State of Illinois
ILLINOIS DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011

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

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STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR

AGENCY OFFICIALS

Director (4/16/11 to Current)	Mr. Joseph Costigan
Director (7/1/09 to 4/16/11)	Ms. Catherine Shannon
Assistant Director (4/29/11 to Current)	Vacant
Assistant Director (7/1/09 to 4/29/11)	Mr. Bert Rodriguez
Legal Counsel (12/6/10 to Current)	Ms. Katherine Anthony
Legal Counsel (7/1/09 to 12/6/10)	Mr. Michael Haggerty
Fiscal Officer (2/1/12 to Current)	Ms. Tammy Miner
Fiscal Officer (9/1/10 to 1/31/12)	Dr. Joan Small
Fiscal Officer (7/1/09 to 9/1/10)	Mr. Mike Layden

Department offices are located at:

900 South Spring Street (fiscal records location)
Springfield, IL 62704

160 North LaSalle Street, Suite C-1300
Chicago, IL 60601

State Regional Office
2309 West Main
Marion, IL 62959

ILLINOIS DEPARTMENT OF LABOR

Pat Quinn
Governor

Joseph Costigan
Director

February 14, 2012

CliftonLarsonAllen LLP
301 SW Adams, Suite 900
Peoria, IL 61615-1835

Ladies and Gentlemen:

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 Illinois Department of Labor (the "Department"). 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 Department's compliance with the following assertions during the two years ended June 30, 2011. Based on this evaluation, we assert that during the two years ended June 30, 2011, the Department has materially complied with the assertions below.

A. The Department 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 Department 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 Department 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 Department 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 Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Department of Labor

Joseph Costigan, Director

Tammy Miner, Chief Fiscal Officer

Katherine Anthony, Legal Counsel

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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.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	10	11
Repeated findings	9	9
Prior recommendations implemented or not repeated	2	7

Details of findings are presented in the separately tabbed report section of this report.

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE)	
11-1	8	Inadequate controls over revenues	Material Weakness and Material Noncompliance
11-2	14	Inadequate controls over accounts receivable records and reporting	Material Weakness and Material Noncompliance
11-3	16	Property control weaknesses	Material Weakness and Material Noncompliance
11-4	22	Inadequate controls over Special State Trust Fund	Material Weakness and Material Noncompliance
11-5	24	Inadequate controls over voucher processing	Material Weakness and Material Noncompliance

11-6	27	Inadequate controls over contracts	Significant Deficiency and Noncompliance
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11-8	32	Inadequate controls over travel expenditures	Significant Deficiency and Noncompliance
11-9	35	Performance evaluations not completed	Significant Deficiency and Noncompliance
11-10	37	Nonpayment of revolving funds	Significant Deficiency And Noncompliance

PRIOR FINDINGS NOT REPEATED

A	39	Inadequate control over employee attendance records and personnel functions
B	39	Improper use of appropriated funds

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on January 31, 2012. Attending were:

Department of Labor	Office of the Auditor General	Clifton Gunderson
Joseph Costigan, Director	Max Paller, Audit Manager	Jeff Bonick, Partner
Joan Small, Fiscal Officer		Chris Manderfield, Manager
Tammy Miner, Compliance Manager		Jen Meyer, Senior Associate

Responses to the recommendations were provided by Tammy L. Miner, Fiscal Officer (effective 2/1/12) in a letter dated February 14, 2012.

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance
As Special Assistant Auditors for the Auditor General, 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, 2011. 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.

We conducted our examination 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 the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Department of Labor's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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.

As described in findings 11-1, 11-2, 11-3, 11-4, 11-5, and 11-7 in the accompanying schedule of findings, the State of Illinois, Department of Labor did not comply with requirements regarding applicable laws and regulations. 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 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, 2011. However, the results of our procedures disclosed other instances of noncompliance with those 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 11-6, 11-8, 11-9, and 11-10.

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 as a basis for designing our examination procedures 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 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we considered to be significant deficiencies.

A *deficiency in an entity's 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 as described in the accompanying schedule of findings as items 11-1, 11-2, 11-3, 11-4, 11-5, and 11-7 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 11-6, 11-8, 11-9, and 11-10 to be significant deficiencies.

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

The State of Illinois, Department of Labor's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Department of Labor's responses and, accordingly, we express no opinion on the responses.

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 as listed in the table of contents as Supplementary Information for State Compliance Purposes 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 2011 and 2010 Supplementary Information for State Compliance Purposes, except for information on the Schedule of Changes in State Property, Analysis of Accounts Receivable, and Service Efforts and Accomplishments, on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2009 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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

CliftonLarsonAllen LLP

Peoria, Illinois
February 14, 2012

11-1. FINDING (Inadequate controls over revenues)

The Illinois Department of Labor (Department) did not exercise adequate controls over revenues and related reporting. We noted the following weaknesses in the Department's processing of receipts:

- Ten of 60 (17%) receipts tested, totaling $6,479, were deposited between 1 and 7 days late (after 10 day extension period).

  The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2 (a)) generally requires each State agency to deposit into the State Treasury individual receipts exceeding $10,000 in the same day received, an accumulation of receipts of $10,000 or more within 24 hours, receipts valued between $500 and $10,000 within 48 hours, and cumulative receipts valued up to $500 on the next first or fifteenth day of the month after receipt. The Department received extensions for the periods April 23, 2009 through April 23, 2011 and April 23, 2011 through April 23, 2013 from the State Treasurer. These extensions allow 10 days for the deposit of all agency receipts.

- Timeliness of deposit could not be determined for 4 of 60 (7%) receipts tested, totaling $4,862, because the Department did not maintain documentation of the date received.

  The Act also requires each State agency to keep a detailed, itemized account of moneys received, including the date of receipt.

- The Department did not retain copies of the Receipt Deposit Transmittal Forms, deposit slips, and/or a Treasurer's Draft for 12 of 60 (20%) receipts tested, totaling $4,370.

- For 9 of 60 (15%) receipts tested, totaling $4,219, we noted Treasurer's Drafts were not submitted to the Office of the Comptroller (Comptroller) within 30 days, which is considered a reasonable time frame. The Treasurer's Drafts were submitted between 5 and 61 days late.

  Statewide Accounting Management System (SAMS) (Procedure 25.10.30) requires Treasurer's Drafts to be remitted to the Comptroller. Good internal controls require deposits to be processed timely to increase the balance of funds available for expenditure.

- The Department's records for 38 of 60 (63%) receipts tested, totaling $33,796, were inconsistent in terms of dates deposited on the Department's Check Receipts System and the Department's files. There were differences of 1 to 13 days.

- For 3 of 60 (5%) receipts tested, totaling $3,412, the wrong receipt account code was used to record the revenue.

- The Department's cash receipts records for 4 of 60 (7%) receipts tested, totaling $775, did not agree to the payee and/or check number per copies of the checks.

- Upon review of the case file for 1 of 60 (2%) receipts tested, totaling $159, the Department did not collect the entire amount due to the employees, and as such, did not pay out the entire amount owed to these employees. One employee was overpaid by $4 and another employee was underpaid by $69, which represents a shortage of the total paid by the employer of $65. The Department has since investigated this case and the employer has since paid out the $69 owed to the underpaid employee.

- For 1 of 60 (2%) receipts tested, we noted that there was unnecessary information in the Department's computer system related to that case. According to Department personnel, this information was created to test the effectiveness of the system. However, such information was not labeled as "test data" nor was it deleted from the system once it was determined to be operating correctly.

The State Records Act (5 ILCS 160/9) requires the head of each State agency to establish and maintain the records of the agency. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states that all State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- Four of 115 (3%) receipt reconciliations for the General Revenue Fund (Fund 001), Special State Trust Fund (Fund 251), Child Labor Law Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), and Department of Labor Federal Projects Fund (Fund 724) contained errors when compared to the underlying supporting documentation. Also, it appears that only a comparison is being prepared rather than a true reconciliation for 55 of 55 (100%) receipt reconciliations for Fiscal Year 2010 for all funds. Information from Department records is compared to records of the Comptroller, however nothing is done to investigate differences and reconcile the numbers reported by the Comptroller to Department Records. Therefore, there is an unreconciled difference of $147,082 at the end of Fiscal Year 2010 among all funds.

  In addition, we were unable to the test the timeliness of 115 of 115 (100%) reconciliations for both fiscal years as the documentation provided by Department personnel did not include the date the reconciliation was prepared.

  Statewide Accounting Management System (SAMS) (Procedure 25.40.20) requires each agency to reconcile its receipt records to Comptroller reports on a monthly basis and to notify the Comptroller's Office of any unreconcilable differences noted so necessary corrective action can be taken to locate the differences and correct the accounting records. Good internal controls require reconciliations to be correct and agree to Comptroller records, and to be done at least monthly so that differences are investigated and corrected in a timely fashion.

The Department did not maintain sufficient documentation to support amounts reported on their Agency Fee Imposition Reports prepared for Fiscal Year 2010 and Fiscal Year 2011. The Department misclassified 15 of 16 (94%) fees collected on the Fiscal Year 2010 report. These errors had a material effect on the total amount of fees reported resulting in a $55,438 difference between Comptroller's numbers and amounts listed on the report. The Department misclassified 6 of 16 (38%) fees collected on the Fiscal Year 2011 report. These errors did not have a material effect on the total amount of fees reported resulting in a $4,769 difference between Comptroller's numbers and amounts listed on the report. In addition, the Fiscal Year 2011 report was submitted to the Comptroller 19 days late. The State Comptroller Act (Act) (15 ILCS 405/16.2(a)) requires those agencies that impose fees to file the report with the Comptroller. SAMS (Procedure 33.16.20) states that the report must be filed with the Comptroller by August 1 of each year. In addition, good internal controls require the information submitted in the Agency Fee Imposition Report to be accurate.

