



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF EMPLOYMENT SECURITY

**Financial Audit
 For the Year Ended June 30, 2023**

Release Date: August 15, 2024

FINDINGS THIS AUDIT: 8				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	3	3	6	2022		23-8	
Category 2:	1	1	2	2021	23-1		
Category 3:	0	0	0	2020	23-2, 23-5		
TOTAL	4	4	8				
FINDINGS LAST AUDIT: 5							

INTRODUCTION

This digest covers the financial statement audit of the Unemployment Compensation Trust Fund of the State of Illinois, Department of Employment Security (Department) as of and for the year ended June 30, 2023. A digest covering the Department’s State Compliance Examination for the two years ended June 30, 2023, will be released at a later date.

SYNOPSIS

- **(23-1)** The Department failed to maintain accurate and complete Pandemic Unemployment Assistance (PUA) claimant data.
- **(23-5)** The Department did not prepare its year-end bank reconciliations timely and did not record all reconciling items identified in the reconciliation.

Category 1:	Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).
Category 2:	Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.
Category 3:	Findings that have no internal control issues but are in noncompliance with State laws and regulations.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**FAILURE TO MAINTAIN ACCURATE AND
COMPLETE PANDEMIC UNEMPLOYMENT
ASSISTANCE CLAIMANT DATA**

The Department of Employment Security (Department) failed to maintain accurate and complete Pandemic Unemployment Assistance (PUA) claimant data.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provided states the ability to provide unemployment insurance to individuals affected by the pandemic, including those who would not normally be eligible for unemployment. Based on the Department's records, as of the year ended June 30, 2023, 2,828 claimants received payments totaling \$6,171,258.

In order to determine if claimants were eligible for benefits, we requested claimant data. Although the claimant data was provided, the data required considerable manipulation in order to make the data auditable and organized. Therefore, we were unable to determine if the data was complete and accurate. As a result, we were unable to conduct detailed testing to determine whether the claimants were entitled to benefits. (Finding 1, page 24) **This finding has been reported since 2021.**

Completeness and accuracy of PUA claimant data could not be determined

We recommended the Department implement controls to ensure the claimants' data is complete and accurate.

Department accepted recommendation

The Department accepted our recommendation.

**FAILURE TO PERFORM TIMELY CASH
RECONCILIATIONS**

The Department did not prepare its year-end bank reconciliations timely and did not record all reconciling items identified in the reconciliation.

Reconciliations not prepared timely

As part of our audit, we requested copies of the June 30, 2023 bank reconciliations. The reconciliations are between cash as recorded in the Department's general ledger, and cash as reported by the bank for each account. The Department did not have the reconciliations prepared timely for audit fieldwork and we received the final versions of the June 2023 reconciliations on January 16, 2024. In addition, the Department did not record all reconciling items identified in the reconciliation which resulted in an understatement of benefit expense by \$40,125,000, an overstatement of cash reported by \$32,414,000, and an understatement of benefits

payable by \$7,711,000. (Finding 5, page 30) **This finding has been reported since 2020.**

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

Department accepted recommendations

The Department accepted our recommendations.

OTHER FINDINGS

The remaining findings pertain to weaknesses over service providers and failure to implement general information technology controls over the Pandemic Unemployment Assistance System, inadequate controls over receivables and allowances, improper classification of revenue transactions, improper reporting of interest expense, weaknesses in IBIS and BCS application, and inadequate controls over GenTax access. We will review the Department's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION

The auditors qualified their opinion on the statement of revenues, expenses, and changes in net position and cash flows of the Unemployment Compensation Trust Fund of the Department of Employment Security (Department). Except for this matter, the auditors stated the financial statements of the Unemployment Compensation Trust Fund of the Department as of and for the year ended June 30, 2023, are fairly stated in all material respects.

This financial audit was conducted by RSM US LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

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FRANK J. MAUTINO
Auditor General

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