

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Financial Statements
For the Year Ended June 30, 2024

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

State of Illinois
Department of Employment Security

Financial Audit
For the Year Ended June 30, 2024

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**State of Illinois
Department of Employment Security**

**Agency Officials
June 30, 2024**

Director (01/17/2023 – Present)	Mr. Raymond Marchiori
Chief of Staff (04/01/2023 – Present)	Ms. Melissa Coultas
Deputy Director Service Delivery Bureau (07/26/2021 – Present)	Ms. Mireya Hurtado
Deputy Director Business Services Bureau (02/01/2021 – Present)	Ms. Carrie Thomas
Chief Legal Counsel (01/16/2020 – Present)	Mr. Kevin Lovellette
Chief Financial Officer (01/01/2024 – Present) Acting Chief Financial Officer (09/13/2023 – 12/31/2023) Chief Financial Officer (12/01/2019 – 09/12/2023); (Leave 09/13/2023 – 10/30/2023)	Mr. Brett Cox Mr. L. Briant Coombs Mr. Isaac Burrows
Chief Operating Officer (03/04/2024 – Present) Chief Operating Officer (12/1/2020 – 01/31/2024)	Mr. Jared Walkowitz Ms. Stacey Howlett
Chief Internal Auditor (05/16/2021 – Present)	Mr. Noe G. Reyes
Manager, Accounting Services Division (07/01/2019 – Present)	Mr. L. Briant Coombs
Manager, Economic Information and Analysis Division (01/01/2024 – Present) Manager, Economic Information and Analysis Division (12/16/2019 – 12/31/2023)	Ms. Marty Johnson Mr. George Putnam, PhD

The Department's primary administrative offices are located at:

115 S. LaSalle Street
Chicago, IL 60603-2802

607 E. Adams, 9th Floor
Springfield, IL 62701-1606

**State of Illinois
Department of Employment Security**

**Financial Statements
For the Year Ended June 30, 2024**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Employment Security (Department) was performed by RSM US LLP as of and for the year ended June 30, 2024.

Based on their audit, the auditors expressed an unmodified opinion on the Department's nonshared proprietary fund financial statements.

SUMMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	5	8
Repeated Findings	5	4
Prior Recommendations Implemented or Not Repeated	3	1

Item No.	Page	Last/First Reported	Description	Finding Type
<u>CURRENT FINDINGS</u>				
2024-001	20	2023/2023	Inadequate Controls over Recording of Refunds	Material Weakness
2024-002	21	2023/2020	Inadequate Controls over Cash Reconciliations	Material Weakness
2024-003	22	2023/2020	Inadequate Controls over Service Providers	Material Weakness
2024-004	24	2023/2023	Weaknesses in IBIS Application	Significant Deficiency
2024-005	25	2023/2023	Inadequate Controls over Estimated Receivables	Significant Deficiency
<u>PRIOR FINDING NOT REPEATED</u>				
A	26	2023/2021	Failure to Maintain Accurate and Complete Pandemic Unemployment Assistance Claimant Data	
B	26	2023/2023	Improper Reporting of Interest Expense	
C	26	2023/2022	Inadequate Controls over GenTax Access	

**State of Illinois
Department of Employment Security**

**Financial Statements
For the Year Ended June 30, 2024**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on September 18, 2025.

Attending were:

Illinois Department of Employment Security:

Ray Marchiori
Brett Cox
Melissa Coultas
Noe Reyes
Tom Revane
Jim Schreiber
Kelly McGrath
Samantha Oliver
Briant Coombs
Adrienne Burt

Director
Chief Financial Officer
Chief of Staff
Chief Internal Auditor
Chief Information Officer
Audit Liaison
Manager of Accounting and Reporting
UI Trust Fund Manager
Accounting Services Manager
Special Projects

Office of the Auditor General:

Dennis Gibbons

Audit Manager

RSM US LLP:

Dan Sethness
Erik Ginter
Adam Trynieszewski

Partner
Senior Manager
Senior Associate

The responses to the recommendations were provided by Jim Schreiber, Audit Liaison, in a correspondence dated September 24, 2025.