For 2 of 8 (25%) returned checks tested, totaling $5,284, the Department does not appear to be making adequate collection attempts. In one instance, the check was received in November 2009 and was not sent to the Office of the Attorney General until November 2011. In the other instance, the check was received in March 2010, a letter was sent to the company requesting repayment in June 2010, and as of November 1, 2011, the case had not yet been sent to the Office of the Attorney General for collection. For 1 of 8 (13%) returned checks tested, totaling $2,500, there were discrepancies between the information on the check and the Department's records.

Statewide Accounting Management System (SAMS) (Procedure 26.40.10) requires agencies to document collection efforts on past-due amounts owed to the State. Good business practices state a proper internal control structure should be established to help ensure the collection of revenues.

Department personnel stated that the Department's goal is to perform all functions, including the preparation, review and submission of reports in a timely manner. However, as a result of staffing shortages, especially in the Fiscal Division, there are times when other competing critical projects take precedence over this goal.

Delayed deposit of cash receipts reduces the amount of funds available for expenditure. Inaccurate reconciliations could result in inaccurate statewide financial statement reporting. Filing an inaccurate Agency Fee Imposition Report reduces the reliability of statewide fee information. Failure to exercise adequate control over revenues is noncompliance with the State Officers and Employees Money Disposition Act and could result in inaccurate statewide financial statement reporting. Failure to retain documentation to support reported amounts is noncompliance with the State Records Act. (Finding Code No. 11-1, 09-1, 07-1, 05-3, 05-5)

RECOMMENDATION

We recommend 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. Internal controls over receipts should also be enforced by the Department to ensure collection of revenue and adequate documentation is maintained and readily available for all transactions. Also, the monthly reconciliations should be reviewed for accuracy and all differences investigated by the Department. 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 Comptroller. In addition, the Department should document collection efforts on past-due amounts owed to the State and follow up with past-due amounts more timely.

DEPARTMENT RESPONSE

The Department agrees with the recommendation and is developing a corrective action plan. Most of the issues relate to limited staffing resources. Additional detail on some issues is as follows:

Missing RDT forms: The data on misplaced Receipt Deposit Transmittal forms, deposit slips or Treasurer's draft is correctly recorded in both the Comptroller's System and the Department's internal system, however, replacement copies of these forms have been requested in order to comply with the Department's record retention policy. These forms were most likely misplaced or misfiled when the Department moved to a new location in October/November 2010.

Different dates: The date in the Check Receipts System is the date that entries are made in that system and is not required to be the date that checks are received or deposited. The Department has been granted a 10-day extension to the deposit rule because of the lengthy processing procedures needed for its receipts. Therefore, a batch of checks may be received in the office on a particular day, entered in the Cash receipts system on another day and deposited on another day, that is, 3 different dates for different stages of processing are appropriate.

Receipt reconciliations: The unreconciled difference in Fiscal Year 2010 cash receipts is $400 and is a timing issue. These are true reconciliations because they are based on the only existing source data: the Department's Cash Receipts System, CMS's AIS, and the Comptroller's SAMS system. Cash receipts and vendor expenditures recorded by the Comptroller are direct data feeds from the Department's Cash Receipts system and CMS's AIS system.

Fee Imposition Reports: The documentation for the Fee Imposition Report is the report from the Department's Cash Receipts System. The fees recorded by the Comptroller are provided by the Department via the Receipt Deposit Transmittal (RDT) which is automatically generated from the Department's Cash Receipts System. That is, the Comptroller's data is a direct feed from the Department's system. However, there may be some misinterpretation because there is not a one-to-one classification between the codes in the Department's internal system and the Comptroller's Fee Imposition Report - some internal codes have to be grouped for this particular report.

Returned checks: The Department utilizes the following procedure for collection of returned checks:

1) Send a letter requesting payment with a money order or certified check
2) Follow-up via telephone, if necessary
3) Referral to the Attorney General after all other efforts fail.

The clerical error on the check being referenced has been corrected prior to the audit.

11-2. FINDING (Inadequate controls over accounts receivable records and reporting)

The Illinois Department of Labor (Department) did not exercise adequate controls over accounts receivable records and reporting. We noted the following:

- The Department made a $251,000 adjustment on its June 30, 2011 accounts receivable records. This adjustment was also reflected on the June 30, 2011 Quarterly Summary of Accounts Receivable (C-97) report. According to Department personnel, the adjustment was due to a change in methodology for recognizing accounts receivable. Prior to this adjustment, it appears that receivables were booked at full value for any amounts due the Department. However, per Department personnel, the majority of these receivables are never fully collected; most are settled at a lesser value. The $251,000 adjustment at year-end reduced the value of the receivables to their settlement values. During our testing of detail accounts receivable records, we noted that the settlement values of the receivables were erroneous, as these settlement values contained money due to others rather than the amount due to the Department, and as such, the final detailed accounts receivable records were reduced by an additional $1,559,761. Although it appears that the new methodology is appropriate, it is apparent that 24 of 24 (100%) C-97 reports prepared by the Department and submitted to the Comptroller's Office did not accurately reflect Department accounts receivable transactions. Therefore, there is a $1,560,000 difference between the June 30, 2011 C-97 report and the Department's detail receivables listing. In addition, we noted that 13 of 24 (54%) C-97 reports showed no additions, collections, transfers in or out, or write-offs of any receivables. It appears these numbers continued to be rolled forward from quarter to quarter.

  Good business practices require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for necessary management reports. Good business practices also require that detailed accounting records be accurate and thorough, and that a careful review of source documentation and prepared reports is done before submission.

- The Department did not maintain adequate accounts receivable records to facilitate the proper reporting of accounts receivable. Of the 40 accounts receivable balances selected for testing, we found differences in 3 (8%) of these balances, for a total difference of $2,739.

  Statewide Accounting Management System (SAMS) (Procedure 26.20.10) requires agencies to maintain detailed information related to each receivable in order to support the recognition and tracking of receivables.

- Six of 24 (25%) C-97 reports prepared by the Department were submitted to the Comptroller's Office between 3 and 12 days late.

  SAMS (Procedure 26.30.10) states the reports must be received by the Comptroller no later than the last day of the month following the end of the quarter.

The Department reported gross receivables totaling $1,963,000 and $2,207,000 on its June 30, 2011 and June 30, 2010 C-97s, respectively.

Department personnel stated that the Department's goal is to perform all functions, including the preparation, review and submission of reports in a timely manner. However, as a result of staffing shortages, especially in the Fiscal Division, there are times when other competing critical projects take precedence over this goal.

Failure to maintain adequate documentation for accounts receivable increases the chances of undetected errors occurring in reporting the amounts receivable and the likelihood of accounts receivable not being adequately monitored for collection. In addition, failure to monitor accounts receivable on a regular basis, identify delinquent accounts receivable, and report accurate amounts can result in lost revenues for the State and inaccuracies in statewide financial reporting. Failure to submit accounts receivable reports timely can cause delays in statewide financial reporting. (Finding Code No. 11-2, 09-2, 07-2, 05-4)

RECOMMENDATION

We recommend the Department review C-97 reports before timely submission to the 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.

DEPARTMENT RESPONSE

The Department will continue its in-depth review and analysis of the detail comprising the accounts receivable balance.

11-3. FINDING (Property control weaknesses)

The Illinois Department of Labor (Department) did not exercise adequate control over the 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 quarterly transaction spreadsheet. The results of our testing indicated that the valuation of the computerized property inventory register was insufficient. The results of our testing indicated the two sets differed in content.

We noted 5 of 8 (63%) Quarterly Reports of State Property (C-15s) prepared by the Department and submitted to the State Comptroller's Office 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 spreadsheet as follows:

Quarter	Asset Class	Amount Reported to Comptroller	Amount Per Quarterly Transaction Spreadsheet	Difference
12/31/2009	Additions	$97,525	$97,529	($4)
3/31/2010	Additions	$100,799	$2,848	$97,951
6/30/2010	Additions	$2,953	$2,954	($1)
12/31/2010	Transfers	($13,332)	($15,320)	$1,988
6/30/2011	Additions	$1,868	$0	$1,868
6/30/2011	Transfers	($99,513)	$0	($99,513)

Total net difference – C-15s to Department records $2,289

In addition, we noted noncompliance with Statewide Accounting Management System (SAMS) procedures. Specifically, we noted transfers of surplus property, totaling $13,332, during Fiscal Year 2011 were incorrectly classified on the C-15s as deletions. This misclassification was corrected by the Department on a subsequent C-15 report. Also, 1 of 8 (13%) C-15s was submitted 8 days late.

SAMS (Procedure 29.10.30) states the C-15 report should present the total cost of State property, by category, reflected on the agency's records as of the reporting date. In addition to SAMS procedures, good business practices require an agency to review all reported information for accuracy before submission. SAMS (Procedure 29.10.10) requires an agency to report all additions, deletions, and net transfers affecting each asset class that occurred during the quarter being reported and to maintain property information at a summary level, which includes a description of each asset, its location, its purchase date, and its tag number. SAMS (Procedure 29.20.10) also states that the C-15 is to be filed on a quarterly basis and should be submitted to the Office of the Comptroller no later than the last day of the month following the last day of the quarter.

