director before the beginning of the fiscal year;
 - audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every two years;
 - reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability; and,
 - special audits of operations, procedures, programs, electronic data processing systems, and activities as directed by the Department's Director.
- The Department submitted its annual internal control review certification two days and 74 days late for Fiscal Year 2016 and Fiscal Year 2017, respectively.

The Act (30 ILCS 10/3003(a)) requires the Department's Director to conduct an annual evaluation of the Department's internal fiscal and administrative controls and transmit an annual certification to the Auditor General by May 1.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-009. **FINDING** (Inadequate Control over Travel Expenditures)

The Department of Labor (Department) did not exercise adequate internal control over its travel expenditures.

As noted in Finding 2017-004, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Department's expenditures.

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed the following tests:

- During testing of the Department's top travelers' vouchers, we noted 18 of 220 (8%) vouchers tested, totaling \$5,305, did not itemize or report costs directly billed to the Department for rental vehicles or overnight lodging costs on the travel voucher. However, of these 18 noted vouchers, eight (44%) included invoices supporting the direct billed costs, totaling \$1,570.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 2800.260(b)) requires items directly billed to the State be itemized on the travel voucher along with any reimbursable costs paid to the traveler, with supporting documentation for direct billed items, if available.

- During analytical reviews and other testing, we noted the following:
 - Three vouchers, totaling \$1,139, included personal vehicle mileage reimbursements for \$387 which did not appear reasonable. We noted the travel voucher indicated the employee used public transportation or rode with other Department employees from their home or headquarters to the destination, but then used personal vehicles for the return trip. The Department lacked documentation to support why a personal vehicle was used for the return trip or if a State vehicle was requested for use during any portion of the trip.
 - Four vouchers, totaling \$762, included personal vehicle mileage reimbursements for \$664 for round trips of, at least, 160 miles where the Department did not have documentation indicating if either a State vehicle was requested for use during the trip or a rental car would have been a less costly option.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-009. **FINDING** (Inadequate Control over Travel Expenditures) – Continued

The Code (80 Ill. Admin. Code 3000.300) notes all travel shall be made by the most economical mode of transportation available considering travel time, costs, and work requirements, including public transportation, rental vehicles, and State-owned vehicles. Further, the Statewide Accounting Management System (SAMS) (Procedure 17.20.10) requires travelers to enter additional comments or explanations on the travel voucher to explain or further clarify specific charges.

During the prior examination, Department personnel indicated the issues noted were due to staffing shortages and a general lack of oversight over travel. During the current examination, Department personnel indicated a lack of communication and training to individual staff and management oversight led to these problems.

Failure to establish and maintain internal controls over travel expenditures could result in unnecessary travel costs, increases the risk that errors or irregularities could occur and not be found in the normal course of operations, and represents noncompliance with State regulations. (Finding Code No. 2017-009, 2015-012, 2013-007, 11-8, 09-6, 07-11)

RECOMMENDATION

We recommend the Department carefully review its travel vouchers to ensure all:

- direct billed expenses are properly itemized and reported;
- unusual travel activity is both reasonable and documented; and,
- employees use the most economical mode of transportation available.

DEPARTMENT RESPONSE

Implemented. CFO has reviewed and conducted training with fiscal staff on the Travel Policy and requirements for travel vouchers including how to properly analyze a voucher and educate travelers on the policy and have them correct errors.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-010. **FINDING** (Inaccurate Financial Reporting of Federal Grant Activity)

The Department of Labor (Department) did not ensure its federal grant activity was accurately reported to the Office of the State Comptroller (Comptroller).

During testing of the two funds where the Department reported federal activity during Fiscal Year 2017, we noted the following inaccurate reporting on the *Grant/Contract Analysis* (Form SCO-563):

- The Department overstated expenditures by \$75 thousand in the Department of Labor Federal Projects Fund (Fund 724).
- The Department understated expenditures by \$33 thousand in the Federal Industries Services Fund (Fund 726).

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. Further, the Statewide Accounting Management System (SAMS) (Procedure 27.10.10) notes the preparation of the annual financial reporting packages requires careful examination of financial and non-financial data to ensure it is properly reported on the Department's reporting packages, including each fund's Form SCO-563.

Department personnel indicated these problems were due to staff error.

Failure to submit correct information to the Comptroller decreases the accuracy of financial information used for preparing the State's Schedule of Expenditures of Federal Awards (SEFA) and represents noncompliance with the Act and SAMS. (Finding Code No. 2017-010)

RECOMMENDATION

We recommend the Department implement procedures to ensure complete and accurate information is reported to the Comptroller on the Department's annual Form SCO-563s.

DEPARTMENT RESPONSE

Accepted. This was a staff error and has been corrected.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-011. **FINDING** (Lack of Disaster Contingency Planning or Testing to Ensure the Recovery of Computer Systems)

The Department of Labor (Department) had not developed a comprehensive disaster recovery plan or performed testing during the examination period.

The Department carries out its mission through the use of information technology. Computer systems that support the Department's mission include the Carnival System, the Check Receipts System, the Day and Temporary Labor License System, the Nurse Agency Program, and the Prevailing Wage Survey. However, the Department had not developed a disaster recovery plan to ensure the computer systems utilized could be recovered.

In addition, the Department had not conducted disaster recovery testing.

Without an adequately developed and tested contingency plan, the Department cannot ensure its critical systems could be recovered within an acceptable period and minimize the impact associated with a disaster.

Information technology guidance (including the National Institute of Standards and Technology and the Government Accountability Office) endorses the formal development and testing of disaster recovery plans. Tests of disaster recovery procedures and resources provide the capability to recover critical systems within the required timeframe.

During the prior examination, Department personnel indicated a lack of staff and resources were challenges to complying with these requirements. During the current examination, Department personnel indicated the disaster recovery plan was not developed due to a lack of staff and time.

Failure to have a disaster recovery plan or conduct testing of the disaster recovery plan leaves the Department exposed to the possibility of major disruptions of services. (Finding Code No. 2017-011, 2015-007)

RECOMMENDATION

We recommend the Department develop a plan that addresses its computer systems and update its plan at least annually or when significant changes occur. In addition, the Department should perform and document tests of its plan at least once a year.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-011. **FINDING** (Lack of Disaster Contingency Planning or Testing to Ensure the Recovery of Computer Systems) – Continued

DEPARTMENT RESPONSE

Implemented. DOL Information Systems Resiliency Plan was updated on April 16, 2018 to comply with DoIT policies and procedures. In addition, DOL Information Systems Cyber Resiliency Test, Training & Exercise (TT&E) Plan was implemented on April 27, 2018. Annual testing to be done in the month of February 2019. Annual update of the Plan(s) are in progress.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-012. **FINDING** (Improper Disposal of State Records and Noncompliance with the Private Employment Agency Act)

The Department of Labor (Department) lacked adequate internal control over its investigations pursuant to the Private Employment Agency Act (Act) and did not comply with the State Records Act.

During testing of 23 cases, we noted the following:

- Nineteen (83%) investigation reports were not retained by the Department. As such, we were unable to test compliance with the requirements of the Act.

- Two (9%) investigation reports were not signed by the investigator.

The Act (225 ILCS 515/1.5(b)) requires the Department investigate the character, business integrity, and financial responsibility of an employment agency applicant and of those mentioned in the application and, then, prepare a detailed written report of its investigation with the Department's action taken thereon signed by the investigator, which shall become a part of the Department's official records. In addition, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of the functions and decisions of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

During discussions with Department officials on these exceptions, they indicated employee oversight was the cause of not having signed investigations and that the Department disposed of the original investigation reports in accordance with the Department's records retention policy. However, we noted the investigations selected for testing occurred during the examination period and these items were required to be retained by the Department for three years and until all audits have been completed under its policy.

The State Records Act (5 ILCS 160/9) requires the Department to establish and maintain an efficient program for retaining records in a trustworthy manner as to ensure the Department's records are accessible and useable for the duration of the retention period.

Department personnel indicated these exceptions were due to oversight.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-012. **FINDING** (Improper Disposal of State Records and Noncompliance with the Private Employment Agency Act) – Continued

Failure to properly preserve investigation reports hinders our ability to provide relevant feedback to the General Assembly about the Department’s compliance with the Act, represents noncompliance with the State Records Act, and resulted in an improper disposal of the State’s records. Further, failure by the investigator to sign their written reports represents noncompliance with the Act. (Finding Code No. 2017-012)

RECOMMENDATION

We recommend the Department ensure its records are only disposed of after (1) the retention period has expired and (2) the Department obtains approval for the destruction from the Chair of the State Records Commission in accordance with the Illinois Administrative Code (44 Ill. Admin. Code 4400.40(c)). Additionally, the Department should ensure all investigators sign their written report.

DEPARTMENT RESPONSE

Accepted. The Department has established a procedure to ensure that records are maintained and accessible for the duration of the retention period. In addition, the Department will ensure that all investigators sign their written reports. The position responsible for managing the records under the Private Employment Agency Act is now filled with a dedicated, full-time staff member and all relevant information has been communicated to the employee.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-013. **FINDING** (Reporting Procedural Deficiencies)

The Department of Labor (Department) did not comply with certain procedural requirements established by State laws, rules, and regulations.

Annual Agency Workforce Report

During testing, we noted the Department did not include complete and accurate information on its annual Agency Workforce Report for both Fiscal Year 2015 and Fiscal Year 2016, filed with the Office of the Governor (Governor) and the Office of the Secretary of State (Secretary) during Fiscal Year 2016 and Fiscal Year 2017, respectively. The errors we noted included the following:

- The Department's Fiscal Year 2015 report contained five instances and the Department's Fiscal Year 2016 report contained two instances where the reported amounts and percentages were not mathematically accurate.
- The Department's Fiscal Year 2015 report contained six instances and the Department's Fiscal Year 2016 report contained two instances where the Department failed to fill in a required element of the report.
- The Department did not report information on its open positions on both reports.
- The Department was unable to provide documentation to support its Fiscal Year 2015 and Fiscal Year 2016 reports were complete and accurate.