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Audit of the Financial Statements***Opinion***

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Unemployment Compensation Trust Fund (Trust Fund), an individual nonshared proprietary fund of the State of Illinois, Department of Employment Security (Department), as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Trust Fund as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Illinois and the Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois or the Department as of June 30, 2024, the changes in their financial position, or, where applicable, their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis for the Trust Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of agency officials and financial statement report summary but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2025, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
October 14, 2025

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Statement of Net Position
June 30, 2024
(Amounts in \$000's)

	Unemployment Compensation Trust Fund
Current assets	
Cash and cash equivalents	\$ 1,879,513
Receivables	
Taxes, net	453,118
Due from other government - Federal	4,113
Due from other government - Local	35,555
Other receivables, net	412,447
Total receivables, net	<u>905,233</u>
Due from other Department and State funds	4,503
Due from component units of the State	124
Total current assets	<u>2,789,373</u>
Current liabilities	
Benefit payable and accrual	67,723
Accounts payable and accrued liabilities	89,314
Due to other government - Federal	91,030
Due to other government - Local	4,125
Due to other State funds	47,272
Total current liabilities	<u>299,464</u>
Noncurrent liabilities	
Due to other State funds - noncurrent	360,000
Total noncurrent liabilities	<u>360,000</u>
Total liabilities	<u>659,464</u>
Net position	
Restricted for payment of benefits	<u>\$ 2,129,909</u>

See Notes to Financial Statements.

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2024
(Amounts in \$000's)

	Unemployment Compensation Trust Fund
Operating revenues	
Contributions - unemployment taxes	\$ 2,344,054
Total operating revenues	<u>2,344,054</u>
Operating expenses	
Benefit payments and refunds	<u>2,240,958</u>
Total operating expenses	<u>2,240,958</u>
Operating income	<u>103,096</u>
Nonoperating revenues	
Interest and investment income	43,957
Other nonoperating revenue	
Federal revenue	11,690
FUTA credit	2,536
Miscellaneous revenue	<u>22,038</u>
Total nonoperating revenues	<u>80,221</u>
Income before transfers	183,317
Transfers out	<u>15,273</u>
Change in net position	168,044
Net position, July 1, 2023	<u>1,961,865</u>
Net position, June 30, 2024	<u><u>\$ 2,129,909</u></u>

See Notes to Financial Statements.

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Statement of Cash Flows
June 30, 2024
(Amounts in \$000's)

	Unemployment Compensation Trust Fund
Cash flows from operating activities	
Contributions - unemployment taxes received	\$ 2,214,743
Unemployment benefits paid	<u>(2,136,111)</u>
Net cash provided by operating activities	<u>78,632</u>
Cash flows from noncapital financing activities	
FUTA credit receipts	2,536
Federal receipts	13,068
KeyBank receipts	244,047
KeyBank funds returned to Federal government	(217,263)
Transfers out to other fund	(15,798)
Principal paid on State Loan	<u>(45,000)</u>
Net cash used in noncapital financing activities	<u>(18,410)</u>
Cash flows from investing activity	
Interest and investment income	<u>43,957</u>
Net cash provided by investing activity	<u>43,957</u>
Net increase in cash and cash equivalents	104,179
Cash and cash equivalents, July 1, 2023	<u>1,775,334</u>
Cash and cash equivalents, June 30, 2024	<u><u>\$ 1,879,513</u></u>

(Continued)

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Statement of Cash Flows (Continued)
June 30, 2024
(Amounts in \$000's)

	Unemployment Compensation Trust Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 103,096
Adjustments to reconcile operating income to net cash provided by operating activities:	
Provision for uncollectible	25,598
Changes in assets and liabilities:	
Taxes receivable, net	(66,284)
Due from other government - Local	3,830
Other receivables, net	13,114
Due from other Department and State funds	(574)
Due from component units of the State	(44)
Benefits payable and accrual	21,969
Accounts payable and accrued liability	(10,001)
Due to other government - Federal	(12,548)
Due to other government - Local	481
Due to other State funds	(5)
Net cash provided by operating activities	<u>\$ 78,632</u>

See Notes to Financial Statements.