Further, the Department did not exercise adequate control over the recording of State property. We noted the following:

- We were unable to trace $774 of property additions to the Department's property inventory register.
- We noted the dollar amounts for $1,635 in property additions did not agree to the dollar amounts per the Department's property inventory register.
- Forty-three items acquired during the period were recorded at the incorrect purchase price, resulting in their values being overstated by a total of $15,639.
- Seven of 7 (100%) surplus items did not have sufficient documentation to determine that they were sent to the Department of Central Management Services (CMS), and if so, when they were sent.
- For 2 of 7 (29%) transferred out items tested, the Department did not provide the purchase price and/or purchase date to the receiving agency.
- One item was transferred during Fiscal Year 2011 that had an original purchase price of $14,842 in 2006. According to Department records and the March 31, 2011 C-15 report, the cost of the transferred item was $14,100. In addition, this item was still listed on the Department's property inventory register as of October 2011.
- 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.
- One of 30 (3%) items tested, totaling $1,385, did not have a Department asset tag on it, but was entered on the Department's property inventory register.
- The Department's property inventory register did not include a purchase date for 21 of 59 (36%) items tested, totaling $5,757.

- Two of 59 (3%) items tested were visibly broken upon our inspection. These items had a combined original cost of $1,407 on the Department's property inventory register.

- One of 30 (3%) items tested, totaling $1,685, was left off the property listing sent to CMS.

- Six of 59 (10%) items tested were found in another location, other than the proper location according to the Department's property inventory register.

- Two of 59 (3%) items tested had duplicate Department asset tag numbers on the Department's property inventory register.

- The Department's property inventory register did not include a purchase price for 17 of 59 (29%) items tested.

SAMS (Procedure 29.10.10) requires an agency to report all additions, deletions, and net transfers affecting each asset class that occurred during the quarter being report and to maintain property information at a summary level, which includes a description of each asset, its location, its purchase date, and its tag number. SAMS (Procedure 29.10.10) also states that the objective of fixed asset reporting is to ensure that agencies are updating property records to reflect the current balance of fixed assets and to enhance the accuracy of information reported. In addition to SAMS procedures, good business practices require an agency to review all reported information for accuracy before submission and require proper internal controls to be established to ensure the accuracy and reliability of accounting data. The State Records Act (5 ILCS 160/8) requires the head of each agency to cause to be made and preserved records containing adequate and proper documentation of the decisions and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities. The Illinois Administrative Code (44 Ill. Adm. Code 5010.400) states that agencies shall adjust property records within 30 days of acquisition, change or deletion of equipment items. The Code (44 Ill. Adm. Code 5010.210) also requires agencies to be responsible for marking each piece of State-owned equipment with a unique six-digit identification number to be assigned by the agency holding the property. The Code (44 Ill. Adm. Code 5010.500) requires agencies to report the theft of State property immediately to the Property Control Division and the Department of State Police. In addition, SAMS (Procedure 29.10.25) states that the objective of property control is to minimize the burden placed on State government to replace lost, stolen, or damaged property. SAMS (Procedure 29.10.25) also states that property control procedures are generally designed to prevent or, at least, promptly detect loss or damage to property.

The Department did not exercise adequate control over equipment leases. The Department did not complete the applicable Accounting for Leases-Lessee Form (SCO-560) for the two equipment lease agreements in place during the audit period. One of the equipment leases was started in April 2005 for 36 months, however it was renewed for 3 additional years, and ended in April 2011. Total payments over the 6-year life of the lease were approximately $50,000. The other equipment lease began in May 2011 and covers 36 months. Payments on this lease totaled $7,737 during the year ended June 30, 2011.

SAMS (Procedure 27.20.60) requires the SCO-560 be completed on a transaction by transaction basis as new lease agreements are initiated and sent to the Comptroller's Office. The SCO-560 needs to be prepared if the fair market value of the new asset being leased is greater than $5,000. The SCO-560 also needs to be prepared when there is an early termination of an existing lease, or when changes are made to existing lease provisions, including changes in the appropriation from which payments are made.

Department personnel stated that the errors were because many of the items being referenced were not purchased, but were acquired from CMS salvage many years ago when older inventory acquired from salvage did not always contain the level of detail now required, including purchase date and purchase price. These items were other agencies' "scrap" items that had no book value.

Failure to exercise adequate control over property and to maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. In addition, inaccurate and untimely reporting on the C-15 reports could lead to inaccuracies and delays in statewide financial information. The completion of the SCO-560 allows the Comptroller's Office to determine if a leased asset should be considered a capital lease asset. If the lease is a capital lease, the SCO-560 is used by the Comptroller's Office to determine the cost of the asset to be recorded on the Department's books, including the C-15.

In addition, during the prior examination period, it was noted the Department reported equipment items on the C-15s late. During the current examination period, we noted the Department reported equipment items on the C-15's timely. Also, during the prior examination period, it was noted the Department did not timely record equipment additions to the property inventory register. During the current examination period, it was noted the Department timely recorded equipment additions to the property inventory register. Lastly, during the prior examination period, it was noted the Department could not provide documentation that it reported theft of equipment to the State Police. During the current examination period, we inquired of Department personnel and were informed that there was no theft of equipment during the two years ended June 30, 2011. (Finding Code No. 11-3, 09-3, 07-3, 05-7, 03-6)

RECOMMENDATION

We recommend 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 Department's property records and are properly valued. Further, the Department should thoroughly review all reports prepared from internal records for accuracy before submission to the State Comptroller and the Department of Central Management Services.

DEPARTMENT RESPONSE

The Department agrees with the recommendation. A corrective action plan is being developed. Additional detail on some issues is as follows:

Differences in property additions: The difference is a $3 or $7 shipping and handling charge per item that was not included in the pricing information available when the items were added to inventory. There is often a time lag between the receipt of items and the receipt of actual invoices. In order to get equipment into the hands of staff, list prices are entered in the inventory database prior to receipt of actual invoices. The database is being adjusted for these minor differences.

Forty-three items at the incorrect purchase price: This amount of $15,639 includes items on three vouchers, numbers 1195, 1196 and 1198. These vouchers were in the inventory database because they are the cost of the cubicles (staff workstations) that are interconnected. The program has a comments field that contains this explanatory information.

Surplus items: The electronic upload to CMS's salvage system is mandatory and does not leave an automatic paper trail. The Department will need to develop some additional procedures.

Missing purchase price and/or date: These items were not purchased, but acquired from CMS salvage and are part of the data set that was imported from the old mainframe database. Previously, older inventory acquired from salvage did not contain the level of detail currently being required, including purchase price and purchase date since most of it had no book value and was "scrap" from other agencies.

Missing Tag: The item was tagged. It is Tag# 567 that was transferred to another agency on 03/25/2011.

Items that could not be located: The Department is aware of 4 items that could not be located. A further search will be conducted and all missing items will be reported.

Missing asset tag for $1,385 item: This is the conference table and it does have a tag #. The number is 688.

Broken items: The $1,407 is the original purchase price of these items which are many years old and have no book value. One item is a typewriter that is many years old and well past its useful life. It can easily be salvaged. The other is a Brother desktop printer that is slightly broken but still works.

Items moved from one location to another: "Location" in this context means "a room or office in the same building." Items are allowed to be moved between work areas in the same building for use by Department personnel. A revised form to track items that have been moved has recently been implemented.

11-4. FINDING (Inadequate controls over Special State Trust Fund)

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

- For 1 of the 40 (3%) expenditures selected for testing in Fund 251, the Department's records for amounts due to a claimant did not agree to the underlying supporting documentation. The underlying support for this case shows that the claimant should be paid $6,600; however, the Department's case file showed the claimant is due $6,768.

- The Department did not maintain a ledger of claimants and corresponding dollar amounts comprising the balance held in Fund 251. The State Comptroller's Office records showed balances of $1,524,265 and $1,513,315 held in Fund 251 as of June 30, 2010 and June 30, 2011, respectively.

The Department operates the Special State Trust Fund as an agency fund in the State Treasury. The purpose of this fund is to hold wage claims collected from employers by the Department on behalf of Illinois workers (claimants) and hold those monies until the claimants can be located and properly paid. Good business practices require sufficient and properly designed accounting records to be maintained to adequately control fiscal operations. The Illinois State Records Act (Act) (5 ILCS 160/8-9) requires agency heads to preserve records and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and to establish and maintain an active, continuing program for the economical and efficient management of the records.

According to Department officials, the Department lacks the resources to maintain such a ledger.

Failure to exercise adequate control over the Special State Trust Fund is noncompliance with the Act and could result in inaccurate statewide financial statement reporting. (Finding Code No. 11-4, 09-4, 07-4).

RECOMMENDATION

We recommend the Department maintain detailed records for all Special State Trust Fund transactions. We also recommend that case files and proposed claimant expenditures are thoroughly reviewed for accuracy prior to authorization.

DEPARTMENT RESPONSE

The Department is seeking funding to upgrade its computerized systems and will explore the feasibility of having an electronic accounts receivable subsidiary ledger.

11-5. FINDING (Inadequate controls over voucher processing)

The Illinois Department of Labor (Department) did not exercise adequate controls over voucher processing. We noted the following:

- Fifty-three of 234 (23%) vouchers tested, totaling $28,595, were approved for payment from 2 to 193 days late. Six of 234 (3%) vouchers tested, totaling $3,127, contained no signature and/or date from the agency head. Nine of 234 (4%) vouchers tested, totaling $102,048, were not properly approved.

  The Illinois Administrative Code (74 Ill. Adm. Code Section 900.70) requires an agency to review a bill and either deny the bill in whole or part, ask for more information necessary to review the bill, or approve the bill in whole or in part, within 30 days after physical receipt of bill.

- The Department could not locate 2 of 234 (1%) vouchers, totaling $468, selected for testing.

  The Illinois State Records Act (5 ILCS 160/9) requires the head of each agency establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.

