

REPORT DIGEST

ILLINOIS DEPARTMENT OF LABOR

COMPLIANCE EXAMINATION

For the Two Years Ended:
June 30, 2009

Summary of Findings:

Total this audit: 11
Total last audit: 16
Repeated from last audit: 9

Release Date:
June 3, 2010



State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- The Department did not exercise adequate controls over revenues. Receipts were deposited late, documentation was not maintained, and reconciliations contained errors.
- The Department did not exercise adequate control over accounts receivable records and reporting. Reports contained errors and documentation was not maintained.
- The Department did not exercise adequate control over the recording and reporting of State property. Two different sets of records were maintained; however, they differed in content.
- The Department did not exercise adequate control over its Special State Trust Fund (Fund 251). A ledger of claimants and corresponding dollar amounts comprising the balance was not maintained.
- The Department improperly used funds appropriated by the General Assembly.

{Expenditures and Activity Measures are summarized on the reverse page.}

ILLINOIS DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For The Two Years Ended June 30, 2009

EXPENDITURE STATISTICS	FY 2009	FY 2008	FY 2007
Total Expenditures (All Funds).....	\$8,052,614	\$7,980,839	\$6,934,114
<u>OPERATIONS TOTAL</u>	\$6,871,161	\$6,467,367	\$5,238,439
% of Total Expenditures	85%	81%	76%
Personal Services	\$4,267,690	\$4,138,814	\$3,776,814
% of Operations Expenditures	62%	64%	72%
Average No. of Employees.....	84	84	76
Other Payroll Costs (FICA, Retirement)	\$1,215,725	\$993,528	\$716,578
% of Operations Expenditures	18%	15%	14%
Contractual Services	\$423,747	\$425,185	\$186,896
% of Operations Expenditures	6%	7%	3%
All Other Operations Items	\$963,999	\$909,840	\$558,151
% of Operations Expenditures	14%	14%	11%
<u>GRANTS TOTAL</u>	\$1,181,453	\$1,513,472	\$1,695,675
% of Total Expenditures	15%	19%	24%
Cost of Property and Equipment.....	\$486,945	\$655,910	\$664,820

SELECTED ACTIVITY MEASURES (Not Examined)	FY 2009	FY 2008	FY 2007
Complaints Received Due to Safety Problems Noted in Public Buildings	45	136	61
Carnival Rides Inspected	4,348	2,260	2,132
Prevailing Wage Complaints Completed	1,033	598	682
Arbitration Hearings	9	8	15
Minimum Wage Investigations Completed.....	950	1,209	1,224
Number of Participants in Displaced Homemaker Program	0*	1,637	1,484

* The program was vetoed and no funds were appropriated for use in Fiscal Year 2009.

AGENCY DIRECTOR
During Examination Period: Catherine Shannon Currently: Catherine Shannon

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

INADEQUATE CONTROLS OVER REVENUES

The Department did not exercise adequate controls over revenues. Some of the conditions we noted follow:

Receipts totaling \$153,782 deposited late

- Twenty-nine of 60 (48%) receipts tested, totaling \$153,782, were deposited between 1 and 104 days late.

Treasurer's drafts remitted late

- For 9 of 60 (15%) receipts tested, totaling \$81,549, Treasurer's Drafts were submitted to the Office of the Comptroller between 11 and 144 days late.

Monthly reconciliations contained errors

- Fifty-six of 72 (78%) receipt reconciliations for the General Revenue Fund, the Special State Trust Fund, and the Child Labor Law Enforcement Fund contained errors.

Fee Imposition Reports not supported

- The Department did not maintain documentation to support amounts reported on their Agency Fee Imposition Reports totaling \$593,442 and \$1,420,262 for Fiscal Years 2008 and 2009, respectively.

We recommended the Department comply with the State Officers and Employees Money Disposition Act by making timely deposits into the State Treasury and documenting the date that receipts are received and ensure collection of revenues and adequate documentation is maintained and readily available for all transactions. We also recommended monthly reconciliations are reviewed for accuracy. We recommended the Department maintain accurate documentation to support amounts reported on their Agency Fee Imposition Reports and carefully review reports to ensure all fees collected are reported and to ensure accuracy of the Agency Fee Imposition Report before submission to the Comptroller. (Finding 1, pages 10-12)

Department officials agreed with our recommendation and stated they obtained a deposit extension from the Office

Department agreed with auditors

of the Comptroller and Office of the Treasurer to address the timeliness of deposits.

INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE RECORDS AND REPORTING

The Department did not exercise adequate controls over accounts receivable records and reporting. We noted the following:

Accounts receivable reports contained errors

- Eleven of 24 (46%) Quarterly Summary of Accounts Receivable (C-97's) reports contained errors.
- The Department could not locate documentation to support transactions reported on 7 of 24 (29%) C-97's.

