



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF LABOR

**COMPLIANCE EXAMINATION
For the Two Years Ended: June 30, 2011**

Release Date: March 13, 2012

Summary of Findings:

Total this audit:	10
Total last audit:	11
Repeated from last audit:	9

SYNOPSIS

- The Department did not exercise adequate controls over revenues and related reporting.
- The Department did not exercise adequate control over accounts receivable records and reporting.
- The Department did not exercise adequate control over the recording and reporting of State property.
- The Department did not exercise adequate control over its Special State Trust Fund.
- The Department did not perform adequate and/or accurate expenditure and fund accounting reconciliations.

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

**ILLINOIS DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011**

EXPENDITURE STATISTICS	2011	2010	2009
Total Expenditures (All Funds).....	\$ 8,050,269	\$ 7,713,732	\$ 8,052,614
OPERATIONS TOTAL.....	\$ 6,699,077	\$ 6,542,366	\$ 6,871,161
% of Total Expenditures.....	83.2%	84.8%	85.3%
Personal Services.....	4,340,104	4,406,650	4,267,690
Other Payroll Costs (FICA, Retirement).....	324,071	319,873	1,215,725
All Other Operating Expenditures.....	2,034,902	1,815,843	1,387,746
AWARDS AND GRANTS.....	\$ 1,351,192	\$ 1,171,366	\$ 1,181,453
% of Total Expenditures.....	16.8%	15.2%	14.7%
Total Receipts.....	\$ 3,893,426	\$ 3,480,378	\$ 2,813,778
Average Number of Employees.....	94	76	84

SELECTED ACTIVITY MEASURES (NOT EXAMINED)	2011	2010	2009
Complaints Received Due to Safety Problems Noted in Public Buildings.....	*	40	45
Carnival Rides Inspected.....	*	4,736	4,348
Prevailing Wage Complaints Completed.....	*	960	1,033

*Fiscal Year 2011 information was not available as of the date the report was prepared

AGENCY DIRECTOR
During Examination Period: Catherine Shannon through 4/16/11 Currently: Joseph Costigan 4/16/11 through present

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NEED TO IMPROVE CONTROLS OVER
REVENUE AND RELATED REPORTING**

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

Receipts were deposited late

- Ten of 60 (17%) receipts tested, totaling \$6,479, were deposited between 1 and 7 days late.

Treasurer's Drafts were remitted late

- For 9 of 60 (15%) receipts tested, totaling \$4,219, Treasurer's Drafts were submitted to the Office of the State Comptroller between 5 and 61 days late.

Fee imposition reports were not supported

- The Department did not maintain documentation to support amounts reported on their Agency Fee Imposition Reports totaling \$55,438 and \$4,769 for Fiscal Years 2010 and 2011, respectively. (Finding 1, pages 8-13) **This finding was first reported in 2005.**

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. Further, the Department should 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 Office of the State Comptroller.

Department agrees with auditors

Department officials agreed with the recommendation and are developing a corrective action plan. (For previous agency response, see Digest Footnote #1)

**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

- Twenty-four of 24 (100%) Quarterly Summary of Accounts Receivable (C-97) reports contained errors.
- A difference of \$1,560,000 was noted between the June 30, 2011 C-97 report and the Department's detail receivables listing.
- The Department did not maintain adequate accounts receivable records for 3 of 40 (8%) accounts receivable balances selected for testing. We noted a difference totaling \$2,739.
- Six of 24 (25%) C-97 reports were submitted to the Office of the State Comptroller between 3 and 12 days late. (Finding 2, pages 14-15)

Records not maintained

Reports submitted late

We recommend the Department review C-97 reports before timely submission to the Office of the State Comptroller to ensure accuracy. Also, the Department should maintain detailed records and supporting documentation of all billings and collections to support accounts receivable balances reported. **This finding was first reported in 2005.**

Department agrees with auditors

Department officials agreed with the recommendation and will continue its review and analysis of the detail comprising the accounts receivable balance. (For previous agency response, see Digest Footnote #2)

NEED TO IMPROVE CONTROLS OVER PROPERTY

The Department did not exercise adequate control over the reporting of State Property.

Two different sets of property inventory records were maintained

The Department maintained two sets of property inventory records during the period, including a computerized property inventory register and a manually prepared quarterly transaction spreadsheet. The results of our testing indicated the valuation of the computerized property inventory register was insufficient. Further, our testing indicated the two sets differed in content. Some of the conditions we noted follow:

Inaccurate reports submitted to the Office of the Comptroller

- Five of 8 (63%) Quarterly Reports of State Property (C-15s) prepared by the Department and submitted to the Office of the State Comptroller did not accurately reflect

Department equipment transactions. We noted differences between the addition, transfer, and ending balance amounts reported on the C-15s and the Department's quarterly transaction spreadsheets.

Some of the property could not be located

- Eight of 30 (27%) items tested, totaling \$3,006, appeared on the Department's property inventory register but could not be located within the Department.