- Three of 234 (1%) vouchers tested, totaling $1,907, were missing information and were therefore not properly completed, or the information on the voucher did not agree to Department records. One of 234 (1%) vouchers tested, totaling $320, had expenses that were charged to the wrong fiscal year.

  Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires that each State agency enter specific information on the top-third of the voucher. Good business practices require that this information be accurate and agree to the underlying accounting system. In addition, the voucher should be charged against the correct fiscal year so that expenditures do not exceed the appropriated amounts.

- Nine of 234 (4%) vouchers tested, totaling $5,946, were not charged to the correct SAMS detail object code.

  SAMS (Procedure 17.20.20) requires that each State agency enter the correct SAMS detail object code for which the expenditure should be expensed.

- Twenty-nine of 234 (12%) vouchers tested, totaling $18,365, were not signed and dated by the receiving officer.

  SAMS (Procedure 17.20.20) states each invoice-voucher, upon receipt of goods or services must be signed by the receiving officer verifying goods or services meet the stated specifications.

- Forty-one of 234 (18%) vouchers tested, totaling $21,449, did not have required interest paid to the vendor in Fiscal Year 2010. Forty-four of 234 (19%) vouchers tested, totaling $20,341, did not have required interest paid to the vendor for Fiscal Year 2011, as of October 31, 2011.

  The State Prompt Payment Act generally provides for a late payment interest penalty to be paid to a vendor under certain conditions. Any bill, except a bill submitted under Article V of the Illinois Public Aid Code, approved for payment under this Section must be paid or the payment issued to the payee within 60 days of receipt of a proper bill or invoice. If payment is not issued to the payee within this 60 days period, an interest penalty of 1.0% of any amount approved and unpaid shall be added for each month or fraction thereof after the end of this 60 days period, until final payment is made. Through June 30, 2010, P.A. 96-555 required that all interest for all amounts must be paid. Effective July 1, 2010, P.A. 96-959 requires interest less than $50 not be paid but shall be accrued until all interest due the vendor for all similar warrants exceeds $50, at which time the accrued interest shall be payable and interest will begin accruing again, except that interest accrued as of the end of the fiscal year that does not exceed $50 shall be payable at that time. Through Fiscal Year 2011, interest shall begin accruing on the 61st day after receipt of a proper bill and shall continue to accrue until the bill is paid by the Comptroller's Office. Amounts due for interest should be measured and paid in accordance with the law that was in effect on the day the State of Illinois issued payment.

- Three of 234 (1%) vouchers tested, totaling $1,448, did not properly trace to supporting documentation.

  SAMS (Procedure 17.10.20) requires that each State agency maintain all supporting documentation necessary to substantiate their expenditures.

- One of 234 (1%) invoices tested, totaling $1,193, was paid twice by two separate vouchers.

  Good business practices require that invoices are only paid once.

Department personnel stated that the Department's goal is to perform all functions in a timely and effective manner. However, as a result of staffing shortages, especially in the Fiscal Division, there are times when other competing critical projects take precedence over this goal.

Failure to approve vouchers timely could subject the State to unnecessary interest charges. The lack of adequate approval, including a signature by the Agency head and a receiving officer, reduces the overall control over expenditures and may lead to inappropriate expenditures. Failure to maintain vouchers results in noncompliance with the Illinois State Records Act. The failure to provide accurate information could result in inaccurate accounting information. The failure to use the correct SAMS account code and SAMS detail object code could cause inaccurate reporting. Failure to pay the required interest on vouchers results in noncompliance with the State Prompt Payment Act. The failure to maintain adequate supporting documentation for expenditures could result in incorrect accounting information and could cause unnecessary expenditures. Paying an invoice twice results in unnecessary expenditures. (Finding Code No. 11-5, 09-11, 07-12, 05-9, 03-2, 01-1, 99-1)

RECOMMENDATION

We recommend the Department implement procedures to ensure all vouchers are approved timely in accordance with the Illinois Administrative Code and develop and implement procedures to identify all vouchers not paid within 60 days to ensure the proper amount of interest is paid in accordance with the State Prompt Payment Act. Also, the Department should comply with the Illinois State Records Act and ensure it maintains an adequate system of recordkeeping. Further, the Department should comply with SAMS procedures by having a receiving officer sign each voucher to indicate goods were received according to stated specifications. In addition, the Department should keep adequate supporting documentation for all vouchers and ensure the correct SAMS information and accurate general information is reported on all vouchers. Also, the Department should recover the duplicate payment made of $1,193.

DEPARTMENT RESPONSE

The Department agrees with this recommendation. The Department will continue to seek additional resources for the Fiscal Division so that the voucher review and approval processes can be performed by separate individuals. A procedure that requires written approval from the receiving officer has been implemented. Interest payments are automatically calculated by CMS's AIS system. The Department routinely reviews interest due payment vouchers and approves vouchers that meet the $50 threshold.

11-6. FINDING (Inadequate controls over contracts)

The Illinois Department of Labor (Department) did not exercise adequate controls over the contractual agreements. We noted the following:

- The Department did not file a Contract Obligation Document (COD) with the Office of the Comptroller after issuing a request to lease printing equipment through the Department of Central Management Services (CMS) Master Contract. The contract set forth a maximum of $36,693 to be paid to the vendor for the period May 1, 2011 through April 30, 2014.

  Statewide Accounting Management System (SAMS) (Procedure 15.10.40), states that agencies are required to file Contract Obligation Documents (COD) with the Comptroller within 15 days of execution of a contract, purchase order, grant, lease, or modification thereto. "Execution" occurs when all required elements of an agreement have been written and formally approved (in writing) by all parties as required by law for filing with the Comptroller. Good business practices require the Department to adequately and timely file a COD with the Comptroller.

- The Department held a contract with a vendor between April 2005 and April 2011, with total payments of approximately $50,000 that did not meet the proper procurement procedures issued by the State. The equipment leasing was procured through the Department instead of using a Statewide CMS Master Contract and was not in compliance with the laws, rules and regulations regarding contract content. The contract and COD were never filed with the Office of the Comptroller or published within the Illinois Procurement Bulletin. The contract ended in April 2011.

  In accordance with the Illinois Procurement Code (30 ILCS 500/20-80(b)), whenever a contract liability exceeding $10,000 is incurred by any State agency, a copy of the contract, purchase order, grant, or lease shall be filed with the Comptroller within 15 days thereafter. SAMS (Procedure 15.20.20) outlines specific laws, rules, and regulations that must be included in a contract, such as an appropriation contingency clause, drug free certification, and domestic products certification, which were not included in the Department's contract.

Department personnel stated that the Department's goal is to perform all functions in a timely manner. However, current staffing shortages makes this an on-going challenge.

Filing a COD with the Office of the Comptroller allows the money to be set aside for the appropriate vendor. Not filing such document results in outstanding contracts that the Comptroller is not aware of. Failure to obtain proper contractual agreements could lead to the inefficient use of State resources and is not in compliance with the Illinois Procurement Code. (Finding Code No. 11-6)

RECOMMENDATION

We recommend the Department ensure that CODs are filed timely with the Office of the Comptroller. In addition, the Department should abide by the rules set forth in SAMS and the Illinois Procurement Code as it relates to procuring contracts.

DEPARTMENT RESPONSE

The Department agrees with this recommendation. A Contract Obligation Document has been filed. However, because this is based on an existing CMS master contract, no late execution waiver is required. The Department acted appropriately in Fiscal Year 2011 by terminating the contract that was executed in 2005.

11-7. FINDING (Inadequate maintenance and reconciliation of expenditure records)

The Illinois Department of Labor (Department) did not perform adequate and/or accurate expenditure and fund reconciliations during the examination period. In addition, the Department did not maintain accurate expenditure records. The Department operated 5 funds during the examination period: the General Revenue Fund (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). There were no expenditures in Fiscal Year 2010 or 2011 in Fund 446; therefore, no expenditure or fund reconciliations were necessary. We noted the following regarding the Department's reconciliations:

- None of the monthly expenditure reconciliations performed for any of the funds were signed off and dated by the preparer or reviewer of the reconciliations. As a result, we could not determine who prepared 107 of 107 (100%) reconciliations, or how timely the reconciliations were performed.

- We noted errors in 36 of 56 (64%) expenditure reconciliations performed for Fiscal Year 2011. For these reconciliations, the supporting documentation provided by the Department did not agree to that which was used on the reconciliation.

- Although the Department compared agency records to Comptroller reports, it does not appear that differences on the reconciliations were investigated in order to determine the cause and/or necessary course of action. The Department's expenditure records were incomplete and inaccurate. As such, we noted the following unreconciled differences at year-end for each of the Fiscal Years:

	Fiscal Year 2010	Fiscal Year 2011
Fund 001	$23,585	($17,302)
Fund 251	$40,388	$34,644
Fund 357	($5,943)	$9,417
Fund 724	($36,897)	($36,903)
Total Unreconciled Difference	$21,133	($10,144)

- In addition, the Department was unable to locate documentation to support the "Ending Balance of Available Cash per IDOL" amounts on 72 of 72 (100%) fund reconciliations for Fund 251, Fund 357, and Fund 724 for the audit period. None of these fund reconciliations were signed off and dated by the preparer or reviewer of the reconciliation. As a result, we could not determine who prepared 72 of 72 (100%) reconciliations, or how timely the reconciliations were performed.

Statewide Accounting Management System (SAMS) (Procedure 11.40.20) requires each agency to reconcile appropriation expenditures monthly and notify the Comptroller of irreconcilable differences. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls. Good internal controls require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for necessary management reports. The Illinois State Records Act (5 ILCS 160/9) requires the head of each agency establish and maintain an active, continuing program for the economical and efficient management of the records of the agency. Good internal controls require agencies administering funds to reconcile all fund activity, including expenditures, revenues, and fund balance, to protect the integrity of the fund and those owed monies currently being held in the fund.