The State Employment Records Act (Act) (5 ILCS 410/20) requires the Department to collect, classify, maintain, and report certain employment statistics for women, disabled, and minority groups. Annual reports summarizing the information in a prescribed format are required to be filed with the Governor and the Secretary by January 1 each year for the preceding fiscal year. Further, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve records containing adequate and proper documentation of its essential transactions to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

- The Department failed to file amended versions of its reports for Fiscal Year 2013 and Fiscal Year 2014 with the Governor and the Secretary after we made this recommendation within the Department's last compliance examination report (see Finding 2015-010).

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-013. **FINDING** (Reporting Procedural Deficiencies) – Continued

The Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) requires the Department, within 30 days after the release of a report in which it is reported the Department did not materially comply with the Act, to file corrected reports for all periods of noncompliance identified with the Governor and the Secretary.

Annual Public Accountability Report

During testing, we noted the Department did not prepare and file its annual Public Accountability Report for both Fiscal Year 2015 and Fiscal Year 2016, with the Office of the State Comptroller (Comptroller) during Fiscal Year 2016 and Fiscal Year 2017, respectively.

The Statewide Accounting Management System (Procedure 33.20.20) requires the Department to provide information on its service efforts, accomplishments, and costs to the Comptroller as part of its annual fiscal year-end reporting package by October 15.

Semi-Annual Travel Headquarters Report (Form TA-2)

During testing, we noted three of four (75%) Form TA-2s were filed with the Legislative Audit Commission (Commission) between 166 and 532 days late.

The State Finance Act (30 ILCS 105/12-3) requires the Department file a Form TA-2 report with the Commission no later than July 15 for the preceding period from January 1 through June 30 and no later than January 15 for the period from July 1 through December 31 of the preceding year.

Annual Agency Invoice Report

During testing, we noted the Department did not prepare and file its annual Agency Invoice Report for Fiscal Year 2016 with the Comptroller.

At the time, the State Finance Act (30 ILCS 105/9.08(a)) required the Department to annually report the aggregate dollar value of bills held at the Department on June 30 to the Comptroller by October 15. Effective January 1, 2018, this report was modified to be a monthly report from the Department to the Comptroller with the (1) total bills held by found source, (2) whether appropriations exist for these obligations, and (3) an estimate of interest penalties due under the State Prompt Payment Act (30 ILCS 540) in the format prescribed by the Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-013. **FINDING** (Reporting Procedural Deficiencies) – Continued

During the prior examination, Department personnel stated the Agency Workforce Reports were inaccurate, incomplete, and late due to oversight by the responsible personnel. During the current examination, Department personnel indicated the reports described above were inaccurate, incomplete, and late due to turnover within the Department, unfamiliarity with the statutory requirements, and a lack of communication during the time of the staffing change.

Failure to prepare complete, accurate, and supportable reports in a timely manner hinders oversight of the Department, negatively impacts the users of these reports, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2017-013, 2015-010)

RECOMMENDATION

We recommend the Department implement controls to ensure all reports required to be produced by the Department are complete, accurate, supportable, and filed with the appropriate parties in a timely manner. Further, the Department should prepare and submit a corrected Agency Workforce Report for Fiscal Year 2013, Fiscal Year 2014, Fiscal Year 2015, and Fiscal Year 2016 to the Governor and the Secretary within 30 days from the release of this report, as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)).

DEPARTMENT RESPONSE

- Accepted. Annual Agency Workforce Report. The Department will prepare and submit corrected Agency Workforce Reports for Fiscal Year 2015 and Fiscal Year 2016 to the Governor and the Secretary within 30 days from the release of the Audit Report, as required by the Illinois State Auditing Act. Prior administrations did not maintain adequate records for Fiscal Year 2013 and Fiscal Year 2014.
- Implemented. Annual Public Accountability Report. Reports are now noted and reported timely.
- Implemented. Semi-Annual Travel Headquarters Report (Form TA-2). Reports are now noted and reported timely.
- Implemented. Annual Agency Invoice Report. Reports are now noted and reported timely.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-014. **FINDING** (Inadequate Control over Voucher Processing)

The Department of Labor (Department) did not exercise adequate internal control over voucher processing.

As noted in Finding 2017-004, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Department's expenditures.

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we noted the following problems:

Non-Payroll Vouchers

During testing of 120 non-payroll vouchers, we noted the following:

- The Department did not record the corresponding equipment acquisitions in its property control records for items acquired on 5 (4%) vouchers tested.

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

- The Department failed to process vouchers to pay vendors required interest, totaling \$981, for 2 (2%) vouchers tested, totaling \$18,662.

The State Prompt Payment Act (Act) (30 ILCS 540/3-2(2)) requires the Department to automatically pay interest penalties required by this Section amounting to \$50 or more to the appropriate vendor. The Act also states interest due to a vendor that amounts to greater than \$5 and less than \$50 shall not be paid but shall be accrued until all interest due to the vendor exceeds \$50, except interest accrued as of the end of the fiscal year that does not exceed \$50 shall be payable at fiscal year-end.

Further, the Statewide Accounting Management System (SAMS) (Procedure 17.20.45) states it is the responsibility of the Department to develop and implement internal procedures that will permit full compliance with the provisions of the Act and the rules jointly promulgated by the State Comptroller and the Department of Central Management Services to govern the uniform application of the Act.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-014. **FINDING** (Inadequate Control over Voucher Processing) – Continued

- One (1%) voucher tested, totaling \$1,040, was a travel reimbursement submitted 219 days late.

Internal Revenue Service (IRS) Publication 535, *Business Expenses*, states employees receiving travel reimbursements must have paid or incurred deductible expenses while performing employment services, adequately accounted for the expenses within a reasonable period of time, generally defined by Publication 535 as within 60 days after the expenses were paid or incurred, and returned any excess reimbursements within a reasonable period of time. If the employee meets all three tests, the employee is under an accountable plan and the reimbursements are not included as wages on the employee's Form W-2. If the employee fails any of the tests, the employee is under a nonaccountable plan and all amounts paid as reimbursements are reported as wages on the employee's Form W-2, subject to income tax withholding, Social Security, Medicare, and unemployment taxes.

- The out-of-state travel approval form for one (1%) voucher tested, totaling \$1,341, was not submitted for approval at least 30 days prior to the travel.

The Illinois Administrative Code (80 Ill. Admin. Code 2800.700(b)) requires advance approval by the Governor's Office of Management and Budget of any travel outside of the State and requires agencies to submit such requests for approval at least 30 days in advance of the departure date.

Telecommunications Vouchers

During testing of 23 telecommunications vouchers, we noted the following:

- Ten (43%) vouchers tested, totaling \$11,774, consisted of telephone bills which had not been reviewed by the corresponding employee or signed and dated by the applicable division supervisor.
- Due to incomplete records, we were unable to determine if five (22%) telephone bills, totaling \$3,713, had been reviewed by the corresponding employee or signed and dated by the applicable division supervisor.

The Department's *Telephone Bill Approval Policy* requires employees to review their individual telephone bill and add comments for calls requiring explanations, which is then to be reviewed by a division supervisor who must sign and date the bill to verify they have reviewed it.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-014. **FINDING** (Inadequate Control over Voucher Processing) – Continued

During the prior examination, Department personnel indicated turnover and staffing shortages, as well as competing projects, impeded their efforts to comply with all voucher review and processing requirements. During the current examination, Department personnel cited the same challenges as barriers to compliance.

Failure to record equipment acquisitions in conjunction with the processing of vouchers represents noncompliance with the Illinois Administrative Code and resulted in an understatement of property balances. Failure to pay interest penalties represents noncompliance with the Act and SAMS, and failure to calculate and pay prompt payment interest in a timely manner could result in unpaid vendors needing to seek payment through the Court of Claims. Failure to submit travel vouchers timely may result in reporting travel reimbursements as taxable employee wages. Failure to timely seek pre-approval for out-of-State travel represents noncompliance with the Illinois Administrative Code. Lastly, failure to ensure telephone bills are properly reviewed and approved represents noncompliance with Department policy. (Finding Code No. 2017-014, 2015-009, 2013-005, 11-5, 09-11, 07-12, 05-9, 03-2, 01-1, 99-1)

RECOMMENDATION

We recommend the Department:

- ensure equipment acquisitions are properly recorded, in conjunction with processing the related vouchers;
- track and periodically review interest amounts owed to vendors and authorize payment of interest to vendors when required;
- remind employees of the importance of submitting travel vouchers timely;
- ensure approval for future out-of-State travel is sought timely, and,
- ensure the review and approval of telephone bills by employees and supervisors is performed and documented timely.

DEPARTMENT RESPONSE

Accepted. DOL is working to correct timely signatures on phone bills by implementing an electronic process. CFO has corrected out of State travel issues and prompt payment issues.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2017

A. **FINDING** (Failure to Maintain Leave of Absence Documentation)

During the prior examination, the Department of Labor (Department) did not maintain adequate documentation to substantiate employee leaves of absence, including the dates when the employee was on leave, the employee's leave status, and the employee's leave authorization.

During the current examination, our sample testing did not reveal documentation problems with employee leaves of absence. (Finding Code No. 2015-013)

B. **FINDING** (Inadequate Monitoring and Controls over Contract and Grant Agreements)

During the prior examination, the Department of Labor (Department) did not adequately monitor and exercise appropriate controls over grant agreements.

