



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF EMPLOYMENT SECURITY

**Financial Audit
 For the Year Ended June 30, 2021**

Release Date: June 16, 2022

| FINDINGS THIS AUDIT: 3 | | | | AGING SCHEDULE OF REPEATED FINDINGS | | | |
|-------------------------------|----------|----------|----------|-------------------------------------|-------------------|------------|------------|
| | New | Repeat | Total | Repeated Since | Category 1 | Category 2 | Category 3 |
| Category 1: | 1 | 2 | 3 | 2020 | 21-1, 21-3 | | |
| Category 2: | 0 | 0 | 0 | | | | |
| Category 3: | 0 | 0 | 0 | | | | |
| TOTAL | 1 | 2 | 3 | | | | |
| FINDINGS LAST AUDIT: 7 | | | | | | | |

INTRODUCTION

This digest covers the financial audit of the Individual Nonshared Proprietary Fund of the Department of Employment Security for the year ended June 20, 2021. The Department’s compliance examination covering the two years ended June 30, 2021 will be issued separately at a later date.

DISCLAIMER

The Department has not maintained certain accounting records and supporting documents for the Trust Fund relating to transactions with its beneficiaries, nor is the Trust Funds’ internal control adequate to provide safeguards over the Trust Fund assets and to assure the proper recording of transactions. Accordingly, we were unable to extend our auditing procedures sufficiently to determine the extent to which the financial statements may have been affected by these conditions. Because of the significance of the matter described, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, **we do not express an opinion on these financial statements.**

SYNOPSIS

- **(21-1)** The Department of Employment Security (Department) failed to implement general Information Technology (IT) controls over the Pandemic Unemployment Assistance (PUA) System.
- **(21-2)** The Department failed to maintain accurate and complete Pandemic Unemployment Assistance (PUA) claimant data.

| | |
|--------------------|--|
| Category 1: | Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance). |
| Category 2: | Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations. |
| Category 3: | Findings that have no internal control issues but are in noncompliance with State laws and regulations. |

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FAILURE TO IMPLEMENT GENERAL INFORMATION TECHNOLOGY CONTROLS OVER THE PANDEMIC UNEMPLOYMENT ASSISTANCE SYSTEM

The Department failed to implement general Information Technology (IT) controls over the Pandemic Unemployment Assistance (PUA) System (System).

In April 2020, the Department contracted with a service provider to provide the System as a Software as a Service (SaaS) and to provide hosting services for the System. The service provider maintained full control over the System.

During testing, we noted the following:

**Department could not provide a
SOC report for PUA system**

- The Department could not provide a System and Organization Control (SOC) report for the System.
- The service provider's developers had access to the production environment. As a result, we were unable to determine if the developers made unauthorized changes to the environment, application, and data.
- The Department had not implemented internal controls over the System's access.
- The Department had not implemented disaster recovery controls.

As a result of the lack of general IT controls over the System, we are unable to rely on the System and the proper documentation of claimant eligibility data and benefits paid. Furthermore, as a result of the lack of internal controls identified in this finding and finding 2, we are unable to obtain sufficient documentation to determine if the Department's Unemployment Compensation Trust Fund (Trust Fund) financial statements are fairly presented. Therefore, we are issuing a disclaimer of opinion over the Department's Trust Fund Fiscal Year 2021 financial statements. (Finding 1, pages 21-22)

We recommended the Department ensure the service provider's contract requires obtaining a SOC report or an independent review. We also recommended the Department ensure the service provider's developers' access is restricted and changes are appropriate. Further, we recommended the Department develop and implement security controls and disaster recovery controls.

**Department accepted
recommendation**

The Department accepted our recommendation.

FAILURE TO MAINTAIN ACCURATE AND COMPLETE PANDEMIC UNEMPLOYMENT ASSISTANCE CLAIMANT DATA

The Department failed to maintain accurate and complete Pandemic Unemployment Assistance (PUA) claimant data.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provided states the ability to provide unemployment insurance to individuals affected by the pandemic, including those who would not normally be eligible for unemployment. Based on the Department's records, as of June 30, 2021, 424,887 claimants had received benefits totaling \$8,168,499,998.

From June 2021 through January 2022, the Department attempted to provide complete and accurate PUA claimant data in order to determine if the claimants were properly determined eligible. After several attempts and considerable manipulation of the data to make the data more auditable and organized, it was determined complete and accurate PUA claimant data could not be provided. Therefore, we were unable to conduct detailed testing to determine whether the PUA claimants were entitled to benefits.

Complete and accurate PUA claimant data could not be provided

Due to the inability to conduct detailed claimant testing, we were unable to determine whether the Department's Unemployment Compensation Trust Fund (Trust Fund) financial statements accurately document the PUA benefits paid during Fiscal Year 2021. Therefore, we are issuing a disclaimer of opinion over the Department's Trust Fund Fiscal Year 2021 financial statements. (Finding 2, page 23)

We recommended the Department implement controls to ensure the claimants' data is complete and accurate.

Department accepted recommendation

The Department accepted our recommendation.

OTHER FINDINGS

The remaining finding pertains to a failure to perform timely cash reconciliations. We will review the Department's progress towards the implementation of our recommendations in our next financial audit.

AUDITORS' OPINION

The Department of Employment Security has not maintained certain accounting records and supporting documents for the Unemployment Compensation Trust Fund relating to transactions with its beneficiaries, nor is the Trust Fund's internal control adequate to provide safeguards over Trust Fund assets and to assure the proper recording of transactions.

Accordingly, we were unable to extend our auditing procedures sufficiently to determine the extent to which the financial statements may have been affected by these conditions.

Because of the significance of this matter, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

This financial audit was engaged to be conducted by RSM US LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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