Department personnel stated that the Department's goal is to perform all functions in a timely and effective manner. However, as a result of staffing shortages, especially in the Fiscal Division, there are times when other competing critical projects take precedence over this goal.

Failure to maintain accurate and complete expenditure records could result in expenditures made in excess of available appropriations. Failure to perform adequate monthly reconciliations of expenditures and fund balances between Department records and Comptroller records that actually reconcile and identify differences, impairs the Department's and the Comptroller's ability to identify possible errors and take corrective action to ensure accurate accounting for Department expenditures. (Finding Code No. 11-7, 09-5, 07-6)

RECOMMENDATION

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 Comptroller records and promptly notify the Comptroller of any irreconcilable differences noted.

DEPARTMENT RESPONSE

The differences between the Comptroller's SAMS and CMS's AIS - the Department's internal expenditures system, are timing differences. The Comptroller's data for expenditures is a direct feed from the CMS's AIS and Central Time Keeping and Payroll System, that is, the Department's records.

11-8. <u>FINDING</u> (Inadequate controls over travel expenditures)

The Illinois Department of Labor (Department) did not exercise adequate internal controls over its travel expenditures. We noted the following:

- Eight of 43 (19%) travel vouchers tested totaling $2,209, contained excess reimbursements of $475 for expenses incurred between the employees' homes and headquarters.

  The Illinois Administrative Code (Code) (80 Ill. Adm. Code Section 3000.220) states expenses incurred by employees in commuting from their residence to their headquarters are not reimbursable.

- Two of 40 (5%) travel vouchers tested totaling $694 had an incorrect charge for per diem. In one instance an employee charged $21 for per diem for a four hour trip. The other instance included a trip with a total per diem charge of $36.50 when it should have been only $28.

  The Code (80 Ill. Adm. Code Section 3000.500) states that per diem will be paid to travelers who have overnight lodging or 18 or more continuous hours. The Code (80 Ill. Adm. Code Section 3000, Appendix A) also states per diem for each quarter is $7.00 or $28 per day.

- One of 40 (3%) travel vouchers tested totaling $54 was submitted 52 days late.

  The Department of Labor Policy Manual states that vouchers must be submitted within 60 days after the expenses were paid or incurred. If submitted later the Department must process the payment on payroll with taxes deducted. If a travel voucher does not meet the 60 day requirement the employee can submit an exception letter along with their travel voucher. The Department did not follow this procedure and reimbursed the employee in full.

- One of 40 (3%) travel vouchers tested totaling $305 did not have the associated certification that the employee was duly licensed and carried the minimum amount of automobile liability insurance required in the employee's file.

  Good business practices require that this certification be kept in a separate file.

- Four of 40 (10%) travel vouchers tested totaling $1,509, contained discrepancies in the reported headquarters for the traveler between the travel voucher and the Travel Headquarters (TA-2) reports. One of 40 (3%) travel vouchers tested totaling $309, contained a traveler who was not reported on the TA-2 report in the year the expense was incurred. Two of 4 (50%) TA-2 reports were filed with the Legislative Audit Commission 4 to 13 days late.

The State Finance Act (30 ILCS 105/12-3) requires each State agency to file reports for all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. The reports are required to be filed with the Legislative Audit Commission by January 15 and July 15 of each year for the preceding six month periods ended December 31 and June 30. The report shall list, for each officer or employee, the place designated as his or her official headquarters and the reason for that designation. Agencies with no officers or employees in this status shall file a negative report. In addition, good business practices require a careful review of source documentation and prepared reports before submission.

Department personnel stated that the Department's goal is to perform all functions in a timely manner. However, current staffing shortages makes this an on-going challenge.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Good internal controls require a thorough review of all travel vouchers to ensure accurate and timely information and to prevent improper expenses from being reimbursed. Failure to file reports in a timely manner reduces effective government oversight and is noncompliant with a statutory mandate. Improper designation of headquarters could allow the employee to reimbursement for commuting costs and other travel expenses not otherwise allowed.

In addition, during the prior examination period, it was noted the Department paid amounts in excess of the allowable lodging rate. During the current examination period, we did not note any amounts paid in excess of the allowable lodging rate. (Finding Code No. 11-8, 09-6, 07-11)

RECOMMENDATION

We recommend the Department carefully and timely review travel vouchers to ensure accuracy of reported information and to ensure accuracy and reasonableness of travel claims prior to payment. In addition, we recommend the Department periodically remind all employees of the allowable per diem rates set forth in the travel regulations, as well as the required amount of automobile liability insurance required. Lastly, we recommend the Department obtain reimbursement from those employees overpaid.

DEPARTMENT RESPONSE

The TA-2 report has been updated since the beginning of Fiscal Year 2011. The employees in question are authorized to work from home and therefore did charge travel appropriately. The Department will obtain reimbursement for any overpayment of travel.

11-9. <u>FINDING</u> (Performance evaluations not completed)

The Illinois Department of Labor (Department) did not conduct employee performance evaluations timely. We tested 40 employee files, some of which required multiple (2 to 4) evaluations during the two year period. We noted the following:

- The Department did not perform annual employee performance evaluations in accordance with the Department's Policy Manual for 23 (58%) employees tested.
- Of the 40 employee files tested, 10 employees were required to have an additional evaluation completed at the 3 ½ month point of a 4 month probationary period due to an employee promotion. The Department did not perform such evaluations for 5 (50%) of these employees.
- Of the 40 employee files tested, 6 employees were newly hired during the audit period and were therefore required to have an additional evaluation completed 6 months after the effective date of their hire. The Department did not perform such evaluations for 5 (83%) of these employees.

The Illinois Department of Labor Policy Manual states that certified employees are to be evaluated at least once a year, employees serving a four-month probationary period shall be evaluated 3½ months after the probationary period begins, and employees serving a six-month probationary period shall be evaluated at the end of their third month and again at the end of 5½ months of employment, at which time a determination is made as to whether the employee should be certified in the position or be discharged. The Illinois Administration Code (80 Ill. Adm. Code 302.270) states performance records shall include an evaluation of employee performance, and that for every certified employee, each agency shall prepare such an evaluation not less often than annually. In addition, good business practices require agencies to ensure accurate and timely information flow to facilitate operational planning and guide employee actions.

Department personnel stated that some evaluations were not completed due to management turnover. Other evaluations were not completed due to the multitude of responsibilities and competing demands on the Department's supervisory and managerial staff.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions.

In addition, during the prior examination period, it was noted the Department did not timely communicate performance evaluations to employees. In the current examination period, we did not note any untimely communication of performance evaluations. (Finding Code No. 11-9, 09-7, 07-13, 05-10)

RECOMMENDATION

We recommend the Department implement internal controls to ensure required employee performance evaluations are completed in a timely manner and in accordance with the Department's policy.

DEPARTMENT RESPONSE

Evaluations were not completed due to management turnover. Other evaluations were not completed due to the multitude of responsibilities and competing demands on the Department's supervisory and managerial staff. However, evaluations are not the foundation for salary adjustments since 93 of our current 98 employees are in bargaining units and contract language is followed for salary adjustments, promotion, demotion, discharge, and layoff, recall, and reinstatement decisions. The 5 merit comp staff do not receive salary adjustments based on evaluations – these adjustments are rare and when they do occur, are based on a statewide budget-related formula.

11-10. FINDING (Nonpayment of revolving funds)

The Department of Labor (Department) failed to pay $333,087 to the Department of Central Management Services (CMS) as of June 30, 2011.

The Department purchases various goods and services from CMS and is billed for these through revolving funds, which are accounted for as Internal Service Funds. In our testing, we found the Department still owed CMS revolving funds the following amounts as of June 30, 2011:

Communications Revolving Fund	$144,642
Statistical Services Revolving Fund	$188,445
Total	$333,087

The above amounts are for goods and services purchased from CMS from Fiscal Year 2009 through Fiscal Year 2010. As of November 30, 2011, the Department has paid $139,139 to the Statistical Services Revolving Fund.

CMS Administrative Rules (74 Ill. Adm. Code 1000.50) requires user agencies to process payments within 30 days after physical receipt of Internal Service Funds bills and to make reasonable efforts to review, approve, and pay all Internal Service Fund bills in the fiscal year in which the liability was incurred. User agencies are not to leave Internal Service Fund bills unpaid in order to circumvent fiscal year budgetary controls. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems of internal fiscal and administrative controls which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over the State's resources.

Department personnel stated that in Fiscal Year 2011, the Department paid all CMS Fiscal Year 2011 invoices and the amount outstanding is from previous years.

Failure to pay for the services provided to it by CMS represents noncompliance with the Illinois Administrative Code, obligates the State without authorization, and prevents the Department from abiding by the appropriation authority given to it by the General Assembly. (Finding Code No. 11-10, 09-9)

RECOMMENDATION

We recommend the Department work with the Governor's Office of Management and Budget to determine a method by which to become current with its balance due from Fiscal Years 2009 and 2010 to CMS and initiate reductions in other areas to ensure sufficient funds to pay for the services provided by CMS.

DEPARTMENT RESPONSE

In Fiscal Year 2011, the Department paid all CMS Fiscal Year 2011 invoices; the amount outstanding is from previous years. The "Catch UP Billing" Statute, 30ILCS 105/25/(i)(3), permits agencies to pay prior year CMS bills in later years. The Department will continue to use this authorization and seek additional appropriation to pay CMS outstanding invoices.