**State of Illinois
Department of Employment Security**

**Individual Nonshared Proprietary Fund
Notes to Financial Statements
June 30, 2024
(Amounts in \$000's)**

Note 1. Description of Funds

The State of Illinois, Department of Employment Security (Department) administers the nonshared proprietary fund as described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

Unemployment Compensation Trust Fund

The Unemployment Compensation Trust Fund (UCTF) accounts for assets held by the Department in a trustee capacity, for which the principal and income may be expended in the course of the fund's designated operations. The fund, a locally held fund, receives employer contributions and disburses money in the form of unemployment benefits paid to eligible claimants. This fund also receives Federal funding to pay eligible claimants for any federally mandated benefit programs. As a result of the Pandemic, a number of new Federally mandated benefit programs were added to the UCTF; most significantly, the Pandemic Unemployment Assistance (PUA) program and the Federal Pandemic Unemployment Compensation (FPUC) program. These programs ended in fiscal year 2022 but are not fully closed due to remaining refund and adjudication activity being finalized. The UCTF is not appropriated by the Illinois General Assembly and is intended to be self-supporting.

Note 2. Summary of Significant Accounting Policies

The financial statements of the individual nonshared proprietary fund have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate understanding of the financial statements, significant accounting policies are summarized below.

A. Reporting Entity

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

The financial statements present only the nonshared proprietary fund administered by the Department and do not purport to, and do not, present fairly the financial position of the Department or the State of Illinois as of June 30, 2024, nor changes in its financial position or, where applicable, cash flows for the year then ended in conformity with GAAP.

B. Basis of Presentation

In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, deferred inflows/outflows, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows have been presented for the nonshared proprietary fund administered by the Department.

**State of Illinois
Department of Employment Security**

**Individual Nonshared Proprietary Fund
Notes to Financial Statements
June 30, 2024
(Amounts in \$000's)**

Note 2. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The nonshared proprietary fund is an enterprise fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods and services. Activities are required to be reported as enterprise funds if any one of the following criteria is met when applied in the context of the activity's principal revenue sources: the activity is financed with debt that is secured solely by a pledge of net revenues from fees and charges of the activity; laws and regulations require that the activity's costs of providing service, including capital costs, be recovered with fees and charges, rather than taxes or similar revenues; or the pricing policy of the activity establishes fees and charges designed to recover its costs, including capital costs.

The Department administers the unemployment insurance program under various Federal and State statutes and regulations. The Unemployment Trust Fund (UTF) was established under Title IX of the Social Security Act to provide partial protection to workers against the loss of wages when they are out of work due to no fault of their own. To fund this program, the agency receives monies from employers to maintain the fund, which are then used to pay benefits to the unemployed workers who meet the eligibility requirements of the law.

These funds are held by the United States Treasury in an unemployment trust fund and are restricted to the payment of unemployment benefits. Unemployment benefits drawn from the fund are awarded to qualified former employees of covered Illinois employers. Employers are required to contribute to the unemployment trust fund based on employees' wages and their past experience level of causing unemployment. The overall rate used to determine contributions for the Illinois Unemployment Insurance Trust Fund is designed to recover the payment of unemployment benefits plus maintain a reasonable balance to protect the solvency of the fund if unemployment rates rise significantly. Historically in the State of Illinois, when the Unemployment Trust Fund has been in deficit status, representatives from the business and labor communities meet and reach agreement, through what is commonly referred to as the agreed bill process, on solutions to restore the Trust Fund to solvency through legislative change.

C. Basis of Accounting

The nonshared proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include Federal funding for federally mandated benefit programs. On an accrual basis, revenues from employer contributions are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenues from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

**State of Illinois
Department of Employment Security**

**Individual Nonshared Proprietary Fund
Notes to Financial Statements
June 30, 2024
(Amounts in \$000's)**

Note 2. Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

Cash and cash equivalents consist principally of cash in banks for locally held funds and funds held in an external investment pool managed by the U.S. government which holds short-term U.S. government investments and is valued at amortized cost.