During the current examination, we noted the Department did not administer any similar grants or make payments for similar grants. (Finding Code No. 2015-014)

STATE OF ILLINOIS
DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

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 – Fiscal Year 2017

- Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2016

- Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances

- Schedule of Changes in State Property

- Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller

- Analysis of Operations (Not Examined):

- Department Functions and Planning Program (Not Examined)

- Analysis of Significant Variations in Expenditures (Not Examined)

- Analysis of Significant Variations in Receipts (Not Examined)

- Analysis of Significant Lapse Period Spending (Not Examined)

- Analysis of Accounts Receivable (Not Examined)

- Budget Impasse Disclosures (Not Examined)

- Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)

- Interest Costs on Fiscal Year 2017 and Fiscal Year 2016 Invoices (Not Examined)

- Average Number of Employees (Not Examined)

- Memorandum of Understanding (Not Examined)

- Interagency Agreements (Not Examined)

- Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 5. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section and, accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

| SEE FINDING 2017-004 | Expenditure Authority (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to September 30 | Total Expenditures 15 Months Ended September 30 | Balances Lapsed September 30 |
|---|--|------------------------------|--|---|------------------------------|
| Public Act 99-0524 and Court-Ordered Expenditures FISCAL YEAR 2017 | | | | | |
| <u>APPROPRIATED FUNDS</u> | | | | | |
| <u>GENERAL REVENUE FUND - 001</u> | | | | | |
| Personal Services | \$ 4,708,665 | - | \$ 4,708,665 | \$ 4,708,665 | |
| State Contributions to Social Security | 336,614 | 372 | 336,986 | 336,986 | |
| Total General Revenue Fund | \$ 5,045,279 | \$ 372 | \$ 5,045,651 | \$ 5,045,651 | |
| <u>AMUSEMENT RIDE AND PATRON SAFETY FUND - 051</u> | | | | | |
| Operational Expenses | \$ 246,800 | | \$ 114,031 | \$ 229,222 | \$ 17,578 |
| Total Amusement Ride and Patron Safety Fund | \$ 246,800 | | \$ 114,031 | \$ 229,222 | \$ 17,578 |
| <u>CHILD LABOR AND DAY AND TEMPORARY LABOR SERVICES ENFORCEMENT FUND - 357</u> | | | | | |
| Operational Expenses | \$ 623,100 | | \$ 77,480 | \$ 604,369 | \$ 18,731 |
| Total Child Labor and Day and Temporary Labor Services Enforcement Fund | \$ 623,100 | | \$ 77,480 | \$ 604,369 | \$ 18,731 |
| <u>EMPLOYEE CLASSIFICATION FUND - 446</u> | | | | | |
| Operational Expenses | \$ 348,300 | | \$ 37,803 | \$ 103,680 | \$ 244,620 |
| Total Employee Classification Fund | \$ 348,300 | | \$ 37,803 | \$ 103,680 | \$ 244,620 |

STATE OF ILLINOIS
 DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

| | Expenditure Authority (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to September 30 | Total Expenditures 15 Months Ended September 30 | Balances Lapsed September 30 |
|---|--|------------------------------|--|---|------------------------------|
| SEE FINDING 2017-004 | | | | | |
| Public Act 99-0524 and Court-Ordered Expenditures FISCAL YEAR 2017 | | | | | |
| <u>BUDGET STABILIZATION FUND - 686</u> | | | | | |
| Ordinary and Contingent Expenses | \$ 200,000 | \$ 195,932 | \$ 1,867 | \$ 197,799 | \$ 2,201 |
| Total Budget Stabilization Fund | \$ 200,000 | \$ 195,932 | \$ 1,867 | \$ 197,799 | \$ 2,201 |
| <u>DEPARTMENT OF LABOR FEDERAL TRUST FUND - 724</u> | | | | | |
| Administration of Federal Projects | \$ 2,000,000 | \$ 1,194,666 | \$ 16,277 | \$ 1,210,943 | \$ 789,057 |
| Total Department of Labor Federal Trust Fund | \$ 2,000,000 | \$ 1,194,666 | \$ 16,277 | \$ 1,210,943 | \$ 789,057 |
| <u>FEDERAL INDUSTRIAL SERVICES FUND - 726</u> | | | | | |
| Administration of Occupational Safety and Health Administration Program Contractual Services | \$ 2,970,000 | \$ 1,237,503 | \$ 36,426 | \$ 1,273,929 | \$ 1,696,071 |
| | 30,000 | - | - | - | 30,000 |
| Total Federal Industrial Services Fund | \$ 3,000,000 | \$ 1,237,503 | \$ 36,426 | \$ 1,273,929 | \$ 1,726,071 |
| <u>WAGE THEFT ENFORCEMENT FUND - 885</u> | | | | | |
| Operational Expenses | \$ 206,200 | \$ 120,990 | \$ 9,407 | \$ 130,397 | \$ 75,803 |
| Total Wage Theft Enforcement Fund | \$ 206,200 | \$ 120,990 | \$ 9,407 | \$ 130,397 | \$ 75,803 |
| Total - All Appropriated Funds | \$ 6,624,400 | \$ 8,502,327 | \$ 293,663 | \$ 8,795,990 | \$ 2,874,061 |

STATE OF ILLINOIS
 DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

| SEE FINDING 2017-004 Public Act 99-0524 and Court-Ordered Expenditures FISCAL YEAR 2017 | Expenditure Authority (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to September 30 | Total | |
|---|--|---------------------------------|--|---|---------------------------------|
| | | | | Expenditures 15 Months Ended September 30 | Balances Lapsed September 30 |
| NON-APPROPRIATED FUNDS | | | | | |
| DEPARTMENT OF LABOR SPECIAL STATE TRUST FUND - 251 | | | | | |
| Net Pay Claims | | \$ 238,112 | \$ 41,840 | \$ 279,952 | |
| Total Department of Labor Special State Trust Fund | | \$ 238,112 | \$ 41,840 | \$ 279,952 | |
| Total - All Non-Appropriated Funds | | \$ 238,112 | \$ 41,840 | \$ 279,952 | |
| GRAND TOTAL ALL FUNDS | | \$ 8,740,439 | \$ 335,503 | \$ 9,075,942 | |

Note 1: The Department did not perform reconciliations and update expenditure records as required. As a result, expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017 (see Finding 2017-004 for further details).

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

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Department never received enacted personal services appropriations for Fund 001, the Department was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2017.

Note 4: Public Act 99-0524 authorized the Department to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 88 includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department submitted against its Fiscal Year 2017 appropriation.

Note 5: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Department to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 88 includes information from Department management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Department which were submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

| SEE FINDING 2017-004 Public Act 99-0409, Public Act 99-0524, and Court-Ordered Expenditures FISCAL YEAR 2016 | Expenditure Authority (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|--|--|---------------------------------|---|---|------------------------------|
| <u>APPROPRIATED FUNDS</u> | | | | | |
| <u>GENERAL REVENUE FUND - 001</u> | | | | | |
| Personal Services | \$ 4,847,473 | \$ 21,835 | \$ 4,869,308 | | |
| State Contributions to Social Security | 355,363 | 1,671 | 357,034 | | |
| Total General Revenue Fund | \$ 5,202,836 | \$ 23,506 | \$ 5,226,342 | | |
| <u>AMUSEMENT RIDE AND PATRON SAFETY FUND - 051</u> | | | | | |
| Operational Expenses | \$ 246,800 | - | \$ 226,533 | \$ 226,533 | \$ 20,267 |
| Total Amusement Ride and Patron Safety Fund | \$ 246,800 | - | \$ 226,533 | \$ 226,533 | \$ 20,267 |
| <u>CHILD LABOR AND DAY AND TEMPORARY LABOR SERVICES ENFORCEMENT FUND - 357</u> | | | | | |
| Personal Services | \$ 223,848 | - | - | \$ 223,848 | |
| State Contributions to State Employees Retirement System | 102,239 | - | - | 102,239 | |
| State Contributions to Social Security | 16,363 | - | - | 16,363 | |
| Group Insurance | 93,114 | - | - | 93,114 | |
| Operational Expenses | - | 184,240 | - | 184,240 | \$ 3,293 |
| Total Child Labor and Day and Temporary Labor Services Enforcement Fund | \$ 187,533 | \$ 435,564 | \$ 184,240 | \$ 619,804 | \$ 3,293 |

STATE OF ILLINOIS
 DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

| | Expenditure Authority (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|--|--|------------------------------|---|--|---------------------------|
| SEE FINDING 2017-004 | | | | | |
| Public Act 99-0409, Public Act 99-0524, and Court-Ordered Expenditures FISCAL YEAR 2016 | | | | | |
| EMPLOYEE CLASSIFICATION FUND - 446 | | | | | |
| Operational Expenses | \$ 348,300 | \$ - | \$ 85,222 | \$ 85,222 | \$ 263,078 |
| Total Employee Classification Fund | \$ 348,300 | \$ - | \$ 85,222 | \$ 85,222 | \$ 263,078 |
| DEPARTMENT OF LABOR FEDERAL TRUST FUND - 724 | | | | | |
| Administration of Federal Projects | \$ 2,000,000 | \$ 891,824 | \$ 34,335 | \$ 926,159 | \$ 1,073,841 |
| Total Department of Labor Federal Trust Fund | \$ 2,000,000 | \$ 891,824 | \$ 34,335 | \$ 926,159 | \$ 1,073,841 |
| FEDERAL INDUSTRIAL SERVICES FUND - 726 | | | | | |
| Administration of Occupational Safety and Health Administration Program Contractual Services | \$ 2,970,000 | \$ 1,666,176 | \$ 93,202 | \$ 1,759,378 | \$ 1,210,622 |
| | 30,000 | - | - | - | 30,000 |
| Total Federal Industrial Services Fund | \$ 3,000,000 | \$ 1,666,176 | \$ 93,202 | \$ 1,759,378 | \$ 1,240,622 |
| WAGE/THEFT ENFORCEMENT FUND - 885 | | | | | |
| Personal Services | \$ 91,375 | \$ - | \$ - | \$ 91,375 | |
| State Contributions to State Employees Retirement System | 41,666 | - | - | 41,666 | |
| State Contributions to Social Security | 6,661 | - | - | 6,661 | |
| Group Insurance | 45,242 | - | - | 45,242 | |
| Operational Expenses | \$ 21,253 | - | 15,694 | 15,694 | \$ 5,559 |
| Total Wage Theft Enforcement Fund | \$ 21,253 | \$ 184,944 | \$ 15,694 | \$ 200,638 | \$ 5,559 |
| Total - All Appropriated Funds | \$ 5,803,886 | \$ 8,381,344 | \$ 662,732 | \$ 9,044,076 | \$ 2,606,660 |

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

| SEE FINDING 2017-004 | Expenditure Authority (Net of Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|---|--|------------------------------|---|--|---------------------------|
| Public Act 99-0409, Public Act 99-0524, and Court-Ordered Expenditures FISCAL YEAR 2016 | | \$ 623,198 | \$ 25,991 | \$ 649,189 | |
| NON-APPROPRIATED FUNDS | | | | | |
| DEPARTMENT OF LABOR SPECIAL STATE TRUST FUND - 251 | | | | | |
| Net Pay Claims | | \$ 623,198 | \$ 25,991 | \$ 649,189 | |
| Total Department of Labor Special State Trust Fund | | <u>\$ 623,198</u> | <u>\$ 25,991</u> | <u>\$ 649,189</u> | |
| Total - All Non-Appropriated Funds | | <u>\$ 623,198</u> | <u>\$ 25,991</u> | <u>\$ 649,189</u> | |
| GRAND TOTAL ALL FUNDS | | <u><u>\$ 9,004,542</u></u> | <u><u>\$ 688,723</u></u> | <u><u>\$ 9,693,265</u></u> | |

Note 1: The Department did not perform reconciliations and update expenditure records as required. As a result, expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of August 31, 2016 (see Finding 2017-004 for further details).

