

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

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



**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

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**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

**DEPARTMENT OFFICIALS**

Director (02/24/23 – Present)	Ms. Jane R. Flanagan
Director (Acting) (03/02/22 – 02/23/23)	Ms. Jane R. Flanagan
Director (Acting) (02/01/22 – 03/01/22)	Ms. Dana M. O’Leary
Director (07/01/21 – 01/31/22)	Mr. Michael D. Kleinik
Assistant Director (03/08/22 – Present)	Mr. Jason Keller
Assistant Director (Acting) (07/01/21 – 03/07/22)	Mr. Jason Keller
Chief Legal Counsel (03/16/23 – Present)	Mr. Andrew Fox
Chief Legal Counsel (01/14/23 – 03/15/23)	Vacant
Chief Legal Counsel (07/01/21 – 01/13/23)	Ms. Yolanda Carrillo
Deputy Legal Counsel (09/18/23 – Present)	Ms. Stephanie Barton
Deputy Legal Counsel (12/16/22 – 09/17/23)	Vacant
Deputy Legal Counsel (06/16/22 – 12/15/22)	Mr. George Petrilli
Deputy Legal Counsel (01/01/22 – 06/15/22)	Vacant
Deputy Legal Counsel (07/01/21 – 12/31/21)	Mr. Shayne Aldridge
Deputy Legal Counsel (03/16/23 – Present)	Mr. Ganapathi Ramaswamy
Deputy Legal Counsel (07/01/21 – 03/15/23)	Vacant
Chief of Staff (10/16/23 – Present)	Ms. Margaret Decker
Chief of Staff (05/01/23 – 10/15/23)	Vacant
Chief of Staff (09/01/21 – 4/30/23)	Ms. Dana O’Leary
Chief of Staff (07/31/21 – 08/31/21)	Vacant
Chief of Staff (07/01/21 – 07/30/21)	Ms. Glenda (Franklin) Lashley
Chief Financial Officer (09/13/21 – Present)	Ms. Molly Kershaw
Chief Financial Officer (09/01/21 – 09/12/21)	Vacant
Chief Financial Officer (07/01/21 – 08/31/21)	Mr. Kenneth Steele
Chief Internal Auditor	Mr. James Froehner

**DEPARTMENT OFFICES**

The Department’s primary administrative offices are located at:

524 South Second Street, Suite 400  
Springfield, Illinois 62701

Michael A. Bilandic Building  
160 North LaSalle – 13<sup>th</sup> Floor  
Chicago, Illinois 60601

Regional Office Building  
2309 West Main Street  
Marion, Illinois 62959



# ILLINOIS DEPARTMENT OF LABOR

**JB PRITZKER**  
GOVERNOR

**JANE R. FLANAGAN**  
DIRECTOR

## MANAGEMENT ASSERTION LETTER

March 11, 2024

West & Company, LLC  
Certified Public Accountants  
919 E. Harris Avenue  
Greenville, IL 62246

To Whom It May Concern:

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 State of Illinois, Department of Labor (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 specified requirements during the two years period ended June 30, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022, and June 30, 2023, the Department has materially complied with the specified requirements listed 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. Other than what has been previously disclosed and reported in the Schedule of Findings, 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. Other than what has been previously disclosed and reported in the Schedule of Findings, 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. Other than what has been previously disclosed and reported in the Schedule of Findings, 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. Other than what has been previously disclosed and reported in the Schedule of Findings, 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.

Lincoln Tower Plaza  
524 South 2nd Street, Suite 400  
Springfield, Illinois 62701  
(217) 782-6206  
Fax: (217) 782-0596

Michael A Bilandic Building  
160 North LaSalle, Suite C-1300  
Chicago, Illinois 60601-3150  
(312) 793-2800  
Fax: (312) 793-5257

Regional Office Building  
2309 West Main Street, Suite 115  
Marion, Illinois 62959  
(618) 993-7090  
Fax: (618) 993-7258

Yours truly,

**SIGNED ORIGINAL ON FILE**

Jane R. Flanagan, Director

**SIGNED ORIGINAL ON FILE**

Molly Kershaw, Chief Fiscal Officer

**SIGNED ORIGINAL ON FILE**

Stephanie Barton, Deputy General Counsel

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

**STATE COMPLIANCE REPORT**

**SUMMARY**

The State compliance testing performed during this examination was conducted 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*.