E. Interfund Transactions

The nonshared proprietary fund has the following types of interfund transactions with other funds of the State:

- a) Reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the fund that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
- b) Transfers - Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. Transfers are reported after nonoperating revenues and expenses.

F. Revenues

Operating revenues, collections of unemployment tax contributions from employers, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, federally mandated programs including programs as the result of COVID-19 and investment earnings, result from nonexchange transactions or ancillary activities.

G. Net Position

Restricted Net Position includes resources in which the Department is legally obligated for payment of unemployment benefits in accordance with the Unemployment Insurance Act.

H. Use of Estimates

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

I. Upcoming Accounting Pronouncements

GASB has issued Statement No. 103, *Financial Reporting Model Improvements*, which provides updated guidance for the presentation of the Statement of Revenues, Expenses, and Changes in Fund Net Position, as well as other new guidance. Management has not yet completed their evaluation of the impact of this standard on the financial statements.

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Notes to Financial Statements
June 30, 2024
(Amounts in \$000's)

Note 3. Deposits and Investments

At June 30, 2024, cash and cash equivalents for the UTF for locally held funds had a carrying amount in the accompanying financial statements of \$18,335 and a bank balance of \$35,020.

Custodial credit risk relating to deposits is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. As of June 30, 2024, the Department's deposits held outside the State Treasury were adequately collateralized and therefore not exposed to custodial credit risk.

Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Department does not have a formal policy limiting credit risk.

Cash equivalents held by the Federal government totaled \$1,861,177 as of June 30, 2024 and represents an external investment pool in which the Department's funds are pooled along with other participating States' funds. This pool is valued at amortized cost. It is not rated regarding credit risk.

Custodial credit risk is the risk that in the event of custodian failure, investment principal may not be returned. On June 30, 2024, the Department did not have any investments subject to this risk.

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Department does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Department does not have any debt securities that are subject to interest rate risk.

Note 4. Taxes Receivable

Taxes receivables represent unemployment taxes (contributions), owed by private and non-governmental employers. The allowance for uncollectible taxes has been based on historical collection experience which, per statute, is typically on a 4-year collection cycle. Balances as of June 30, 2024 are as follows:

Unemployment taxes	\$ 725,879
Interest and penalties receivables on taxes	182,389
Total taxes receivable	<u>908,268</u>
Less allowance for uncollectible taxes	<u>(455,150)</u>
Taxes receivable, net	<u><u>\$ 453,118</u></u>

Note 5. Due From Other Governments

Due from other governments Federal and Local represent reimbursements due from other State and local governments for unemployment benefits paid to those governments' ex-employees and receivables due from the Federal government for various programs. These totaled \$4,113 and \$35,555, respectively, at June 30, 2024. These amounts are considered fully collectible.

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Notes to Financial Statements
June 30, 2024
(Amounts in \$000's)

Note 6. Other Receivables

Other receivables represent amounts due from claimants who received benefits that exceeded their allowable amounts. The allowance for uncollectible accounts has been based on historical collection experience which, per statute, is typically on a 5-year collection cycle.

Balances as of June 30, 2024 are as follows:

Other receivables	\$ 1,827,958
Less allowance for uncollectible receivables	<u>(1,415,511)</u>
Other receivable, net	<u><u>\$ 412,447</u></u>

Note 7. Interfund Balances and Activities

(a) Balances Due to and from Other Funds

The following balances on June 30, 2024 represent amounts due from and due to other Department and State of Illinois funds.

Description/Purpose	Due From Other Funds	Due to Other Funds
Due from General Revenue Fund for reimbursement of unemployment benefits paid	\$ 3,034	\$ -
Due from Title III for reimbursement of unemployment benefits paid	27	-
Due from the Department of Transportation for reimbursement of unemployment benefits to former employees of the Department	1,442	-
Due to General Fund for repayment of 1138 loan	-	405,000
Due to Operating Fund for discretionary transfers of penalties and interests	-	2,265
Due to Operating fund for discretionary transfers of nonsufficient funds (NSF) fees	-	7
Totals	<u><u>\$ 4,503</u></u>	<u><u>\$ 407,272</u></u>