Purchases were overstated

- Forty-three items acquired during the audit period were recorded at the incorrect purchase price, resulting in an overstatement of \$15,639.

Incomplete property records

- The Department's property inventory register did not include a purchase date for 21 of 59 (36%) items tested, totaling \$5,757. In addition, 17 of 59 (29%) items tested did not include a purchase price.

Failure to complete reports for equipment leases

- The Department did not complete the Accounting for Leases-Lessee Form for two equipment lease agreements in place during the audit period. (Finding 3, pages 16-21)

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. Also, the Department should ensure all equipment is accurately and timely recorded on the Departments' property records and properly valued. Further, the Department should thoroughly review all reports prepared from internal records for accuracy before submission to the Office of the State Comptroller and the Department of Central Management Services. **This finding was first reported in 2003.**

Department agrees with auditors

Department officials agreed with the recommendation and are developing a corrective action plan. (For the previous agency response, see Digest Footnote #3)

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

Failure to maintain ledger

claimants and corresponding dollar amounts comprising the balance held in the Special State Trust Fund. The Office of the State Comptroller records showed balances of \$1,524,265 and \$1,513,315 as of June 30, 2010 and June 30, 2011, respectively.

Expenditures did not agree to supporting documentation

- For 1 of 40 (3%) of Fund 251 expenditures tested, the Department’s records for amounts due to a claimant did not agree to underlying supporting documentation. (Finding 4, pages 22-23)

We recommended the Department maintain detailed records for all Special State Trust fund transactions. We also recommended that case files and proposed claimant expenditures are thoroughly reviewed for accuracy prior to authorization. **This finding was first reported in 2007.**

Department agrees with auditors

Department officials agreed with our recommendation and are seeking funding to upgrade its computerized systems. (For previous agency response, see Digest Footnote #4)

INADEQUATE MAINTENANCE AND RECONCILIATION OF EXPENDITURE RECORDS

The Department did not perform adequate and/or accurate expenditure and fund reconciliations. In addition, the Department did not maintain accurate expenditure records.

The Department operated 5 funds during the examination period: the General Revenue Fund (001), Special State Trust Fund (Fund 251), Child Labor Law Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), and the Department of Labor Federal Projects Fund (Fund 724). We noted the following regarding the Department’s reconciliations:

Inadequate controls over monthly expenditure reconciliations

- It could not be determined who prepared and how timely the monthly expenditure reconciliations were performed for 107 of 107 (100%) of monthly expenditure reconciliations reviewed.
- Thirty-six of 56 (64%) expenditure

Monthly expenditure reconciliations contained errors

The Department did not reconcile differences

Incomplete and inaccurate expenditure records

Department unable to locate support for balances

reconciliations performed for Fiscal Year 2011 contained errors.

- The Department did not reconcile differences noted between Department records to Office of the State Comptroller reports.
- The Department's expenditure records were incomplete and inaccurate resulting in unreconciled differences at year-end of \$21,133 and (\$10,144) for Fiscal Years 2010 and 2011, respectively.
- The Department was unable to locate documentation to support "Ending Balances of Available Cash" for 72 of 72 (100%) fund reconciliations.

We recommend the Department implement procedures to ensure the completeness and accuracy of expenditure records maintained. The Department should also perform and document the results of all monthly reconciliations of Department expenditure and fund balance records to Office of the State Comptroller records and promptly notify the Office of the State Comptroller of any irreconcilable differences noted. (Finding 7, pages 29-31)

Department officials agree with the recommendation. They attribute many of these differences to timing differences between Office of the State Comptroller and the Department's records.

Department agrees with auditors

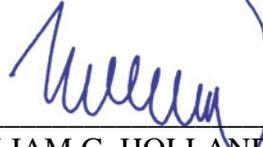
OTHER FINDINGS

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

AUDITORS' OPINION

We conducted a compliance examination of the Illinois Department of Labor as required by the Illinois State Auditing Act. We have not audited any financial statements of the Illinois Department of

Labor for the purpose of expressing an opinion because the Illinois Department of Labor does not, nor is it required to, prepare financial statements.



WILLIAM G. HOLLAND, Auditor General

WGH:MFP:rt

AUDITORS ASSIGNED

Our special assistant auditors for this engagement were CliftonLarsonAllen, LLP.

DIGEST FOOTNOTES

#1 - NEED TO IMPROVE CONTROLS OVER REVENUE AND RELATED REPORTING - Previous Agency Response

2009: The Department of Labor agrees and has implemented corrective action beginning May 1, 2009.

#2 - INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE RECORDS AND REPORTING - Previous Agency Response

2009: The Department of Labor agrees and is considering a corrective action plan to include the recommendations.

#3 - NEED TO IMPROVE CONTROLS OVER PROPERTY - Previous Agency Response

2009: The Department of Labor agrees and is taking corrective actions against the issues noted.

#4 - INADEQUATE CONTROLS OVER SPECIAL STATE TRUST FUND - Previous Agency Response

2009: The Department of Labor agrees and is considering a corrective action plan to include the recommendations.