**ACCOUNTANT’S REPORT**

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain an adverse opinion on compliance and identifies material weaknesses over internal control over compliance.

**SUMMARY OF FINDINGS**

<b>Number of</b>	<b><u>Current Report</u></b>	<b><u>Prior Report</u></b>
Findings	12	12
Repeated Findings	8	8
Prior Recommendations Implemented or Not Repeated	4	6

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings</b>				
2023-001	10	2021/2005	Inadequate Controls Over Accounts Receivable	Material Weakness and Material Noncompliance
2023-002	13	2021/2007	Failure to Establish and Maintain Adequate Internal Control Over the Special State Trust Fund	Material Weakness and Material Noncompliance
2023-003	16	New	Receipt Processing Internal Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2023-004	18	2021/2013	Inadequate Controls Over Personal Services	Material Weakness and Material Noncompliance
2023-005	22	New	Inadequate Controls Over Monthly Reconciliations	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

**SCHEDULE OF FINDINGS (Continued)**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Report</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings (Continued)</b>				
2023-006	24	New	Failure to Fully Utilize the State's Enterprise Resources Planning System	Significant Deficiency and Noncompliance
2023-007	26	New	Inadequate Controls Over Census Data	Significant Deficiency and Noncompliance
2023-008	28	2021/2019	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2023-009	31	2021/2015	Lack of Disaster Contingency Planning or Testing to Ensure the Recovery of Computer Systems	Significant Deficiency and Noncompliance
2023-010	33	2021/2021	Weakness in Change Management of Computer Systems	Significant Deficiency and Noncompliance
2023-011	35	2021/2021	Information Technology Access Weakness	Significant Deficiency and Noncompliance
2023-012	37	2021/2003	State Property Control Weaknesses	Significant Deficiency and Noncompliance
<b>Prior Finding Not Repeated</b>				
A	38	2021/2021	Noncompliance with the Project Labor Agreements Act	
B	38	2021/2015	Noncompliance with the Employee Classification Act	
C	38	2021/2015	Noncompliance with the Fiscal Control and Internal Auditing Act	
D	38	2021/2021	Lack of Adequate Controls over the Review of Internal Controls for Service Providers	

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

**EXIT CONFERENCE**

The Department waived an exit conference in a correspondence from James Froehner, Chief Internal Auditor, on February 20, 2024. The responses to the recommendations were provided by James Froehner, Chief Internal Auditor, in a correspondence dated February 29, 2024.





919 East Harris Avenue  
Greenville, Illinois 62246

(618) 664-4848  
www.westcpa.com

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

**Report on State Compliance**

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Labor (Department) with the specified 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, 2023. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- 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.

Our examination was conducted 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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department complied with the specified requirements. The nature,

timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Department's compliance with the specified requirements.

Our examination disclosed material noncompliance with the specified requirements during the two years ended June 30, 2023. As described in items 2023-001 through 2023-012 in the accompanying Schedule of Findings, the Department did not comply with the specified requirements. Items 2023-001 through 2023-004 are each considered to represent material noncompliance with the specified requirements. As described in the accompanying Schedule of Findings as items 2023-001 and 2023-002, the Department had not 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. As described in the accompanying Schedule of Findings as items 2023-001 through 2023-004, the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. As described in the accompanying Schedule of Findings as items 2023-001 and 2023-002, the Department had not ensured the State revenues and receipts collected by the Department were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law. As described in the accompanying Schedule of Findings as items 2023-001 and 2023-002, money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department had not been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law. Items 2023-005 through 2023-012 individually would have been regarded as significant noncompliance with the specified requirements; however, when aggregated, we determined these items constitute material noncompliance with the specified requirements.

In our opinion, because of the significance and pervasiveness of the material noncompliance with the specified requirements described in the preceding paragraph, the Department did not comply with the specified requirements during the two years ended June 30, 2023, in all material respects.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

## **Report on Internal Control Over Compliance**

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-001 through 2023-004 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-005 and 2023-012 to be significant deficiencies.