Prior Findings Not Repeated

A. **FINDING** (Inadequate control over employee attendance records and personnel functions)

During the prior examination, the Illinois Department of Labor (Department) did not exercise adequate controls over employee attendance records and personnel functions.

During the current examination, our testing results indicate the Department did exercise adequate controls over employee attendance records and personnel functions. (Finding Code No. 09-8)

B. **FINDING** (Improper use of appropriated funds)

During the prior examination, the Illinois Department of Labor (Department) improperly used funds appropriated by the General Assembly.

During the current examination, according to our test results, the Department properly used funds appropriated by the General Assembly. (Finding Code No. 09-10)

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 Expenditures of Federal Awards
    Notes to the Schedule of Expenditures of Federal Awards
    Schedule of Appropriations, Expenditures and Lapsed Balances
    Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
    Schedule of Changes in State Property (Not Examined)
    Comparative Schedule of Cash Receipts (Not Examined)
    Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller (Not Examined)
    Analysis of Significant Variations in Expenditures
    Analysis of Significant Variations in Receipts
    Analysis of Significant Lapse Period Spending
    Analysis of Accounts Receivable (Not Examined)

- Analysis of Operations:

    Agency Functions and Planning Program
    Average Number of Employees
    Service Efforts and Accomplishments (Not Examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on Service Efforts and Accomplishments, Schedule of Changes in State Property, Comparative Schedule of Cash Receipts, Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller, and Analysis of Accounts Receivable, on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures 2011	2010
U.S. Department of Labor			
Occupational Safety and Health Administration			
Occupational Safety and Health State Program	17.503	$1,146,765	$615,183
TOTAL EXPENDITURES OF FEDERAL AWARDS		**$1,146,765**	**$615,183**

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended June 30, 2011

NOTE 1 – Significant Accounting Policies

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the State of Illinois, Department of Labor (Department), for the years ended June 30, 2011 and June 30, 2010.

B. Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting.

NOTE 2 – Description of Grant Programs

The following is a brief description of the grant program included in the Schedule of Expenditures of Federal Awards:

Occupational Safety and Health State Program – CFDA #17.503

The Department received a grant from the Occupational Safety and Health Administration to focus on improving workplace safety and health for all workers and to promote a safe and healthy culture through compliance assistance, cooperative programs and strong leadership.

NOTE 3 – Pass-Through and Subrecipient Awards

The Department received all of its Federal assistance from the U.S. Department of Labor, passed through the Occupational Safety and Health Administration, and did not provide any awards to subrecipients.

NOTE 4 – Noncash Awards

The Department did not receive any noncash awards.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Fourteen Months Ended August 31, 2011

P.A. 96-0956 APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Lapse Period Expenditures 7/01 - 8/31/11	Total Expenditures	Balances Lapsed
General Revenue Fund - 001					
Lump Sum Appropriation	$ 5,406,800				
Personal Services		$ 4,272,736	$ 67,368	$ 4,340,104	
State contributions to					
Social Security		318,917	5,154	324,071	
Contractual Services		33,293	178,059	211,352	
Travel		89,052	24,400	113,452	
Commodities		10,898	5,541	16,439	
Printing		3,017	794	3,811	
Equipment		2,243	320	2,563	
Electronic Data Processing		6,325	2,644	8,969	
Telecommunications		-	109,221	109,221	
Other Purposes		-	1,355	1,355	
Total General Revenue Fund	$ 5,406,800	$ 4,736,481	$ 394,856	$ 5,131,337	$ 275,463

Note: Appropriations, expenditures, and lapsed balances were obtained directly from the records of the State Comptroller, which have been reconciled to agency records, except as noted in Finding 11-7.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Fourteen Months Ended August 31, 2011

P.A. 96-0956 APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Lapse Period Expenditures 7/01 - 8/31/11	Total Expenditures	Balances Lapsed
Child Labor Enforcement Trust Fund - 357					
Administration of Child Labor Law	$ 500,000	$ 402,623	$ 18,352	$ 420,975	$ 79,025
Total Child Labor Enforcement Trust Fund	$ 500,000	$ 402,623	$ 18,352	$ 420,975	$ 79,025
Department of Labor Federal Trust Fund - 724					
Administration of Federal Project	$ 1,500,000	$ 1,137,585	9,180	$ 1,146,765	$ 353,235
Total Department of Labor Federal Trust Fund	$ 1,500,000	$ 1,137,585	$ 9,180	$ 1,146,765	$ 353,235
Total - All Appropriated Funds	$ 7,406,800	$ 6,276,689	$ 422,388	$ 6,699,077	$ 707,723
NON-APPROPRIATED FUNDS					
Department of Labor Special State Trust Fund - 251					
Grants and Awards		$ 1,344,135	7,057	$ 1,351,192	
Total All Non-Appropriated Funds		$ 1,344,135	$ 7,057	$ 1,351,192	
GRAND TOTAL ALL FUNDS		$ 7,620,824	$ 429,445	$ 8,050,269	

Note: Appropriations, expenditures, and lapsed balances were obtained directly from the records of the State Comptroller, which have been reconciled to agency records, except as noted in Finding 11-7.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2010

Fourteen Months Ended August 31, 2010

P.A. 96-0042 APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through 6/30/10	Lapse Period Expenditures 7/01 - 8/31/10	Total Expenditures	Balances Lapsed
General Revenue Fund - 001					
Personal Services	$ 4,444,500	$ 4,435,783	$ (29,133)	$ 4,406,650	$ 37,850
State contributions to					
Social Security	340,100	329,409	(9,536)	319,873	20,227
Lump Sum Appropriation	899,900				
Contractual Services		62,749	341,067	403,816	
Travel		109,037	19,303	128,340	
Commodities		13,907	5,831	19,738	
Printing		13,160	2,742	15,902	
Equipment		1,062	1,461	2,523	
Electronic Data Processing		17,230	4,937	22,167	
Telecommunications		-	109,276	109,276	
Other Purposes		609	-	609	
Subtotal					197,529
Total General Revenue Fund	$ 5,684,500	$ 4,982,946	$ 445,948	$ 5,428,894	$ 255,606

Note: Appropriations, expenditures, and lapsed balances were obtained directly from the records of the State Comptroller, which have been reconciled to agency records, except as noted in Finding 11-7.

STATE OF ILLINOIS

ILLINOIS DEPARTMENT OF LABOR

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2010

Fourteen Months Ended August 31, 2010

P.A. 96-0042 APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through 6/30/10	Lapse Period Expenditures 7/01 - 8/31/10	Total Expenditures	Balances Lapsed
Child Labor Enforcement Trust Fund - 357					
Administration of Child Labor Law	$ 500,000	$ 485,424	$ 12,865	$ 498,289	$ 1,711
Total Child Labor Enforcement Trust Fund	$ 500,000	$ 485,424	$ 12,865	$ 498,289	$ 1,711
Department of Labor Federal Trust Fund - 724					
Administration of Federal Project	$ 1,500,000	$ 423,275	191,908	$ 615,183	$ 884,817
Total Department of Labor Federal Trust Fund	$ 1,500,000	$ 423,275	$ 191,908	$ 615,183	$ 884,817
Total - All Appropriated Funds	$ 7,684,500	$ 5,891,645	$ 650,721	$ 6,542,366	$ 1,142,134
NON-APPROPRIATED FUNDS					
Department of Labor Special State Trust Fund - 251					
Grants and Awards		$ 1,085,201	86,165	$ 1,171,366	
Total All Non-Appropriated Funds		$ 1,085,201	$ 86,165	$ 1,171,366	
GRAND TOTAL ALL FUNDS		$ 6,976,846	$ 736,886	$ 7,713,732	

Note: Appropriations, expenditures, and lapsed balances were obtained directly from the records of the State Comptroller, which have been reconciled to agency records, except as noted in Finding 11-7.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

	Fiscal Year		
	2011	2010	2009
	P.A. 96-0956	P.A. 96-0042	P.A. 95-0731
General Revenue Fund - 001			
Appropriations (Net of Transfers)	$ 5,406,800	$ 5,684,500	$ 6,920,200
Personal Services	$ 4,340,104	$ 4,406,650	$ 4,267,690
State contributions to State Retirement	-	-	898,904
State contributions to Social Security	324,071	319,873	316,821
Contractual Services	211,352	403,816	423,747
Travel	113,452	128,340	163,788
Commodities	16,439	19,738	29,373
Printing	3,811	15,902	18,356
Equipment	2,563	2,523	5,051
Electronic Data Processing	8,969	22,167	37,389
Telecommunications	109,221	109,276	86,053
Admin and Oper. Of Displaced Homemaker Grant Program	-	-	27,389
Other Purposes	1,355	609	-
Equal Pay	-	-	197,253
Total Expenditures	$ 5,131,337	$ 5,428,894	$ 6,471,814
Lapsed Balances	$ 275,463	$ 255,606	$ 448,386
Child Labor Enforcement Trust Fund - 357			
Appropriations (Net of Transfers)	$ 500,000	$ 500,000	$ 400,000
Administration of Child Labor Law	$ 420,975	$ 498,289	$ 399,347
Lapsed Balances	$ 79,025	$ 1,711	$ 653
Department of Labor Federal Trust Fund - 724			
Appropriations (Net of Transfers)	$ 1,500,000	$ 1,500,000	$ -
Administration of Federal Project	$ 1,146,765	$ 615,183	$ -
Lapsed Balances	$ 353,235	$ 884,817	$ -