Note 2: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Department records.

Note 3: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 4: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Mungler* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Department never received enacted personal services appropriations for Fund 001, Fund 357, and Fund 885, the Department was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016.

Note 5: During Fiscal Year 2016, the Department operated without enacted appropriations until Public Act 99-0409 and Public Act 99-0524 were signed into law on August 20, 2015, and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Mungler* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Department's court-ordered payroll payments were merged into the enacted appropriation for Fund 724 and Fund 726. Further, the Department incurred non-payroll obligations within Fund 051, Fund 357, Fund 446, and Fund 885, which the Department was unable to pay until the passage of Public Act 99-0409 and Public Act 99-0524.

Note 6: Public Act 99-0524 authorizes the Department to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 88 includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department to be submitted against its Fiscal Year 2017 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Years Ended June 30, 2017, 2016, and 2015

| | FISCAL YEAR | | |
|--|---|--|----------------------|
| | 2017 | 2016 | 2015 |
| SEE FINDING 2017-004 | P.A. 99-0524 and Court-Ordered Expenditures | P.A. 99-0409, P.A.99-0524, and Court-Ordered Expenditures | P.A. 98-0681 |
| <u>APPROPRIATED FUNDS</u> | | | |
| GENERAL REVENUE FUND - 001 | | | |
| Expenditure Authority (Net of Transfers) | | | \$ 26,204,342 |
| Expenditures | | | |
| Personal Services | \$ 4,708,665 | \$ 4,869,308 | \$ 5,297,504 |
| State Contributions to Social Security | 336,986 | 357,034 | 389,311 |
| Contractual Services | - | - | 252,912 |
| Travel | - | - | 68,676 |
| Commodities | - | - | 2,653 |
| Printing | - | - | 286 |
| Electronic Data Processing | - | - | 1,571 |
| Telecommunications | - | - | 58,026 |
| Operation of Automotive Equipment | - | - | 80 |
| Awards and Grants | - | - | 12,263,616 |
| Total Expenditures | <u>\$ 5,045,651</u> | <u>\$ 5,226,342</u> | <u>\$ 18,334,635</u> |
| Lapsed Balances | | | <u>\$ 7,869,707</u> |
| AMUSEMENT RIDE AND PATRON SAFETY FUND - 051 | | | |
| Expenditure Authority (Net of Transfers) | <u>\$ 246,800</u> | <u>\$ 246,800</u> | <u>\$ 230,800</u> |
| Expenditures | | | |
| Contractual Services | - | - | 1,595 |
| Travel | - | - | 9,946 |
| Commodities | - | - | 176 |
| Printing | - | - | 1,995 |
| Telecommunications Services | - | - | 42 |
| Operational Expenses | <u>229,222</u> | <u>226,533</u> | <u>-</u> |
| Total Expenditures | <u>\$ 229,222</u> | <u>\$ 226,533</u> | <u>\$ 13,754</u> |
| Lapsed Balances | <u>\$ 17,578</u> | <u>\$ 20,267</u> | <u>\$ 217,046</u> |

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Years Ended June 30, 2017, 2016, and 2015

| | FISCAL YEAR | | |
|--|---|--|--------------|
| | 2017 | 2016 | 2015 |
| SEE FINDING 2017-004 | P.A. 99-0524 and Court-Ordered Expenditures | P.A. 99-0409, P.A.99-0524, and Court-Ordered Expenditures | P.A. 98-0681 |
| CHILD LABOR AND DAY AND TEMPORARY LABOR SERVICES | | | |
| ENFORCEMENT FUND - 357 | | | |
| Expenditure Authority (Net of Transfers) | \$ 623,100 | | \$ 604,800 |
| Expenditures | | | |
| Personal Services | \$ - | \$ 223,848 | \$ 213,618 |
| State Contributions to State Employees Retirement System | - | 102,239 | 90,602 |
| State Contributions to Social Security | - | 16,363 | 15,624 |
| Group Insurance | - | 93,114 | 78,621 |
| Contractual Services | - | - | 11,709 |
| Travel | - | - | 3,290 |
| Commodities | - | - | 4,828 |
| Printing | - | - | 2,583 |
| Telecommunications Services | - | - | 551 |
| Operational Expenses | 604,369 | 184,240 | - |
| Total Expenditures | \$ 604,369 | \$ 619,804 | \$ 421,426 |
| Lapsed Balances | \$ 18,731 | | \$ 183,374 |
| EMPLOYEE CLASSIFICATION FUND - 446 | | | |
| Expenditure Authority (Net of Transfers) | \$ 348,300 | \$ 348,300 | \$ 275,800 |
| Expenditures | | | |
| Personal Services | \$ - | \$ - | \$ 26,123 |
| State Contributions to State Employees Retirement System | - | - | 11,060 |
| State Contributions to Social Security | - | - | 1,998 |
| Contractual Services | - | - | 1,820 |
| Operational Expenses | 103,680 | 85,222 | - |
| Total Expenditures | \$ 103,680 | \$ 85,222 | \$ 41,001 |
| Lapsed Balances | \$ 244,620 | \$ 263,078 | \$ 234,799 |
| BUDGET STABILIZATION FUND - 686 | | | |
| Expenditure Authority (Net of Transfers) | \$ 200,000 | \$ - | \$ - |
| Expenditures | | | |
| Ordinary and Contingent Expenses | \$ 197,799 | \$ - | \$ - |
| Total Expenditures | \$ 197,799 | \$ - | \$ - |
| Lapsed Balances | \$ 2,201 | \$ - | \$ - |

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Years Ended June 30, 2017, 2016, and 2015

| | FISCAL YEAR | | |
|---|---|--|---------------|
| | 2017 | 2016 | 2015 |
| | P.A. 99-0524 and Court-Ordered Expenditures | P.A. 99-0409, P.A.99-0524, and Court-Ordered Expenditures | P.A. 98-0681 |
| SEE FINDING 2017-004 | | | |
| DEPARTMENT OF LABOR FEDERAL TRUST FUND - 724 | | | |
| Expenditure Authority (Net of Transfers) | \$ 2,000,000 | \$ 2,000,000 | \$ 2,000,000 |
| Expenditures | | | |
| Administration of Federal Projects | \$ 1,210,943 | \$ 926,159 | \$ 924,939 |
| Total Expenditures | \$ 1,210,943 | \$ 926,159 | \$ 924,939 |
| Lapsed Balances | \$ 789,057 | \$ 1,073,841 | \$ 1,075,061 |
| FEDERAL INDUSTRIAL SERVICES FUND - 726 | | | |
| Expenditure Authority (Net of Transfers) | \$ 3,000,000 | \$ 3,000,000 | \$ 3,000,000 |
| Expenditures | | | |
| Administration of Occupational Safety and Health Administration Program | 1,273,929 | 1,759,378 | 1,611,858 |
| Contractual Services | - | - | - |
| Total Expenditures | \$ 1,273,929 | \$ 1,759,378 | \$ 1,611,858 |
| Lapsed Balances | \$ 1,726,071 | \$ 1,240,622 | \$ 1,388,142 |
| WAGE THEFT ENFORCEMENT FUND - 885 | | | |
| Expenditure Authority (Net of Transfers) | \$ 206,200 | | \$ 205,500 |
| Expenditures | | | |
| Personal Services | \$ - | \$ 91,375 | \$ 60,761 |
| State Contributions to State Employees Retirement System | - | 41,666 | 25,726 |
| State Contributions to Social Security | - | 6,661 | 4,449 |
| Group Insurance | - | 45,242 | 25,658 |
| Contractual Services | - | - | 4,797 |
| Operational Expenses | 130,397 | 15,694 | - |
| Total Expenditures | \$ 130,397 | \$ 200,638 | \$ 121,391 |
| Lapsed Balances | \$ 75,803 | | \$ 84,109 |
| GRAND TOTAL - ALL APPROPRIATED FUNDS | | | |
| Expenditure Authority (Net of Transfers) | \$ 6,624,400 | \$ 5,595,100 | \$ 32,521,242 |
| Total Expenditures | 8,795,990 | 9,044,076 | 21,469,004 |
| Lapsed Balances | \$ (2,171,590) | \$ (3,448,976) | \$ 11,052,238 |