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Notes to Financial Statements
June 30, 2024
(Amounts in \$000's)

Note 8. Intergovernmental Transfers

Description/Purpose	Transfer to	Transfer from
Transfer out of penalties and interest	\$ 15,251	\$ -
Discretionary transfer of NSF fees	22	-
Totals	<u>\$ 15,273</u>	<u>\$ -</u>

Intergovernmental transfers represent transfers between Governmental Agencies. The \$15,251 Transfer Out of penalties and interest comes from the collection of penalties and interest on late unemployment taxes. These funds are transferred to Fund 55 to cover expenditures not covered by Federal grants. The Trust Fund cannot pay any fees. As a result, NSF fees are transferred to Fund 52 to pay.

Note 9. Contingencies

The Department is involved in various claims and legal actions arising in the ordinary course of business. It is the opinion of management that the ultimate disposition of these matters as part of the ordinary course of business will not have a material effect on the UCTF financial statements.

The Department recognizes there are inherent risks within any unemployment insurance program. Overpayments exist within any unemployment program resulting from the implementation process, administration process, claimant miscommunications or misunderstandings, and due process which allows for employers and claimants to appeal department decisions. There is also an inherent risk of fraud.

Overpayments associated with the Loss Wage Assistance (LWA) program funded by FEMA requires the repayment of LWA overpayments unless recovery of the overpayment has been waived. The Department recognized the \$70,245 in LWA overpayments as a liability (reflected within Due to other government – Federal on the face of the financial statements).

Note 10. State Loan

The State of Illinois appropriated a loan to IDES in SB2801 as enacted in PA 102-1121, Sec. 40 noting: “The sum of \$450,000 is appropriated from the General Revenue Fund to the Department of Employment Security as a loan for payment to the Illinois Unemployment Insurance Trust Fund solely for purposes of paying unemployment insurance benefits, without the accrual of interest, to be repaid pursuant to the provisions of the Unemployment Insurance Act.”

A \$450 million appropriation was made in Calendar Year 2023 from the State Treasury to the UTF as an interest-free loan solely for purposes of paying unemployment insurance benefits. Under Section 2101.1B of the UI Act, the Department is required to transfer \$45,000 from the UTF to the State's Budget Stabilization Fund prior to July 1 of each year, beginning in 2024, until the \$450,000 loan is repaid. However, in any calendar year in which the balance of the UTF is below \$1.2 billion as of June 1, the \$45,000 loan payment shall not be made that year. On June 3, 2024, the Department initiated the first repayment from the UTF of \$45,000 which was received and transferred to the State's GRF account. As of June 30, 2024, the remaining balance on the loan was \$405,000, with \$45,000 being reflected as short term.

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Notes to Financial Statements
June 30, 2024
(Amounts in \$000's)

Note 10. State Loan (Continued)

Loan activity for the year ended June 30, 2024 consists of the following:

	June 30, 2023	Additions	Reductions	June 30, 2024	Due Within One Year
Loan Payable to the State	\$ 450,000	\$ -	\$ (45,000)	\$ 405,000	\$ 45,000

Note 11. KeyBank Return

During fiscal year 2024, KeyBank returned to the Department approximately \$244 million that related to unclaimed debit cards for claimants who were ultimately determined to be ineligible for benefits. Of the \$244 million, \$217 million related to federally funded programs, and these funds were immediately returned to the federal government through the Treasury. \$4.7 million is still owed to the federal government (FEMA) for the lost wage assistance (LWA) program and is reflected as a liability at year-end. The remaining \$22 million relates to programs that were funded with Department funds (not Federal), and those amounts belong to the Trust Fund and are recorded as miscellaneous revenue on the face of the financial statements.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Unemployment Compensation Trust Fund (Trust Fund), an individual nonshared proprietary fund of the State of Illinois, Department of Employment Security (Department), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Trust Fund's financial statements, and have issued our report thereon dated October 14, 2025. Our report contained an emphasis of matter paragraph to indicate the financial statements represent a fund of the Department.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2024-001 through 2024-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2024-004 and 2024-005 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Department's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
October 14, 2025

**State of Illinois
Department of Employment Security**

**Schedule of Findings
For the Year Ended June 30, 2024**

Current Findings – Government Auditing Standards

Finding 2024-001 Inadequate Controls over Recording of Refunds

The Department of Employment Security (Department) improperly recorded refunds received related to both federal and non-federal programs.

