



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF LABOR

**COMPLIANCE EXAMINATION
For the Two Years Ended: June 30, 2013**

Release Date: April 24, 2014

Summary of Findings:

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

SYNOPSIS

- Controls over revenues and related reporting were not adequate.
- The Department lacked adequate control over accounts receivable records and reporting.
- The Department failed to record and report State property accurately and timely.
- The Department's Special State Trust Fund expenditures were not properly supported with detailed or accurate records.
- The Department did not perform adequate and/or accurate expenditure and fund accounting reconciliations.

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

**ILLINOIS DEPARTMENT OF LABOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

EXPENDITURE STATISTICS	2013	2012	2011
Total Expenditures (All Funds).....	\$ 11,682,404	\$ 10,189,497	\$ 8,050,269
OPERATIONS TOTAL.....	\$ 9,511,853	\$ 8,388,122	\$ 6,699,077
% of Total Expenditures.....	81.4%	82.3%	83.2%
Personal Services.....	4,786,045	4,342,559	4,589,440
Other Payroll Costs (FICA, Retirement).....	543,025	473,230	486,360
All Other Operating Expenditures.....	4,182,783	3,572,333	1,623,277
AWARDS AND GRANTS.....	\$ 2,170,551	\$ 1,801,375	\$ 1,351,192
% of Total Expenditures.....	18.6%	17.7%	16.8%
Total Receipts.....	\$ 7,027,283	\$ 5,704,927	\$ 3,893,426
Average Number of Employees (not examined).....	94	94	94

SELECTED ACTIVITY MEASURES (NOT EXAMIN	2013	2012	2011
Complaints Received Due to Safety Problems			
Noted in Public Buildings.....	*	123	4
Carnival Rides Inspected.....	*	4,064	3,800
Prevailing Wage Complaints Completed.....	*	777	1,084
*Fiscal Year 2013 information was not available as of the date the report was prepared			

AGENCY DIRECTOR
During Examination Period: Joseph Costigan
Currently: Joseph Costigan

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

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

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

Receipts were deposited late

- Four of 60 (7%) receipts tested, totaling \$903, were deposited between 1 and 11 days late.

Treasurer's Drafts were remitted late

- For 5 of 60 (8%) receipts tested, totaling \$1,729, Treasurer's Drafts were submitted to the Office of the State Comptroller between 3 and 40 days late.

Fee imposition reports were not supported

- The Department did not maintain documentation to support amounts reported on their Agency Fee Imposition Reports. The Fiscal Year 2012 and Fiscal Year 2013 report had a \$1,500 and \$116,494 understatement, respectively, due to a misclassification of fees collected. (Finding 1, pages 8-11) **This finding was first reported in 2005.**

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

Department agrees with auditors

Department officials agreed with the recommendation and stated they are in the process of hiring additional employees and have updated procedures to expedite processing and allow for better controls. (For previous agency response, see Digest Footnote #1)

**NEED TO IMPROVE CONTROLS OVER ACCOUNTS
RECEIVABLE RECORDS AND REPORTING**

The Department did not exercise adequate controls over accounts receivable records and reporting. Some of the conditions noted follow:

Quarterly reporting not completed

- For 3 of the 8 (38%) quarters selected for testing, the Department did not complete a Collections Activity for Accounts over 180 Days Past Due report or a Quarterly

Reporting of Accounts Receivable Activity Concerning the Collection of Accounts Over 180 Days Past Due and Accounts Over \$15,000 report.

Reports not properly supported

- Two of the 2 (100%) Quarterly Summary of Accounts Receivable, Aging of Total Gross Receivables reports prepared by the Department selected for testing were not properly supported by a Department prepared aging schedule.

Records not maintained

- The Department did not maintain adequate accounts receivable records for 2 of 4 (50%) accounts receivable balances selected for testing. We noted a difference totaling \$3,104.

Reports submitted late

- Four of 16 (25%) Quarterly Summary of Accounts Receivable reports were submitted to the Office of the State Comptroller between 28 and 106 days late. (Finding 2, pages 12-14) **This finding was first reported in 2005.**

We recommended the Department review all reports before submission to the Office of the State Comptroller to ensure accuracy. Also, the Department should maintain detailed records and supporting documentation of all billings and collections to support accounts receivable balances reported.

Department agrees with auditors

Department officials agreed with the recommendation and stated they are in the process of hiring additional employees and have updated procedures to expedite processing and allow for better controls. (For previous agency response, see Digest Footnote #2)

NEED TO IMPROVE CONTROLS OVER PROPERTY

The Department did not exercise adequate control over the accuracy and timeliness of reporting State Property. Some of the conditions noted follow:

Inaccurate reports submitted to the Office of the Comptroller

- Eight of 8 (100%) Quarterly Reports of State Property prepared by the Department and submitted to the Office of the State Comptroller did not accurately reflect Department equipment transactions. We noted differences between the addition, deletion, transfer, and ending balance amounts reported and the Department's quarterly transaction spreadsheets.

Property could not be located

- Fifteen of 40 (38%) items tested, totaling \$3,665, appeared on the Department's property inventory register but could not be located within the Department.