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Years Ended June 30, 2017, 2016, and 2015

| | FISCAL YEAR | | |
|--|---|--|----------------------|
| | 2017 | 2016 | 2015 |
| SEE FINDING 2017-004 | P.A. 99-0524 and Court-Ordered Expenditures | P.A. 99-0409, P.A.99-0524, and Court-Ordered Expenditures | P.A. 98-0681 |
| <u>NON-APPROPRIATED FUNDS</u> | | | |
| DEPARTMENT OF LABOR SPECIAL STATE TRUST FUND - 251 | | | |
| Expenditures | | | |
| Net Pay Claims | \$ 279,952 | \$ 649,189 | \$ 1,323,946 |
| Total Expenditures | <u>\$ 279,952</u> | <u>\$ 649,189</u> | <u>\$ 1,323,946</u> |
| GRAND TOTAL - ALL NON-APPROPRIATED FUNDS | <u>\$ 279,952</u> | <u>\$ 649,189</u> | <u>\$ 1,323,946</u> |
| GRAND TOTAL EXPENDITURES - ALL FUNDS | <u>\$ 9,075,942</u> | <u>\$ 9,693,265</u> | <u>\$ 22,792,950</u> |
| GENERAL REVENUE FUND - 001 STATE COMPTROLLER STATE OFFICERS' SALARIES | | | |
| Expenditure Authority (Net of Transfers) | | | <u>\$ 346,900</u> |
| Director | \$ 119,717 | \$ 124,090 | \$ 121,568 |
| Assistant Director | 75,427 | 113,141 | 98,494 |
| Chief Factory Inspector | 8,697 | 52,179 | 21,741 |
| Superintendent of Safety Inspection Education | - | - | 41,409 |
| Total Expenditures | <u>\$ 203,841</u> | <u>\$ 289,410</u> | <u>\$ 283,213</u> |
| Lapsed Balances | | | <u>\$ 63,687</u> |

Note 1: During Fiscal Year 2017, the Department did not perform all reconciliations and update expenditure records as required. As a result, expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017 (see Finding 2017-004 for further details).

Note 2: During Fiscal Year 2016, the Department did not perform all reconciliations and update expenditure records as required. As a result, expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of August 31, 2016 (see Finding 2017-004 for further details).

Note 3: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 4: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Department never received enacted personal services appropriations for Fund 001, the Department was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2017.

Note 5: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Department never received enacted personal services appropriations for Fund 001, Fund 357, and Fund 885, the Department was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016.

Note 6: During Fiscal Year 2016, the Department operated without enacted appropriations until Public Act 99-0409 and Public Act 99-0524 were signed into law on August 20, 2015, and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Department's court-ordered payroll payments were merged into the enacted appropriation for Fund 724 and Fund 726. Further, the Department incurred non-payroll obligations within Fund 051, Fund 357, Fund 446, and Fund 885, which the Department was unable to pay until the passage of Public Act 99-0409 and Public Act 99-0524.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Years Ended June 30, 2017, 2016, and 2015

SEE FINDING 2017-004

| | FISCAL YEAR | |
|---|--|--------------|
| 2017 | 2016 | 2015 |
| P.A. 99-0524 and Court-Ordered Expenditures | P.A. 99-0409, P.A.99-0524, and Court-Ordered Expenditures | P.A. 98-0681 |

Note 7: Public Act 99-0524 authorized the Department to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 88 includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department submitted against its Fiscal Year 2017 appropriation.

Note 8: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Department to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 88 includes information from Department management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Department which were submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2017

| | <u>Equipment</u> |
|--------------------------|----------------------------|
| Balance at July 1, 2015 | \$ 978,153 |
| Additions | 236,717 |
| Deletions | - |
| Net Transfers | <u>-</u> |
| Balance at June 30, 2016 | 1,214,870 |
| Additions | 58,000 |
| Deletions | (15,330) |
| Net Transfers | <u>-</u> |
| Balance at June 30, 2017 | <u><u>\$ 1,257,540</u></u> |

Note: The above schedule has been derived from property reports submitted to the Office of the State Comptroller. We were unable to conclude the Department's records were complete and accurate (see Finding 2017-005).

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Year Ended June 30,

| | FISCAL YEAR | | |
|---|-------------------|-------------------|---------------------|
| | 2017 | 2016 | 2015 |
| <u>General Revenue Fund - 001</u> | | | |
| Private Employment Agencies Inspection Fees | \$ 70,640 | \$ 68,895 | \$ 73,225 |
| Carnival-Amusement Ride Inspection Fees | - | 815 | - |
| Nurse Agencies | 58,000 | 67,170 | 51,250 |
| Miscellaneous | 85,099 | 1,753 | 1,556,901 |
| Fines and Penalties | 88,767 | 246,827 | 278,996 |
| Total cash receipts per Department | 302,506 | 385,460 | 1,960,372 |
| Less - In transit at End of Year | * | * | * |
| Plus - In transit at Beginning of Year | * | * | * |
| Total cash receipts per State Comptroller's Records | <u>\$ 218,089</u> | <u>\$ 679,288</u> | <u>\$ 1,056,113</u> |
| | | | |
| <u>Amusement Ride and Patron Safety Fund - 051</u> | | | |
| Carnival-Amusement Ride Inspection Fees | \$ 290,686 | \$ 268,165 | \$ 88,050 |
| Carnival-Amusement Rides Fines | 8,710 | 1,630 | 1,935 |
| Total cash receipts per Department | 299,396 | 269,795 | 89,985 |
| Less - In transit at End of Year | * | * | * |
| Plus - In transit at Beginning of Year | * | * | * |
| Total cash receipts per State Comptroller's Records | <u>\$ 285,709</u> | <u>\$ 459,615</u> | <u>\$ 99,945</u> |
| | | | |
| <u>Department of Labor Special State Trust Fund - 251</u> | | | |
| Collection of Labor Law Claims | \$ 337,131 | \$ 405,832 | \$ 384,841 |
| Total cash receipts per Department | 337,131 | 405,832 | 384,841 |
| Less - In transit at End of Year | * | * | * |
| Plus - In transit at Beginning of Year | * | * | * |
| Total cash receipts per State Comptroller's Records | <u>\$ 314,094</u> | <u>\$ 703,343</u> | <u>\$ 267,957</u> |
| | | | |
| <u>Child Labor and Day and Temporary Labor Services Enforcement Fund - 357</u> | | | |
| Civil Penalties | \$ 1,700 | \$ 60,917 | \$ 38,233 |
| Day Labor Agencies Fees | 589,000 | 496,250 | 531,550 |
| Total cash receipts per Department | 590,700 | 557,167 | 569,783 |
| Less - In transit at End of Year | * | * | * |
| Plus - In transit at Beginning of Year | * | * | * |
| Total cash receipts per State Comptroller's Records | <u>\$ 674,415</u> | <u>\$ 861,985</u> | <u>\$ 325,250</u> |

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE STATE COMPTROLLER**

For the Fiscal Year Ended June 30,

| | FISCAL YEAR | | |
|---|----------------------------|----------------------------|----------------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| <u>Employee Classification Fund - 446</u> | | | |
| Civil Penalties | \$ 10,150 | \$ 12,994 | \$ 43,879 |
| Total cash receipts per Department | 10,150 | 12,994 | 43,879 |
| Less - In transit at End of Year | * | * | * |
| Plus - In transit at Beginning of Year | * | * | * |
| Total cash receipts per State Comptroller's Records | <u>\$ 10,050</u> | <u>\$ 37,885</u> | <u>\$ 20,947</u> |
| <u>Department of Labor Federal Trust Fund - 724</u> | | | |
| Administration of Federal Project | \$ 1,288,621 | \$ 955,377 | \$ 880,977 |
| Total cash receipts per Department | 1,288,621 | 955,377 | 880,977 |
| Less - In transit at End of Year | * | * | * |
| Plus - In transit at Beginning of Year | * | * | * |
| Total cash receipts per State Comptroller's Records | <u>\$ 1,288,621</u> | <u>\$ 955,377</u> | <u>\$ 880,977</u> |
| <u>Federal Industrial Services Fund - 726</u> | | | |
| Administration of Federal Project | \$ 1,348,743 | \$ 1,709,151 | \$ 1,579,700 |
| Total cash receipts per Department | 1,348,743 | 1,709,151 | 1,579,700 |
| Less - In transit at End of Year | * | * | * |
| Plus - In transit at Beginning of Year | 2,426 | * | * |
| Total cash receipts per State Comptroller's Records | <u>\$ 1,348,743</u> | <u>\$ 1,709,151</u> | <u>\$ 1,579,700</u> |
| <u>Wage Theft Enforcement Fund - 885</u> | | | |
| Administrative Fees | \$ 77,176 | \$ 136,182 | \$ 46,704 |
| Fines and Penalties | 6,973 | 29,965 | 841 |
| Total cash receipts per Department | 84,149 | 166,147 | 47,545 |
| Less - In transit at End of Year | * | * | (250) |
| Plus - In transit at Beginning of Year | * | 250 | 250 |
| Total cash receipts per State Comptroller's Records | <u>\$ 76,997</u> | <u>\$ 212,962</u> | <u>\$ 26,065</u> |
| TOTAL RECEIPTS - ALL FUNDS PER STATE COMPTROLLER RECORDS | <u>\$ 4,216,717</u> | <u>\$ 5,619,606</u> | <u>\$ 4,256,954</u> |

* Note: We were unable to conclude the Department's records were complete and accurate (see Finding 2017-001).

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

The Department of Labor (Department) administers and enforces various State labor laws, such as regulation of wages, hours, working conditions, minors in the work force, and licensing of employers in certain businesses. Safeguarding the public interest is performed by the Department through regulation of amusement rides, employment agencies, and nurse registries. The mission of the Department is to promote and protect rights, wages, welfare, working conditions, safety, and health of workers through enforcement of State labor laws; to safeguard the public through regulation of amusement rides; and, to ensure compliance with all other labor standards.

Departmental operations are carried out through the following six divisions:

1. The Administration Division provides support services and overall administrative resources to each of the program divisions. These support services include legislative, fiscal and budget management, procurement, electronic data processing, personnel, ethics, and affirmative action.
2. The Legal Division is responsible for hearings and advocacy, and it maintains a strict separation between those functions. The Legal Division is determined to improve legal oversight of other divisions, including the issuance of violations after investigations, and to better control legal determinations and opinions issued to the public, such as responses to prevailing wage inquiries.