The Department was returned approximately \$266 million related to unclaimed debit cards and other amounts that were funded during the pandemic, but the claimants were later determined to be ineligible for benefits. Of this amount, \$239 million related to federally funded programs and was returned through the Treasury, \$5 million is still owed to the federal government and is reflected as a liability at year-end, and \$22 million relates to non-federal programs, which is reflected as miscellaneous revenue. In recording the related transactions, the Department erroneously booked a large amount of negative revenue and negative expense, resulting in an overstatement of intergovernmental receivables, net by \$2 million, contributions for unemployment taxes by \$25 million, and an understatement of benefit payments and refunds by \$246 million, federal revenue by \$22 million, and miscellaneous revenues by \$247 million. An adjustment was recorded to correct these errors.

Governmental Accounting Standards Board (GASB) Codification Section N50, *Nonexchange Transactions*, paragraph 123 states, “if it is probable that the provider will not provide the resources or will require the recipient to return all or part of the resources already received, the recipient should recognize an increase in liabilities, and the provider should recognize a revenue”. The federal funds that were returned first to the Department, and then to the federal government, should be reported as a liability. The non-federal funds which were kept by the Department should be recognized as miscellaneous revenue.

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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State’s resources.

Department management indicated the issues occurred as the result of the Department’s expired relationship with its bank. The bank agreed to service remaining debit cards but given the large amount of funding still remaining unclaimed and the time that had passed, the bank asked the Department to claim the funds.

Improperly recording refunds can lead to a misstatement of revenues and expenses, causing a reader of the financial statements to not properly understand the current year operations of the Department. Failure to properly record transactions in accordance with applicable standards could also result in the financial statements being materially misstated. (Finding Code No. 2024-001, 2023-004)

Recommendation

We recommend the Department strengthen controls to ensure that refunds are properly recorded within the financial statements.

Department Response

The Department accepts the auditor’s recommendation. The Department does not usually receive refunds of this size. A majority of these was related to COVID-19 programs which are now closed. While the Department does not see this as an issue going forward, the Department will review and update its procedures for recognizing refunds.

**State of Illinois
Department of Employment Security**

**Schedule of Findings
For the Year Ended June 30, 2024**

Current Findings – Government Auditing Standards

Finding 2024-002 Inadequate Controls over Cash Reconciliations

The Department of Employment Security (Department) did not prepare its year-end bank reconciliations timely.

As part of our audit, we requested copies of the June 30, 2024 bank reconciliations. The reconciliations are between cash as recorded in the Department's general ledger, and cash as reported by the bank for each account. The Department did not have the reconciliations prepared timely for audit fieldwork and we received final versions of the June 2024 reconciliations on November 20, 2024.

The timely reconciliation of cash accounts is an internal control procedure that should occur every month to determine the recorded amount of cash is accurate. Normally this procedure is performed shortly after the end of each month upon receipt of the bank statement.

This finding was first noted during the Department's Fiscal Year 2020 financial audit, four years ago. As such, the Department has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

Concepts Statement No. 1 of the Governmental Accounting Standards Board, *Objectives of Financial Reporting* (GASBCS 1, paragraph 64) states, "Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. To be reliable, financial reporting needs to be comprehensive." The reconciliation of cash accounts is a basic control to ensure the accuracy and reliability of financial reports.

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 ensure State resources are used efficiently and effectively. This includes the timely performance of bank reconciliations.

Department management indicated the weakness was due to the manual process for reconciling checks and the ability to get information in a format the Department can use from the bank.

Since the Department has numerous cash transactions every month, the risk of error due to misapplied cash transactions is significant. Monthly and annual financial statements could be materially misstated due to the lack of timely bank reconciliations. Failure to properly complete timely bank reconciliations could also result in a misuse or misappropriation of cash that could go undetected. (Finding Code No. 2024-002, 2023-005, 2022-004, 2021-003, 2020-004)

Recommendation

We recommend the Department prepare a monthly reconciliation for every cash account, reconciling the bank and general ledger balances. We also recommend each monthly bank reconciliation be timely completed and reviewed and approved by a supervisor.