Records not maintained

- The Department did not maintain adequate accounts receivable records to facilitate aging of accounts.

We recommended the Department review C-97's before submission to the Office of the Comptroller. We also recommended the Department maintain detailed records and supporting documentation of all billings to support balances reported and aging of accounts. (Finding 2, pages 13-14)

Department officials agreed with our recommendation and stated they are working on a corrective action plan.

Department agreed with auditors

PROPERTY CONTROL WEAKNESSES

The Department did not exercise adequate controls over recording and reporting of State Property. The Department maintained two sets of property inventory records during the period, including a computerized property inventory register and a manually prepared monthly transaction spreadsheet. The results of our testing indicated the valuation of the computerized property inventory register was insufficient and the two sets differed in content. Some of the conditions we noted follow:

Two different sets of property inventory records maintained

- Five of 8 (63%) Quarterly Reports of State Property (C-15's) prepared by the Department and submitted

Inaccurate reports submitted to the State Comptroller's Office

to the State Comptroller's Office did not accurately reflect Department equipment transactions. We noted differences between the addition, deletion, and ending balance amounts reported on the C-15's and the Department's monthly transaction reports.

Items totaling \$19,815 could not be located

- Seven of 25 items tested, totaling \$19,815, appeared on the Department's property inventory register but could not be located within the Department.
- The Department did not timely record 8 of 25 (32%) additions, totaling \$7,133, on its property inventory register. The items were recorded 3 to 332 days late.
- The Department could not provide documentation that it reported a theft of an equipment item, totaling \$3,493, to the State Police.

Property items recorded 3 to 332 days late

We recommended the Department strengthen controls over the recording and reporting of State property by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. We also recommended the Department ensure all equipment is accurately and timely recorded on the Departments' property records and properly valued. In addition, we recommended the Department thoroughly review all reports prepared from internal records for accuracy before submission to the State Comptroller and the Department of Central Management Services. (Finding 3, pages 15-18) **This finding was first reported in 2003.**

Department agreed with auditors

Department officials agreed with our recommendation and reported taking corrective action to address the issues noted. (For the previous agency response, see Digest Footnote #1)

INADEQUATE CONTROL OVER SPECIAL STATE TRUST FUND

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

- The Department did not maintain a ledger of

No ledger of claimants and corresponding dollar amounts maintained

claimants and corresponding dollar amounts comprising the balance held in the Special State Trust Fund. The State Comptroller's Office records showed balances of \$575,666 and \$1,658,317 as of June 30, 2008 and June 30, 2009 respectively.

Reconciliations could not be located

- The Department could not locate documentation of fund reconciliations prepared during the examination period.

We recommended the Department maintain detailed records for all Special State Trust fund transactions. We also recommended the Department retain documentation of all reconciliations performed. (Finding 4, pages 19-20)

Department officials agreed with our recommendation and reported they are working on a corrective action plan.

Department agreed with auditors

IMPROPER USE OF APPROPRIATED FUNDS

The Department improperly used funds appropriated by the General Assembly. We noted the following:

Expenditures totaling \$49,740 charged to incorrect appropriations

- The Department received lump sum appropriations of \$159,000 in each of Fiscal Year 2008 for costs associated with promoting and enforcing the Equal Pay Act and the Victims' Economic Security and Safety Act. However, we noted the Department expended \$1,500 from this appropriation for license and application fee refunds unrelated to the promotion and enforcement of the Equal Pay Act and Victims' Economic Security and Safety Act.
- The Department received a telecommunication appropriation of \$87,900 for Fiscal Year 2008. However, the Department expended \$45,766 from this appropriation, which should have been expended from the contractual services appropriation.
- The Department received a commodities appropriation of \$19,500 for Fiscal Year 2008. However, the Department expended \$2,474 from this appropriation, which should have been expended from the printing appropriation.

We recommended the Department limit expenditures from appropriate line items to the purpose for which they are appropriated. (Finding 10, pages 31-32)

Department agreed with auditors

Department officials agreed with our recommendation and stated they plan to implement procedural changes to help ensure that expenditures from appropriated line items are limited to the purpose for which they were appropriated.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Department. We will follow up on our findings during our next examination of the Department.

ACCOUNTANT'S REPORT

The auditors qualified their report on State Compliance for findings 09-1, 09-2, 09-3, 09-4, and 09-10. Except for the noncompliance described in these findings, the auditors state the Department complied, in all material respects, with the requirements described in the report.

WILLIAM G. HOLLAND, Auditor General

WGH:CMD:pp

AUDITORS ASSIGNED

The compliance examination was conducted by the Auditor General's staff.

DIGEST FOOTNOTES

#1 – PROPERTY CONTROL WEAKNESSES – Previous Agency Response

2007: The Department of Labor agrees.