The Department's administrative law judges convene informal hearings to determine if any laws administered and enforced by the Department have been violated, to attempt to resolve such matters equitably, and to decide whether there is sufficient evidence to recommend court action. This group also convenes formal administrative hearings to adjudicate a party's individual legal rights, duties, or privileges.

The Chief Legal Counsel and Assistant Legal Counsel prosecute on behalf of, or defend, the Director and the Department in formal administrative hearings; draft and analyze legislation; promulgate regulations; write articles and issue opinion letters; oversee the Department's lawsuits handled by the Attorney General and various State's Attorney's offices; and provide advice and training for the Director and the Department's staff.

The Legal Division also administers "Alternative Claims Resolution" (ACR). This program helps expedite the processing of wage claims filed with the Department. The Legal Division also administers "Court Review." This program ensures that the Department only refers its strongest cases to the Attorney General and the various State's Attorneys' offices for prosecution.

3. The Fair Labor Standards Division is responsible for the administration and enforcement of nine State labor laws, including the Minimum Wage/Overtime Law, Wage Payment and Collection Act, Child Labor Law, and the Day and Temporary Labor Services Act. The focus of the division is to ensure that workers are paid at the appropriate rate and in a

STATE OF ILLINOIS
DEPARTMENT OF LABOR
DEPARTMENT FUNCTIONS AND PLANNING PROGRAM
(NOT EXAMINED)

For the Two Years Ended June 30, 2017

timely manner, to assist workers in the collection of unpaid or underpaid wages, and to protect minors and day laborers from harmful or abusive working conditions.

4. The Conciliation and Mediation Division is responsible for the administration and enforcement of four State labor laws, including the Prevailing Wage Act, the Employee Classification Act, the Labor Arbitration Services Act, and the Worker Adjustment and Retraining Notification Act (WARN). The focus of the division is to ensure that workers are paid the appropriate prevailing wage rate on publicly-funded construction projects, to ensure that construction workers are not misclassified as independent contractors, and to ensure workers are given 60 days advance notice of plant closings or mass layoffs. This division also provides arbitration and mediation services to employers and unions upon request.
5. The Public Employee Safety Division (Illinois OSHA) protects the health and safety of public employees through the inspection, investigation, and evaluation of public facilities and working conditions to ensure compliance with occupational safety and health standards and conducts educational and advisory activities to assure safe and healthy working conditions. Illinois OSHA is divided into two sub-divisions with staff in both Chicago and Springfield.
6. The Carnival and Amusement Ride Safety Division is responsible for the annual inspection of amusement rides and amusement attractions that are open to the public to ensure safety standards are met, including criminal history and sex offender registry checks on carnival workers employed in the State.

PLANNING PROGRAM

The Department's management is actively involved in the planning process. The Department reviews and revises its fiscal year strategic plan annually. The Department's strategic plan delineates priorities and initiatives on which the Department will be focusing its efforts. The plan outlines five key high-level priorities as follows:

1. Work with the Department of Innovation and Technology to modernize information technology infrastructure to better serve the public. This includes projects to improve general service, such as digitizing wage claim intake, and also to address internal controls and remedy prior audit findings, such as new inventory and fiscal tracking systems.
2. Utilize metrics and business intelligence to improve program results, strengthen internal controls, and enhance efficiency. The Department has continued to evaluate the best ways to use metrics to focus attention on program improvements and to best deliver value to the public.
3. Review and reallocate staff resources to better meet operational needs. The Department has been reviewing headcount to ensure the best allocation of resources.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

4. Achieve developmental steps necessary to achieve final approval of the Illinois OSHA State Plan. Illinois OSHA is an important public safety program, and the Department would like to achieve “final approval” from the U.S. Department of Labor, Occupational Safety and Health Administration, which requires strengthening the program.
5. Repeal or simplify the Department’s rules and policies that are unduly burdensome or anti-competitive.

MONITORING

The Department uses the Governor’s Office of Management and Budget and Illinois Performance Reporting System as well as monthly division reports to manage performance metrics to help assess the Department’s performance and progress in specific areas. For each metric, a specific benchmark has been established to help assess the Department’s performance. Department management and staff members evaluate the Department’s progress in each of these areas on a monthly or quarterly basis, depending on the nature of the metric.

SPECIAL STATE TRUST FUND

The Department operates the Department of Labor Special State Trust Fund (Fund 251) as a fiduciary fund. Fund 251 was established pursuant to the Illinois Wage Payment and Collections Act (820 ILCS 115/11.5(b)) to hold wage claims collected from employers by the Department on behalf of workers (claimants) and hold those monies until the claimants can be located and properly paid. According to records maintained by the Office of the Comptroller, Fund 251 had a cash balance of \$1,402,480 at June 30, 2017.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(NOT EXAMINED)**
For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016

Special State Trust Fund - 251

Net Pay Claims

This fund operates to hold wages collected on behalf of workers when a Department investigation indicates workers were not properly paid in accordance with labor laws. The amounts of the claims paid in a given fiscal year fluctuates greatly, depending on the number of allegations received, the outcome of Department investigations, and the rate at which employers pay the Department monies owed. In addition, during Fiscal Year 2016, the new fiscal administration at the Department sent claimants significant funds that had not been distributed in prior years under the previous administration.

Child Labor and Day and Temporary Labor Services Enforcement Fund - 357

Personal Services, State Contributions to State Employees Retirement System, State Contributions to Social Security, and Group Insurance

The decrease in expenditures was due to the budget impasse. The Department did not receive an appropriation for these line items, but received a court order to pay these items during Fiscal Year 2016. In Fiscal Year 2017, the Department paid its child labor enforcement employee salaries from this fund's Operational Expenses lump sum appropriation line item.

Operational Expenses

The increase in expenditures was due to the Department receiving a single lump sum appropriation line item to cover all operational expenses relating to the administration of the Child Labor Law Act and the Day and Temporary Labor Services Act. Child Labor Employee salaries were paid from this line item during Fiscal Year 2017.

Employee Classification Fund - 446

Operational Expenses

The increase in expenditures was due to the Department utilizing the funds available in this appropriation to help support allowable operational expenses due to the absence of General Revenue Fund appropriations during Fiscal Year 2017.

Budget Stabilization Fund - 686

Ordinary and Contingent Expenses

The increase in expenditures was due to the passage of Public Act 099-0524 on June 30, 2016, which appropriated funds to pay all expenditures in Fiscal Year 2017. The Department did not receive an appropriation for this line item in Fiscal Year 2016.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016 (continued)

Department of Labor Federal Trust Fund - 724

Administration of Federal Projects

The increase in expenditures was due to an increase in staffing levels, related travel costs, and the number of federal projects during Fiscal Year 2017.

Federal Industrial Services Fund - 726

Administration of Occupational Safety and Health Administration Program

The decrease in expenditures was due to employee turnover. The resulting vacancies have not been filled.

Wage Theft Enforcement Fund - 885

Personal Services, State Contributions to State Employees Retirement System, State Contributions to Social Security, and Group Insurance

The decrease in expenditures was due to the budget impasse. The Department did not receive appropriations for these line items, but received a court order to pay these items during Fiscal Year 2016. In Fiscal Year 2017, the Department paid its wage theft enforcement employee salaries from this fund's Operational Expenses lump sum appropriations line item through December 2016. Beginning in January 2017, the Department allocated the personal services expenditures from this fund to the General Revenue Fund for the remainder of Fiscal Year 2017, as only one employee was being paid from this fund.

Operational Expenses

The increase in expenditures was due to the Department's wage theft enforcement employees being paid from this line item for part of Fiscal Year 2017, as well as utilizing the funds available in this appropriation to help support allowable operational expenses due to the absence of General Revenue Fund appropriations during Fiscal Year 2017.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015

General Revenue Fund - 001

Contractual Services, Travel, Commodities, Printing, Electronic Data Processing, Telecommunications, Operation of Automotive Equipment, and Awards and Grants

The decrease in expenditures was due to the budget impasse. The Department did not receive appropriations for these line items during Fiscal Year 2016. Therefore, the Department could not pay any expenditures from these line items during Fiscal Year 2016.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015 (continued)

Amusement Ride and Patron Safety Fund - 051

Operational Expenses

The increase in expenditures was due to the fund appropriation structure as passed by Public Act 099-0524. Due to the budget impasse during Fiscal Year 2016, Public Act 099-0524 was passed on June 30, 2016, and appropriated a lump sum appropriation from this fund to pay for Department expenditures associated with the administration of the Amusement Ride and Attraction Safety Act. In addition, this fund was used to support the Department's allowable operational expenses due to the absence of General Revenue Fund appropriations during Fiscal Year 2016. During Fiscal Year 2015, the Department received fund appropriations for specific line items, instead of a lump sum appropriation.

Special State Trust Fund - 251

Net Pay Claims

This fund operates to hold wages collected on behalf of workers when a Department investigation indicates workers were not properly paid in accordance with labor laws. The amounts of the claims paid in a given fiscal year fluctuates greatly, depending on the number of allegations received, the outcome of Department investigations, and the rate at which employers pay the department monies owed. In addition, during Fiscal Year 2015, the Department transferred funds totaling \$880,932 to the General Revenue Fund via a voucher for certain monies held in the fund. A transfer of this magnitude did not occur during Fiscal Year 2016.

Child Labor and Day and Temporary Labor Services Enforcement Fund - 357

Operational Expenses

The increase in expenditures was due to the fund appropriation structure as passed by Public Act 099-0524. Due to the budget impasse during Fiscal Year 2016, Public Act 099-0524 was passed on June 30, 2016, and appropriated a lump sum appropriation from this fund to pay for Department expenditures associated with the administration of the Child Labor Law Act and the Day and Temporary Labor Services Act. In addition, this fund was used to support the Department's allowable operational expenses due to the absence of General Revenue Fund appropriations during Fiscal Year 2016. During Fiscal Year 2015, the Department received fund appropriations for specific line items, instead of a lump sum appropriation.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015 (continued)

Employee Classification Fund - 446

Personal Services

The decrease in expenditures was due to the budget impasse. The Department did not receive appropriations for this line item during Fiscal Year 2016. As a result, the employee who was paid out of this fund during Fiscal Year 2015 was paid out of the General Revenue Fund during Fiscal Year 2016.