Department Response

The Department accepts the auditor's recommendation. While the Department is working with an outside accounting firm to improve the timeliness and controls over cash reconciliations, the Department has hired internal employees whose primary job will be to complete the cash reconciliation monthly once training is completed. In addition, the Department is in the process of finalizing a new banking contract through which benefit payments will no longer be issued via check and improve the reporting functionality. Both matters are anticipated to improve the timeliness of the cash reconciliation.

**State of Illinois
Department of Employment Security**

**Schedule of Findings
For the Year Ended June 30, 2024**

Current Findings – Government Auditing Standards

Finding 2024-003 Inadequate Controls over Service Providers

The Department of Employment Security (Department) did not ensure adequate internal control over monitoring and evaluating risks of service providers.

The Department utilizes several service providers for transaction processing. In order to determine whether general Information Technology controls (GITCs) were suitably designed and implemented, we obtained the service providers' applicable System and Organization Control (SOC) reports. The reports also stated certain control objectives which could only be achieved if the Department's controls were suitably designed and operating effectively.

During testing of the Department's external service provider program and practices, we tested five service providers and noted:

- The Department does not have a regular review process to monitor service providers for performance, problems, compliance with contractual terms, and the impact of the use of any subservice organizations. Additionally, for all five service providers reviewed (100%), the Department did not adequately map Complementary User Entity Controls.
- The Department does not maintain policies and procedures to ensure due diligence over service providers.

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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

The *Control Objectives for Information and Related Technologies* published by the Information Systems Audit and Control Association (ISACA), Managed Service Agreements Area, promotes controls for ensuring risks of monitoring and reviewing risks of service organizations.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by National Institute of Standards and Technology (NIST), System and Services Acquisition Section, promotes controls in place to ensure external service providers comply with organization security and privacy requirements.

Department management indicated the Department did not have a formal process for evaluating and monitoring external service providers during the audit cycle due to limitations in hiring staff with requisite knowledge of managing technology service providers.

Failure to monitor and evaluate risks of utilizing service providers could result in the unauthorized or accidental disclosure, modification, or destruction of data maintained by the external service provider. (Finding Code No. 2024-003, 2023-002, 2022-001, 2021-001, 2020-001)

**State of Illinois
Department of Employment Security**

**Schedule of Findings
For the Year Ended June 30, 2024**

Current Findings – Government Auditing Standards

Finding 2024-003 Inadequate Controls over Service Providers (Continued)

Recommendation

We recommend the Department strengthen its controls over its review of service providers. Specifically, we recommend the Department:

- Implement controls to achieve the control objectives documented in the service providers' SOC reports.
- Develop a formal process for reviewing, evaluating, and monitoring service providers and their associated risks including:
 - Reviewing of SOC Reports and Bridge Letters.
 - Documenting compliance with Complementary User Entity Controls.
 - Conducting an analysis to determine impact of noted deviations within the SOC reports.
- Maintain a formal process to monitor service providers for performance, problems encountered, and compliance with contractual terms.

Department Response

The Department accepts the auditor's recommendation and has established a new Chief Compliance Officer position and hired a Chief Compliance Officer with a start date of October 16, 2025. This position requires a background in compliance and will be responsible for formalizing and strengthening processes and controls over service providers and SOC reports.

**State of Illinois
Department of Employment Security**

**Schedule of Findings
For the Year Ended June 30, 2024**

Current Findings – Government Auditing Standards

Finding 2024-004 Weaknesses in IBIS Application

The Department of Employment Security (Department) had inadequate controls over the Illinois Benefit Information System (IBIS).

IBIS is a key system used by the Department to intake, maintain and process unemployment claims for the State of Illinois. IBIS stores and processes confidential information such as Social Security Numbers and other personally identifiable information.

During testing of 20 separated users, we noted that 10 (50%) did not have access removed in a timely manner (within 5 business days).