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

	Fiscal Year		
	2011	2010	2009
	P.A. 96-0956	P.A. 96-0042	P.A. 95-0731
GRAND TOTAL - ALL APPROPRIATED FUNDS			
Appropriations (Net of Transfers)	$ 7,406,800	$ 7,684,500	$ 7,320,200
Total Expenditures	$ 6,699,077	$ 6,542,366	$ 6,871,161
Lapsed Balances	$ 707,723	$ 1,142,134	$ 449,039
NON-APPROPRIATED FUNDS			
Department of Labor Special State Trust Fund - 251			
Grants and Awards	$ 1,351,192	$ 1,171,366	$ 1,181,453
Total All Non-Appropriated Funds	$ 1,351,192	$ 1,171,366	$ 1,181,453
GRAND TOTAL EXPENDITURES - ALL FUNDS	$ 8,050,269	$ 7,713,732	$ 8,052,614
General Revenue Fund - 001 State Comptroller State Officers' Salaries			
Appropriations (Net of Transfers)	$ 346,900	$ 346,900	$ 346,900
Director	$ 121,493	$ 124,090	$ 124,090
Assistant Director	89,949	113,141	113,141
Chief Factory Inspector	49,780	52,179	52,179
Superintendent of Safety Inspection Education	-	28,698	57,396
Total Expenditures	$ 261,222	$ 318,108	$ 346,806
Lapsed Balances	$ 85,678	$ 28,792	$ 94

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
SCHEDULE OF CHANGES IN STATE PROPERTY (NOT EXAMINED)
For the Two Years Ended June 30, 2011

		Equipment
Balance at July 1, 2009	$	486,945
Additions		201,718
Deletions		-
Net Transfers		-
Balance at June 30, 2010	$	688,663
Balance at July 1, 2010	$	688,663
Additions		89,209
Deletions		(13,332)
Net Transfers		(113,613)
Balance at June 30, 2011	$	650,927

Note: Data presented is considered not examined. The above schedule has been derived from property reports submitted to the Office of the Comptroller. We were unable to reconcile the property records submitted to the Office of the Comptroller to records maintained within the Department. See Finding Code No. 11-3 and the Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF CASH RECEIPTS (NOT EXAMINED)
For the Fiscal Years Ended June 30,

GENERAL REVENUE FUND - 001	Fiscal Year 2011	2010	2009
Private Employment Agencies Inspection Fees	$ 95,720	$ 120,346	$ 117,000
Labor Standards Fees	2,260	4,150	3,700
Carnival-Amusement Ride Inspection Fees	273,510	167,529	137,690
Nurse Agencies	64,000	87,775	88,260
Miscellaneous	14,997	11,166	5,799
Fines and Penalties	271,243	321,540	342,759
Total Receipts	$ 721,730	$ 712,506	$ 695,208

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)
For the Fiscal Years Ended June 30,

GENERAL REVENUE FUND - 001	2011	2010	2009
Receipts per Department Records	$ 721,730	$ 712,506	$ 695,208
Add: Deposits in Transit, Beginning of Year	*	*	245,127
Less: Deposits in Transit, End of Year	*	*	(117,692)
Deposits Remitted to the Comptroller	$ 719,384	$ 724,219	$ 822,643

* Note: Data presented is considered not examined. See Finding Code No. 11-1 and the Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF CASH RECEIPTS (NOT EXAMINED)
For the Fiscal Years Ended June 30,

	Fiscal Year		
SPECIAL STATE TRUST FUND - 251	2011	2010	2009
Collection of Labor Law Claims	$ 1,526,089	$ 1,795,597	$ 1,687,235

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)
For the Fiscal Years Ended June 30,

SPECIAL STATE TRUST FUND - 251	2011	2010	2009
Receipts per Department Records	$ 1,526,089	$ 1,795,597	$ 1,687,235
Add: Deposits in Transit, Beginning of Year	*	*	390,696
Less: Deposits in Transit, End of Year	*	*	(417,827)
Adjustments			
Returned Checks	*	*	(4,127)
Prior Year Warrant Voids	*	*	2,340
Other Adjustments	*	*	-
Deposits Remitted to the Comptroller	$ 1,420,350	$ 1,923,191	$ 1,658,317

* Note: Data presented is considered not examined. See Finding Code No. 11-1 and the Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF CASH RECEIPTS (NOT EXAMINED)
For the Fiscal Years Ended June 30,

	Fiscal Year		
CHILD LABOR LAW ENFORCEMENT FUND - 357	2011	2010	2009
Civil Penalties	$ 20,940	$ 407,945	**
Day Labor Agencies Fees	390,750	4,500	**
Total Receipts	$ 411,690	$ 412,445	$ 431,335

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)
For the Fiscal Years Ended June 30,

CHILD LABOR LAW ENFORCEMENT FUND - 357	2011	2010	2009
Receipts per Department Records	$ 411,690	$ 412,445	$ 431,335
Add: Deposits in Transit, Beginning of Year	*	*	179,945
Less: Deposits in Transit, End of Year	*	*	(11,845)
Adjustments	*	*	(1,250)
Deposits Remitted to the Comptroller	$ 410,590	$ 419,820	$ 598,185

* Note: Data presented is considered not examined. See Finding Code No. 11-1 and the Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes.

** Note:

Audit report for the fiscal year ending June 30, 2009 did not segregate civil penalty fees from day labor agency fees. Therefore, these amounts have only been presented in total.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF CASH RECEIPTS (NOT EXAMINED)
For the Fiscal Years Ended June 30,

	Fiscal Year		
EMPLOYEE CLASSIFICATION FUND - 446	2011	2010	2009
Miscellaneous	$ 21,917	$ 15,167	$ -

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)
For the Fiscal Years Ended June 30,

EMPLOYEE CLASSIFICATION FUND - 446	2011	2010	2009
Receipts per Department Records	$ 21,917	$ 15,167	$ -
Add: Deposits in Transit, Beginning of Year	-	*	-
Less: Deposits in Transit, End of Year	-	*	-
Adjustments			
Returned Checks	-	*	-
Other Adjustments	-	*	-
Deposits Remitted to the Comptroller	$ 21,917	$ 15,567	$ -

* Note: Data presented is considered not examined. See Finding Code No. 11-1 and the Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
COMPARATIVE SCHEDULE OF CASH RECEIPTS (NOT EXAMINED)
For the Fiscal Years Ended June 30,

FEDERAL PROJECTS FUND - 724	Fiscal Year 2011	2010	2009
Administration of Federal Project	$ 1,212,000	$ 544,663	$ -

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)
For the Fiscal Years Ended June 30,

FEDERAL PROJECTS FUND - 724	2011	2010	2009
Receipts per Department Records	$ 1,212,000	$ 544,663	$ -
Add: Deposits in Transit, Beginning of Year	-	-	-
Less: Deposits in Transit, End of Year	-	-	-
Adjustments			
Returned Checks	-	-	-
Other Adjustments	-	-	-
Deposits Remitted to the Comptroller	$ 1,212,000	$ 544,663	$ -

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2011 AND 2010

General Revenue Fund (001)

Contractual Services and Electronic Data Processing
Contractual services and electronic data processing expenditures decreased during Fiscal Year 2011 due to the loss in appropriations for the year. The appropriations for Fund 001 decreased $277,700 from the previous Fiscal Year. Department personnel stated that the amount paid to the Department of Central Management Services varies according to what the Department can afford each year, based on the appropriation it receives.

Child Labor Fund (357)

Administration of Child Labor Law
Administration of Child Labor Law expenditures decreased during Fiscal Year 2011 due to a decrease in the number of employees being paid from this fund.

Department of Labor Federal Projects Fund (724)

Administration of Federal Projects
The increase in administration of Federal Projects was because the Department was able to use the entire year for expenditures under the grant. The Department paid employees from this fund and bought approximately $88,000 in equipment.

Special State Trust Fund (251)

Grants & Awards
The increase in grants and awards expenditures in Fiscal Year 2011 was due to an increase in the number of claims paid. The number of claims paid fluctuates due to the number of wage claim complaints filed and investigated.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2010 AND 2009

General Revenue Fund (001)

State Contribution to State Employees' Retirement System
State contributions to State Employees' Retirement System expenditures decreased during Fiscal Year 2010 because the State did not make a contribution to State Employees' Retirement System. Department personnel stated the Department has no control over the amount of State contributions to retirement; this is determined at a Statewide level.

Travel
Due to Statewide cut-backs, the Department received a decrease in appropriations of $1,235,700 for Fund 001 during Fiscal Year 2010. As such, the Department was forced to decrease its budget accordingly.

Electronic Data Processing and Telecommunications
Electronic data processing and telecommunications expenditures decreased during Fiscal Year 2010 due to the loss in appropriations for the year. The appropriations for Fund 001 decreased $1,235,700 from the previous Fiscal Year. Department personnel stated that the amount paid to the Department of Central Management Services varies according to what the Department can afford each year, based on the appropriation it receives.

Displaced Homemaker Grant Program Administration
The Displaced Homemaker Grant Program was vetoed during Fiscal Year 2009 and therefore the Department received no appropriations for this program. The amounts expended during Fiscal Year 2009 were limited to salaries for Department employees for a review of proposals prior to program deletion.

Equal Pay
Equal pay expenditures decreased during Fiscal Year 2010 because the Department did not receive any appropriation for it during Fiscal Year 2010. In the previous year, the Department received $206,400 in appropriations for equal pay expenditures.

Child Labor Fund (357)

Administration of Child Labor Law
Administration of Child Labor Law expenditures increased during Fiscal Year 2010 due to increased enforcement efforts by the Department. Additionally, the appropriation for these expenditures increased $100,000 from the previous Fiscal Year.