Operational Expenses

The increase in expenditures was due to the fund appropriation structure as passed by Public Act 099-0524. Due to the budget impasse during Fiscal Year 2016, Public Act 099-0524 was passed on June 30, 2016, and appropriated a lump sum appropriation from this fund to pay for Department expenditures associated with the administration of the Employee Classification Act. In addition, this fund was used to support the Department's allowable operational expenses due to the absence of General Revenue Fund appropriations during Fiscal Year 2016. During Fiscal Year 2015, the Department received fund appropriations for specific line items, instead of a lump sum appropriation.

Wage Theft Enforcement Fund - 885

Personal Services, State Contributions to State Employees Retirement System, State Contributions to Social Security, and Group Insurance

The increase in expenditures for personal services and related costs was due to an additional employment position being allocated to this fund during Fiscal Year 2016. During Fiscal Year 2015, the payroll position was paid from the General Revenue Fund.

Operational Expenses

The increase in expenditures was due to the fund appropriation structure as passed by Public Act 099-0524. Due to the budget impasse during Fiscal Year 2016, Public Act 099-0524 was passed on June 30, 2016, and appropriated a lump sum appropriation from this fund to pay for Department expenditures associated with the administration of the Illinois Wage Payment and Collection Act. In addition, this fund was used to support the Department's allowable operational expenses due to the absence of General Revenue Fund appropriations during Fiscal Year 2016. During Fiscal Year 2015, the Department received appropriations from this fund for specific line items, instead of a lump sum appropriation.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
(NOT EXAMINED)**

For the Two Fiscal Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 AND 2016

General Revenue Fund (001)

Miscellaneous

The increase in miscellaneous receipts during Fiscal Year 2017 was due to a reimbursement from the Federal Industrial Services Fund (Fund 726). Payrolls, which qualified to be paid from Fund 726, were paid from the General Revenue Fund in error, totaling \$84,752.

Fines and Penalties

Fines and penalties generally vary from year to year, based on the number of violations noted and the varying fines and penalties assessed for each type of violation.

Amusement Ride and Patron Safety Fund (051)

Carnival-Amusement Rides Fines

Fines collected fluctuate from year to year, based on the number of violations noted and the timing of collections received from the violations.

Child Labor and Day and Temporary Labor Services Enforcement Fund (357)

Civil Penalties

Civil penalties collected generally vary from year to year, based on the number of violations noted and the varying fines or penalties assessed for each type of violation.

Department of Labor Federal Trust Fund (724)

Administration of Federal Project

This category pertains to a federal grant program, which requires matching State funds. The increase in administration of federal project grant funds during Fiscal Year 2017 was due to additional employees and related expenses qualifying to be paid by grant funds.

Federal Industrial Services Fund (726)

Administration of Federal Project

This category pertains to a federal grant program, which requires matching State funds. The decrease in administration of federal project grant funds during Fiscal Year 2017 was due to the Department not replacing staff lost to turnover, resulting in a decrease in reimbursements sought from the federal government.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
(NOT EXAMINED)**
For the Two Fiscal Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 AND 2016, continued

Wage Theft Enforcement Fund (885)

Administration Fees and Fines and Penalties

The decrease in administration fees and fines and penalties collected during Fiscal Year 2017 was due to unpredictability from year to year. There were fewer claims filed. Also, some unsettled claims are referred to the Attorney General for legal action, which lengthens the expected time period for the Department to receive payment.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2016 AND 2015

General Revenue Fund (001)

Nurse Agencies

The increase in nurse agencies receipts during Fiscal Year 2016 was due to untimely deposits. During Fiscal Year 2015, there was complete turnover in fiscal office staff. This turnover caused a backlog in deposits being assigned to the correct funds, resulting in funds being deposited in Fiscal Year 2016 that were actually received in Fiscal Year 2015.

Miscellaneous

During Fiscal Year 2015, receipts totaling \$880,932 recorded in the General Revenue Fund consisted of monies transferred from the Department of Labor Special State Trust Fund (Fund 251). These monies were collected on behalf of workers who were not paid properly in accordance with the minimum wage laws. However, the workers could not be located and paid by the Department timely. The Minimum Wage Law (820 ILCS 105/12(b)) requires these monies to be deposited in the General Revenue Fund if the workers cannot be located within one year of collection. No transfers of this magnitude were performed during Fiscal Year 2016.

Amusement Ride and Patron Safety Fund (051)

Carnival-Amusement Ride Inspection Fees

The increase in carnival-amusement ride inspection fees during Fiscal Year 2016 was due to untimely deposits. During Fiscal Year 2015, there was complete turnover in fiscal office staff. This turnover caused a backlog in deposits being assigned to the correct funds, resulting in funds being deposited in Fiscal Year 2016 that were actually received in Fiscal Year 2015.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
(NOT EXAMINED)**
For the Two Fiscal Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2016 AND 2015, continued

Child Labor and Day and Temporary Labor Services Enforcement Fund (357)

Civil Penalties

The increase in civil penalties during Fiscal Year 2016 was due to untimely deposits. During Fiscal Year 2015, there was complete turnover in fiscal office staff. This turnover caused a backlog in deposits being assigned to the correct funds, resulting in funds being deposited in Fiscal Year 2016 that were actually received in Fiscal Year 2015.

Employee Classification Fund (446)

Civil Penalties

Records maintained by the Department indicate civil penalties received decreased from Fiscal Year 2015 to Fiscal Year 2016. However, records maintained by the Office of the Comptroller indicate receipts processed actually increased from Fiscal Year 2015 to Fiscal Year 2016. Problems noted in the Department's receipts records limited Department management's ability to determine a cause for the fluctuations and discrepancies noted within this fund (see Finding 2017-001).

Wage Theft Enforcement Fund (885)

Administrative Fees and Fines and Penalties

The increase in administrative fees and fines and penalties, during Fiscal Year 2016 was due to untimely deposits. During Fiscal Year 2015, there was complete turnover in fiscal office staff. This turnover caused a backlog in deposits being assigned to the correct funds, resulting in funds being deposited in Fiscal Year 2016 that were actually received in Fiscal Year 2015.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

FISCAL YEAR 2017

Amusement Ride and Patron Safety Fund - 051 and Employee Classification Fund - 446

Operational Expenses

The significant spending during the Lapse Period in each of these funds was due to the Department utilizing these appropriations to pay down accumulated bills and invoices.

FISCAL YEAR 2016

Amusement Ride and Patron Safety Fund - 051, Child Labor and Day and Temporary Labor Services Enforcement Fund - 357, Employee Classification Fund - 446, and Wage Theft Enforcement Fund - 885

Operational Expenses

The significant spending during the Lapse Period in each of these funds was due to the timing of the passage of Public Act 099-0524, which approved appropriations for these line items on June 30, 2016. Numerous invoices accumulated prior to this date were then processed and paid during the Lapse Period.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF ACCOUNTS RECEIVABLE
(NOT EXAMINED)

For the Fiscal Years Ended June 30,
(amounts expressed in thousands)

General Revenue Fund (001)

| <u>Aging Schedule</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------------|------------------------|---------------------|---------------------|
| Current | \$ - | \$ - | \$ - |
| 1-30 days | - | - | - |
| 31-90 days | - | - | - |
| 91-180 days | - | - | - |
| 181 days to 1 year | 1,587 | - | 14 |
| Over 1 year | 413 | 69 | 55 |
| Gross Accounts Receivable Balance | <u>\$ 2,000</u> | <u>\$ 69</u> | <u>\$ 69</u> |
| Less: Estimated Uncollectibles | - | - | - |
| Net Accounts Receivable Balance | <u><u>\$ 2,000</u></u> | <u><u>\$ 69</u></u> | <u><u>\$ 69</u></u> |

These amounts represent receivables related to miscellaneous receipts and labor conciliation and mediation penalties.

Child Labor and Day and Temporary Labor Services Enforcement Fund (357)

| <u>Aging Schedule</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------------|---------------------|--------------------|--------------------|
| Current | \$ - | \$ - | \$ - |
| 1-30 days | 10 | - | - |
| 31-90 days | 7 | - | - |
| 91-180 days | 3 | - | - |
| 181 days to 1 year | - | - | - |
| Over 1 year | 1 | 1 | 1 |
| Gross Accounts Receivable Balance | <u>\$ 21</u> | <u>\$ 1</u> | <u>\$ 1</u> |
| Less: Estimated Uncollectibles | - | - | - |
| Net Accounts Receivable Balance | <u><u>\$ 21</u></u> | <u><u>\$ 1</u></u> | <u><u>\$ 1</u></u> |

These amounts represent receivables related to administrative fees and penalties for the Department's nurse agency, private employment counseling, and day labor programs.

Note: We were unable to conclude the Department's records were complete and accurate (see Finding 2017-002).

STATE OF ILLINOIS
DEPARTMENT OF LABOR
ANALYSIS OF ACCOUNTS RECEIVABLE
(NOT EXAMINED)

For the Fiscal Years Ended June 30,
(amounts expressed in thousands)

Employee Classification Fund (446)

| <u>Aging Schedule</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------------|---------------------|--------------------|--------------------|
| Current | \$ - | \$ - | \$ - |
| 1-30 days | - | - | - |
| 31-90 days | - | - | - |
| 91-180 days | - | - | - |
| 181 days to 1 year | 27 | - | - |
| Over 1 year | - | - | 1 |
| Gross Accounts Receivable Balance | <u>\$ 27</u> | <u>\$ -</u> | <u>\$ 1</u> |
| Less: Estimated Uncollectibles | - | - | - |
| Net Accounts Receivable Balance | <u><u>\$ 27</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1</u></u> |

These amounts represent receivables related to employee classification penalties.