The *Control Objectives for Information and Related Technologies* published by the Information Systems Audit and Control Association (ISACA), Manage User Identity and Access area, promotes controls for ensuring that access is removed promptly upon changes in roles or termination.

Additionally, 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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Finally, the Department's Information Technology Security Policy requires employees' access to be removed upon separation.

Department management indicated the Department does not have a formal process for ensuring the timely removal from systems upon user transfer or separation.

Failure to remove users in a timely manner could result in the unauthorized access or destruction of data maintained within the IBIS application. (Finding Code No. 2024-004, 2023-007)

Recommendation

We recommend the Department strengthen internal controls to ensure that system access is removed timely for all separated users.

Department Response

The Department accepts the auditor's recommendation. The Department has developed a new, electronic offboarding process and is in the final testing stages before implementation. This new process will eliminate the number of electronic notifications and paper forms requiring completion by supervisors when offboarding an employee from 12 to 1, and it will provide a system for the IBIS team to confirm that IBIS access has been removed. The new process will provide definitions for timely system removal.

**State of Illinois
Department of Employment Security**

**Schedule of Findings
For the Year Ended June 30, 2024**

Current Findings – Government Auditing Standards

Finding 2024-005 Inadequate Controls over Estimated Receivables

The Department of Employment Security (Department) did not have adequate controls in place to record estimated receivables relating to quarterly employer contributions.

The Department initially developed an estimate relating to employer contribution receivables for the quarter ended June 30, 2024. After reviewing subsequent collections, the Department adjusted the recorded estimate by reducing taxes receivable and contribution revenue by \$21 million. Upon review by the auditors, it was determined that the amount recorded did not reflect all expected future collections and the entry made to adjust the original estimate should not have been made. An adjustment was recorded by management to reflect the original estimate amount which increased contributions for employer taxes and taxes receivable by \$21 million.

Governmental Accounting Standards Board (GASB) Codification Section N50, *Nonexchange Transactions*, paragraph 114 states, "Governments should recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first." A receivable should be recorded for all amounts due to the Department relating to the quarter ended June 30, 2024.

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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Department management stated that adjusting the amount recorded to reflect subsequent collections was an attempt to report a more accurate amount in direct response to previous audit recommendations and discussions; however, it was an oversight that the adjusting entry did not reflect all amounts that would be expected to be collected in the future.

Improperly recording employer contribution revenue and receivables can lead to a misstatement and may cause a user of the financial statements to not obtain a proper view of the financial position of the Department. (Finding Code No. 2024-005, 2023-003)

Recommendation

We recommend the Department strengthen controls to ensure that receivables recorded reflect all amounts expected to be collected in the future.

Department Response

The Department accepts the auditor's recommendation. The Department will review its controls and assumptions for estimating receivables and uncollectible accounts to ensure amounts are recorded correctly.

**State of Illinois
Department of Employment Security**

**Schedule of Findings - Prior Findings Not Repeated
For the Year Ended June 30, 2024**

Prior Findings Not Repeated – *Government Auditing Standards*

A. Failure to Maintain Accurate and Complete Pandemic Unemployment Assistance Claimant Data

In the prior financial audit, the Department failed to maintain accurate and complete Pandemic Unemployment Assistance (PUA) claimant data.

During the current financial audit, the auditors noted that the program ended early in Fiscal Year 2023 and the auditors were able to obtain sufficient audit evidence for any few remaining amounts recorded in the financial statements. (Finding Code No. 2023-001, 2022-002, 2021-002)

B. Improper Reporting of Interest Expense

In the prior financial audit, the Department improperly recorded interest expense in the Unemployment Compensation Trust Fund.

During the current financial audit, the auditors noted that the related debt was paid off in the prior year, so there were no issues regarding the related interest in Fiscal Year 2024. (Finding Code No. 2023-006)

C. Inadequate Controls over GenTax Access

In the prior financial audit, the Department did not ensure adequate security over the enterprise-wide tax system (GenTax).

During the current financial audit, the auditors performed sample testing over new and terminated access, noting no issues. (Finding Code No. 2023-008, 2022-005)