Department of Labor Federal Projects Fund (724)

Administration of Federal Projects
The Department received a grant in October 2009 to focus on improving workplace safety and health for workers. The Department paid employees out of this fund and bought approximately $106,000 in equipment to aid in achieving the purpose of the grant.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2011

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2011 AND 2010

General Revenue Fund (001)

Carnival-Amusement Ride Inspection Fees
The increase of $105,981 was due to an increase in carnival inspection fees in Fiscal Year 2011.

Fines and Penalties
The decrease of $50,297 is the result of increased compliance among employers and therefore a decrease in the number of complaints filed by workers.

Special State Trust Fund (251)

Collection of Labor Law Claims
The decrease of $269,508 was due to a decrease in wage claim complaints by employees and collections by the Department.

Department of Labor Federal Projects Fund (724)

Administration of Federal Project
The increase of $667,337 is the result of the Department maximizing its federal funding for the OSHA Program in Fiscal Year 2011. In the previous Fiscal Year, the Department only had these federal funds available for nine months as the grant started in October 2009.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2010 AND 2009

Special State Trust Fund (251)

Collection of Labor Law Claims
The increase of $108,362 was due to an overall increase in wage claim complaints by employees and collections by the Department.

Department of Labor Federal Projects Fund (724)

Administration of Federal Project
The increase of $544,633 was due to an OSHA grant received in October 2009. The purpose of the grant is to improve workplace safety and health of workers.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2011

FISCAL YEAR 2011

General Revenue Fund (001)

Contractual Services, Telecommunications, and Electronic Data Processing
Contractual services, telecommunications, and electronic data processing expenditures during the lapse period were mainly made as the Department attempted to catch up on payments for services rendered by the Department of Central Management Services. See Finding Code No. 11-11 for further information.

Travel
Travel expenditures during the lapse period were mainly due to carnival and amusement ride expenses, as the summer months are the busiest season for carnival and amusement ride inspections.

Commodities
Commodities expenditures during the lapse period were the result of supply purchases being delayed until late in the fiscal year in order to make sure the lump-sum appropriation would not be needed to cover more critical expenditures.

FISCAL YEAR 2010

General Revenue Fund (001)

Contractual Services, Telecommunications and Electronic Data Processing
Contractual services, telecommunications, and electronic data processing expenditures during the lapse period were mainly made as the Department attempted to catch up on payments for services rendered by the Department of Central Management Services. See Finding No. 11-11 for further information.

Commodities
Commodities expenditures during the lapse period were the result of supply purchases being delayed until late in the fiscal year in order to make sure the lump-sum appropriation would not be needed to cover more critical expenditures.

Department of Labor Federal Projects Fund (724)

Administration of Federal Project
Administration of federal project expenditures during the lapse period were the result of expenditure transfers by the Department to better allocate expenditures to the grant.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
ANALYSIS OF ACCOUNTS RECEIVABLE (NOT EXAMINED)
For the Fiscal Years Ended June 30,
(amounts expressed in thousands)

General Revenue Fund (Fund 001)	2011	2010	2009
Age			
Current	$ 8	$ -	$ -
1-30 days	-	-	-
31-90 days	-	46	44
91-180 days	1,310	51	274
181 days to 1 year	131	154	421
Over 1 year	507	1,949	1,196
Total	$ 1,956	$ 2,200	$ 1,935
Less: Allowance for Doubtful Accounts	262	262	262
Net Accounts Receivable	$ 1,694	$ 1,938	$ 1,673

Child Labor Enforcement Fund (Fund 357)	2011	2010	2009
Age			
Current	$ -	$ -	$ -
1-30 days	-	-	-
31-90 days	-	-	-
91-180 days	1	-	-
181 days to 1 year	-	-	-
Over 1 year	6	7	9
Total	$ 7	$ 7	$ 9
Less: Allowance for Doubtful Accounts	-	-	-
Net Accounts Receivable	$ 7	$ 7	$ 9

Note: Data presented is considered not examined. The above schedule has been derived from Department records submitted to the Office of the Comptroller. We were unable to reconcile the records maintained within the Department. See Finding No. 11-2 and the Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2011

AGENCY FUNCTIONS AND PLANNING PROGRAM

The Illinois Department of Labor (Department) was created in 1917 through the Civil Administrative Code. The Department administers and enforces various Illinois Labor Laws that regulate wages, hours, working conditions, minors in the workforce, and licensing of employers in certain businesses. Through the regulation of amusement rides, employment agencies, and nurse registries, the Department protects and serves the people of the State of Illinois.

The Department promotes and protects the rights, wages, welfare, working conditions, safety and health of Illinois workers through education and the enforcement of the State labor laws and standards, and safeguards the public through the regulation of amusement rides.

Departmental operations are carried out through the following seven divisions:

1. The Administration Division provides support services and overall administrative resources to the program divisions. These include fiscal/budget management, procurement, legal division, personnel, legislative liaison services, electronic data processing (EDP), and affirmative action.

2. The Legal Division was formed in 1997 as a separate group. The Division carefully maintains a strict separation between its hearing and advocacy functions. The 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 rights, duties, or privileges.

   The Chief Legal Counsel and Assistant Legal Counsel prosecute on behalf of, or defends, the Director and the Department in formal administrative hearings; drafts and analyzes legislation; promulgates regulations; writes articles and issues opinion letters; oversees the Department's lawsuits handled by the Office of the Illinois Attorney General and various State's Attorneys offices; and provides advice and training for the Director and the Department's staff.

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

AGENCY FUNCTIONS AND PLANNING PROGRAM, continued

3. The Equal Opportunity Workforce Division administers the Equal Pay Act, the Victims Economic Security and Safety Act (VESSA), the Private Employment Agencies Act, and the Nurse Agency Licensing Act.

4. The Fair Labor Standards Division is responsible for administering and enforcing nine statutes. These statutes include the Minimum Wage Law, Wage Payment and Collection Act, Day and Temporary Labor Services Act, Child Labor Law, One Day Rest in Seven Act, Farm Labor Contractor Certification Act, Industrial Homework Law, School Visitation Rights Act, and Street Trades Law.

5. The Conciliation and Mediation Division enforces prevailing wage standards for workers employed on public works projects. The Division also provides arbitration and mediation services and enforces certain "whistleblower" protection laws.

6. The Public Employee Safety Division is responsible for occupational safety and health regulations for an estimated 14,000 state and local governmental work sites. The Division's jurisdiction extends protection to more than 727,000 employees working in State, township, county and municipal governments, including park, school and fire protection districts.

7. The Carnival and Amusement Ride Safety Division enforces safety standards through annual inspections and the issuance of permits for amusement rides, inflated attractions, ski lifts, rope tows, go-kart tracks, aerial trams, dry slides and some water amusements. In addition, bungee cords and other elastic devices came under jurisdiction of the Division in 1994. All amusement rides and amusement attractions open to the public are subject to regulation. The Carnival-Amusement Safety Board develops rules, which the Division enforces.

PLANNING PROGRAM

The Department reviews and revises its fiscal year strategic plan annually. The Department's plan delineates priorities and initiatives on which the Department will be focusing its efforts. The plan also identifies five key priorities that provide the general framework for the Department's operations. They are as follows:

1. Administer all state labor laws effectively.
2. Assure minimum wage, overtime, and wage claims are properly paid.
3. Promote and enforce the Equal Pay Act.
4. Assure prevailing wage is paid, when required.
5. Inspect public buildings and amusement rides for health & safety violations.

MONITORING

The progress on individualized tasks identified in the plan is monitored through monthly reports. Each division prepares a monthly report, which reflects the division's activity during the month. These reports are especially useful for the divisions that have field inspectors and employees who work away from their Department's offices, as they show what the field inspectors have been working on and have accomplished during the reporting period.

Additionally, the Department uses the Governor's Office of Management and Budget Performance Reporting System and Process to develop and 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. Management and Department 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 Special State Trust Fund (Fund 251) as an agency fund in the State Treasury. The purpose of Fund 251 is to hold wage claims collected from employers by the Department on behalf of Illinois 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, the balances in Fund 251 as of June 30, 2010 and June 30, 2011 were $1,524,265 and $1,513,315, respectively. We noted sweeps and transfers out of Fund 251, as administered by the Governor's Office of Management and Budget, during Fiscal Year 2010 totaled $409,000. We did not note any sweeps out of Fund 251 in Fiscal Year 2011. See Finding IM11-9 for additional information.

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF LABOR
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2011

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Department records, presents the average number of employees, by function, for the Fiscal Years ended June 30,

	2011	2010	2009
Division			
General Office	17	18	17
Child Labor and Day and Temporary Labor Services Enforcement	2	2	8
Public Safety	32	14	17
Fair Labor Standards	39	38	39
Equal Pay Act and Victims Economic Security and Safety Act	4	4	3
Total Average Full-Time Employees	94	76	84

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

A summary of operating statistics, prepared from Department records, is presented below.

	Fiscal Year		
	2011	2010	2009
PUBLIC EMPLOYEE SAFETY			
Number of complaints received due to safety problems noted in public buildings	*	40	45
Number of days spent on investigations of safety problems noted in public buildings	*	206	273
Average number of days needed to investigate a safety problem in a public building	*	5.2	6.1
CARNIVAL/AMUSEMENT RIDE SAFETY			
Rides inspected	*	4,736	4,348
Number of amusement ride injuries due to mechanical failure per 10,000,000 riders	*	1.0	-
CHILD LABOR LAW ENFORCEMENT			
Number of child labor law complaints received	*	45	33
Percent of child labor complaints resolved	*	100%	100%
ILLINOIS PREVAILING WAGE			
Prevailing wage complaints completed	*	960	1,033
Percent of complaints investigated and closed within 180 days of receipt	*	61%	63%

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