Wage Theft Enforcement Fund (885)

| <u>Aging Schedule</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------------|----------------------|----------------------|----------------------|
| Current | \$ - | \$ - | \$ - |
| 1-30 days | 7 | - | - |
| 31-90 days | 6 | - | - |
| 91-180 days | - | - | 116 |
| 181 days to 1 year | - | - | - |
| Over 1 year | 97 | 116 | - |
| Gross Accounts Receivable Balance | <u>\$ 110</u> | <u>\$ 116</u> | <u>\$ 116</u> |
| Less: Estimated Uncollectibles | - | - | - |
| Net Accounts Receivable Balance | <u><u>\$ 110</u></u> | <u><u>\$ 116</u></u> | <u><u>\$ 116</u></u> |

These amounts represent receivables related to wage theft enforcement penalties and administrative fees.

The Department was unable to provide current policies or procedures for handling and reporting its accounts receivable (see Finding 2017-002).

Note: We were unable to conclude the Department's records were complete and accurate (see Finding 2017-002).

STATE OF ILLINOIS
DEPARTMENT OF LABOR
BUDGET IMPASSE DISCLOSURES
(NOT EXAMINED)
For the Two Years Ended June 30, 2017

Payment of Prior Year Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the Department of Labor (Department) to pay Fiscal Year 2016 costs using the Department's Fiscal Year 2017 appropriations for non-payroll expenditures. In addition, Article 998 of Public Act 100-0021 authorized the Department to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Department's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The following chart shows the Department's plan to pay its prior costs using future appropriations:

FISCAL YEAR 2016 INVOICES

| Fund # | Fund Name | Paid From Fiscal Year 2017 Appropriations | | Expected Payment from Fiscal Year 2018 Appropriations | |
|--------|--|--|--------------|--|--------------|
| | | Number | Dollar Value | Number | Dollar Value |
| 001 | General Revenue Fund | - | \$ - | 4 | \$ 50,400 |
| 051 | Amusement Ride and Patron Safety Fund | 2 | 123 | - | - |
| 357 | Child Labor and Day and Temporary Labor Services Enforcement Fund | 4 | 1,136 | 3 | 346 |
| 446 | Employee Classification Fund | - | - | 3 | 998 |
| 686 | Budget Stabilization Fund | 83 | 30,749 | - | - |
| 724 | Department of Labor Federal Trust Fund | 17 | 19,496 | 3 | 473 |
| 726 | Federal Industrial Services Fund | 16 | 7,128 | - | - |
| 885 | Wage Theft Enforcement Fund | - | - | 1 | 718 |
| | | 122 | \$ 58,632 | 14 | \$ 52,935 |

FISCAL YEAR 2017 INVOICES

| Fund # | Fund Name | Paid From Fiscal Year 2017 Appropriations | | Expected Payment from Fiscal Year 2018 Appropriations | |
|--------|--|--|--------------|--|--------------|
| | | Number | Dollar Value | Number | Dollar Value |
| 001 | General Revenue Fund | 64 | \$ 5,061,639 | 5 | \$ 1,541 |
| 051 | Amusement Ride and Patron Safety Fund | 269 | 237,503 | 1 | 363 |
| 357 | Child Labor and Day and Temporary Labor Services Enforcement Fund | 328 | 604,143 | 1 | 664 |
| 446 | Employee Classification Fund | 133 | 103,711 | 2 | 5,978 |
| 686 | Budget Stabilization Fund | 203 | 169,251 | - | - |
| 724 | Department of Labor Federal Trust Fund | 366 | 1,116,282 | 1 | 338 |
| 726 | Federal Industrial Services Fund | 302 | 1,297,104 | 2 | 1,386 |
| 885 | Wage Theft Enforcement Fund | 137 | 130,311 | 1 | 400 |
| | | 1,802 | \$ 8,719,944 | 13 | \$ 10,670 |

STATE OF ILLINOIS
DEPARTMENT OF LABOR
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

Transactions Involving the Illinois Finance Authority

The Department and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016 and Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Department's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2016 and Fiscal Year 2017.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
INTEREST COSTS ON FISCAL YEAR 2017 AND FISCAL YEAR 2016 INVOICES
(NOT EXAMINED)

For the Two Years Ended June 30, 2017

Prompt Payment Interest Costs

The Department plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016 and Fiscal Year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Department. The following chart shows the Department's prompt payment interest incurred related to Fiscal Year 2016 and Fiscal Year 2017 invoices, calculated on the accrual basis of accounting, through June 30, 2016, and June 30, 2017, by fund:

PROMPT PAYMENT INTEREST INCURRED

Year Ended June 30, 2017

| <u>Fund #</u> | <u>Fund Name</u> | <u>Invoices</u> | <u>Vendors*</u> | <u>Dollar Value</u> |
|---------------|-----------------------------------|-----------------|-----------------|---------------------|
| 686 | Budget Stabilization Fund | 18 | 2 | \$ 581 |
| 724 | Dept. of Labor Federal Trust Fund | 2 | 1 | 19 |
| | | <u>20</u> | <u>2</u> | <u>\$ 600</u> |

*Total of vendors represents the count of unique vendors regardless of fund.

PROMPT PAYMENT INTEREST INCURRED

Year Ended June 30, 2016

| <u>Fund #</u> | <u>Fund Name</u> | <u>Invoices</u> | <u>Vendors*</u> | <u>Dollar Value</u> |
|---------------|---|-----------------|-----------------|---------------------|
| 051 | Amusement Ride & Patron Safety Fund | 4 | 2 | \$ 39 |
| 251 | Dept. of Labor Special State Trust Fund | 2 | 1 | 42 |
| 357 | Child Labor and Day and Temporary Labor Services Enforcement Fund | 31 | 9 | 415 |
| 446 | Employee Classification Fund | 16 | 4 | 767 |
| 686 | Budget Stabilization Fund | 9 | 2 | 381 |
| 724 | Dept. of Labor Federal Trust Fund | 2 | 2 | 15 |
| 726 | Federal Industrial Services Fund | 1 | 1 | 40 |
| 885 | Wage Theft Enforcement Fund | 14 | 5 | 567 |
| | | <u>79</u> | <u>18</u> | <u>\$ 2,266</u> |

*Total of vendors represents the count of unique vendors regardless of fund.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
AVERAGE NUMBER OF EMPLOYEES
(NOT EXAMINED)
For the Two Years Ended June 30, 2017

The following table, prepared from Department records, presents the average number of employees, by region, for the Fiscal Year Ended June 30,

| <u>Region</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------------|-------------|-------------|-------------|
| 1 | 50 | 53 | 58 |
| 3 | 2 | 2 | 0 |
| 4 | 0 | 0 | 2 |
| 5 | 2 | 2 | 1 |
| 6 | 1 | 1 | 1 |
| 7 | 26 | 24 | 25 |
| 9 | 1 | 1 | 0 |
| 10 | 1 | 2 | 1 |
| 11 | 0 | 0 | 2 |
| Total Average Full Time Employees | <u>83</u> | <u>85</u> | <u>90</u> |

Note: The Department continued to undergo significant administration and structural changes during the examination period. Due to the administration turnover, Department officials were unable to classify employees in a manner consistent with the structure in place for the three years presented. During the next examination period, Department officials stated they will be able to identify employees and preserve the average number of employees by function.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
MEMORANDUM OF UNDERSTANDING
(NOT EXAMINED)

For the Two Years Ended June 30, 2017

During the examination period, the Department had a Memorandum of Understanding (MOU) with the Office of the State Comptroller (Comptroller) for the purpose of defining the roles and responsibilities between the Department and the Comptroller for directly inputting obligations, purchase orders, and master contracts (collectively, obligation activity) into the Statewide Accounting Management System (SAMS). The Department's responsibilities are to enter the obligation activity into SAMS; apply the first level approval on all Department obligation activity; identify rejected obligation activity and take necessary corrective action within five working days; designate a representative to coordinate all security issues with the Comptroller's Security Administrator; and, ensure proper fiscal and internal controls associated with this program are implemented within the Department.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
INTERAGENCY AGREEMENTS
(NOT EXAMINED)
For the Two Years Ended June 30, 2017

| Parties Involved Other Than the Department of Labor (Department) | Dates Involved | Interagency Agreement Description |
|---|-----------------------|--|
| Department of Human Services (DHS) | 4/14/2017 – 6/30/2018 | For the operation and administration of reproduction services (printing), mail handling and processing, and supplies warehousing and delivery. |
| Department of Central Management Services (CMS) | 2/2/2017* | For the provision of legal services from a contract with the law firm Brown, Hay, & Stephens, LLP in connection with the Department's investigation and ascertaining of the prevailing rate of wages pursuant to the Prevailing Wage Act. The Department transferred all related fiscal responsibilities to CMS to pay all of the invoices under the contract until such time as the Department has sufficient appropriation authority and funding to pay such invoices. |
| Department of Revenue (DOR) | ** | Regarding administrative hearings. |
| Department of Public Health (DPH) | ** | Regarding administrative hearings. |

*The initial date of interagency agreement was not defined in the agreement. Further, the agreement will remain in effect until it is modified and/or terminated by the participants.

**The Department does not have records indicating the start date or the duration of these agreements.

STATE OF ILLINOIS
DEPARTMENT OF LABOR
SERVICE EFFORTS AND ACCOMPLISHMENTS
(NOT EXAMINED)
For the Two Years Ended June 30, 2017

The Department of Labor (Department) did not file its Fiscal Year 2015, Fiscal Year 2016, and Fiscal Year 2017 Public Accountability Reports with the Office of the State Comptroller (Comptroller). The Department is required by the Statewide Accounting Management System (SAMS) (Procedure 33.20.20) to file the annual Public Accountability Report with the Comptroller by October 15. As a result, we were unable to include a summary of operating statistics for the Department in this report (see Finding 2017-013).