Property additions could not be traced to property records

- Property additions, totaling \$208,411, could not be traced to the Department's property inventory register.

Incomplete property records

- The Department’s property inventory register did not include a purchase date for 10 of 40 (25%) items tested, totaling \$580. In addition, 9 of 40 (23%) items tested did not include a purchase price.

Property in wrong location

- Seventeen of 80 (21%) items tested, totaling \$4,848, were found in another location other than the proper location according to the Department’s property inventory register. (Finding 3, pages 15-18) **This finding was first reported in 2003.**

We recommended the Department strengthen controls over the recording and reporting of State property by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. Also, the Department should ensure all equipment is accurately and timely recorded on the Departments’ property records and properly valued. Further, the Department should thoroughly review all reports prepared from internal records for accuracy before submission to the Office of the State Comptroller and the Department of Central Management Services.

Department agrees with auditors

Department officials agreed with the recommendation and stated they have created a new position and are filling another position to strengthen controls over State property. (For the previous agency response, see Digest Footnote #3)

INADEQUATE CONTROLS OVER SPECIAL STATE TRUST FUND

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

Failure to maintain ledger

- The Department did not maintain a ledger of claimants and corresponding dollar amounts comprising the balance held in the Special State Trust Fund. The Office of the State Comptroller records showed balances of \$2,189,159 and \$2,182,989 as of June 30, 2012 and June 30, 2013, respectively.

Expenditures did not agree to supporting documentation

- For 5 of 40 (13%) of Fund 251 expenditures tested, the Department’s records for amounts due to a claimant did not agree to underlying supporting documentation.

Funds not transferred to the General Revenue Fund

- The Department had not transferred funds out of Fund 251 to the General Revenue Fund. Checks totaling \$11,739, which had been held in Fund 251 for more than one year, had not been transferred into the General Revenue Fund. (Finding 4, pages 19-20) **This finding was first reported in 2007.**

We recommended the Department maintain detailed records for all Special State Trust fund transactions. We also recommended that case files and proposed claimant expenditures are thoroughly reviewed for accuracy prior to authorization. Further, the Department should comply with the Minimum Wage Law by transferring the required funds from the Special State Trust fund to the General Revenue Fund.

Department agrees with auditors

Department officials agreed with our recommendation and stated they are in the process of making staff changes to help maintain the ledger and have implemented new procedures for the accounting of funds. (For previous agency response, see Digest Footnote #4)

INADEQUATE MAINTENANCE AND RECONCILIATION OF EXPENDITURE RECORDS

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

The Department operated 7 funds during the examination period. We noted the following regarding the Department's reconciliations:

Monthly expenditure reconciliations contained errors

- Errors were noted in 7 of the 73 (10%) reconciliations performed for Fiscal Year 2012 and in 24 of the 70 (34%) reconciliations performed in Fiscal Year 2013.

Department unable to locate support for reconciliations

- The Department was unable to locate documentation to support the reconciliations performed for 5 of the 70 (7%) reconciliations performed in Fiscal Year 2013.

Inadequate controls over monthly expenditure reconciliations

- Two of 73 (3%) monthly reconciliations were not signed off and dated by the preparer or reviewer for Fiscal Year 2012. In addition, 10 of 73 (14%) reconciliations performed in Fiscal Year 2012 were not prepared in a timely manner.

Department unable to locate support for balances

- The Department was unable to locate documentation to support the "Ending Balance of Available Cash" for all 144 fund reconciliations. (Finding 6, pages 24-25)
This finding was first reported in 2007.

We recommended the Department implement procedures to ensure the completeness and accuracy of expenditure records maintained. Also, the Department should also perform and document the results of all monthly reconciliations of Department expenditure and fund balance records to Office of the State Comptroller records and promptly notify the Office of the State Comptroller of any irreconcilable differences noted.

Department agrees with auditors

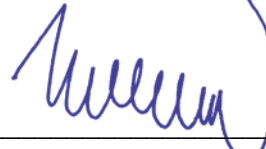
Department officials agreed with the recommendation and stated they are in the process of making staff changes to be able to perform accurate and timely expenditure reconciliations. (For previous agency response, see Digest Footnote #5)

OTHER FINDINGS

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

AUDITORS' OPINION

We conducted a compliance examination of the Illinois Department of Labor as required by the Illinois State Auditing Act. We have not audited any financial statements of the Illinois Department of Labor for the purpose of expressing an opinion because the Illinois Department of Labor does not, nor is it required to, prepare financial statements.



WILLIAM G. HOLLAND, Auditor General

WGH: mfp

AUDITORS ASSIGNED

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

DIGEST FOOTNOTES

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

2011: The Department of Labor agrees with the recommendation and on developing a corrective action plan.

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

2011: The Department of Labor agrees and will continue its review and analysis of the detail comprising the accounts and receivable balance.

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

2011: The Department of Labor agrees and is developing a

corrective action plan.

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

2011: The Department of Labor agrees and is seeking funding to upgrade its computerized systems.

#5 - INADEQUATE MAINTENANCE AND RECONCILIATION OF EXPENDITURE RECORDS- Previous Agency Response

2011: The Department of Labor agrees and contributes many of these differences to timing differences between Office of the State Comptroller and the Department's Records.