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

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Greenville, Illinois  
March 11, 2024

**STATE OF ILLINOIS**  
**DEPARTMENT OF LABOR**  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS**  
**For the Two Years Ended June 30, 2023**

2023-001     **FINDING**     (Inadequate Controls Over Accounts Receivable)

The Department of Labor (Department) did not exercise adequate control over its accounts receivable and related reporting.

During testing, we noted the following:

- The Department was unable to provide detailed individual accounts receivable records for the General Revenue Fund (Fund 001), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Employee Classification Fund (Fund 446), and Wage Theft Enforcement Fund (Fund 885).
- The Department’s *Accounts Receivable Activity* (Form C-97) did not report any amounts considered to be uncollectible and did not report any write-offs during Fiscal Year 2022 and Fiscal Year 2023. The Department started Fiscal Year 2022 with approximately \$1.3 million in accounts receivable, which went to zero as of June 30, 2022 after making negative adjustments, totaling approximately \$1 million, to change accounts receivable to zero.
- The Department was unable to provide an aging schedule to support its *Aging of Total Gross Receivables* (Form C-98).
- The Department was unable to provide current policies or procedures for handling and reporting its accounts receivable, tracking and monitoring complaints received, posting delinquent accounts receivable into the Office of the Comptroller’s (Comptroller) Illinois Debt Recovery Offset Portal system or pursuing other debt collection procedures, and writing off uncollectible receivables.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/3) states it is the “public policy of this State to aggressively pursue the collection of accounts or claims due and payable to the State of Illinois through all reasonable means.” The Statewide Accounting Management System (SAMS) (Procedure 26.20.10) requires the Department recognize receivables when an entity owes an amount to the State and the transaction is completed to the extent that payment is the only unconsummated act. In addition, SAMS (Procedure 26.40.10) requires the Department to maintain complete and accurate records of all collection efforts related to each past due account and recommends debts be reaffirmed with a letter and telephone call during the first 60 days after an account becomes past due. Under SAMS (Procedure 26.40.10), these records should, at a minimum, include a listing of accounts receivable, detail transaction histories for each account, collection attempt history, referrals to the Comptroller’s Offset System, the Department of Revenue’s Debt Collection Bureau, and/or the Attorney General’s Office, and any write-off transactions with required approvals.

Due to these conditions, we were unable to conclude whether the Department’s population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Department’s accounts receivable.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS  
For the Two Years Ended June 30, 2023**

2023-001      **FINDING**      (Inadequate Controls Over Accounts Receivable) (Continued)

*Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole*, we performed the following tests:

- The Department was unable to provide supporting documentation for additions or collections reported on Form C-97 during Fiscal Years 2022 and 2023.

The State Records Act (5 ILCS 160/8) requires the Department to make and preserve adequate and proper documentation of the Department’s essential transactions designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department’s activities.

- Six of 8 (75%) Form C-97 tested did not have documentation retained to indicate the individual who prepared and supervisor review of the forms.
- Two of 8 (25%) Form C-97 tested did not have documentation retained to indicate the dates the forms were filed with the Comptroller.
- Two of 8 (25%) Form C-97 were filed 12 and 13 days late.
- Two of 8 (25%) Form C-97 tested were not submitted to the Comptroller.

SAMS (Procedure 26.30.10) states the Form C-97 must be received by the Comptroller no later than the last day of the month following the end of the quarter. In addition to the foregoing, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State’s resources.

This finding has been reported since 2005 and the Department has failed to take sufficient, substantive corrective actions to resolve the cause of this finding.

Department management indicated the deficiencies noted above were due to the Department previously believing they did not have accounts receivables.

Failure to exercise adequate controls over accounts receivable led to reporting errors, reducing the reliability of Statewide financial information, and could result in delays in collecting cash from outstanding accounts receivable. In addition, failure to establish and maintain internal controls over accounts receivable increases the risk that errors or irregularities could occur and not be found in the normal course of operations and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2023-001, 2021-001, 2019-002, 2017-002, 2015-002, 2013-002, 11-2, 09-2, 07-2, 05-4)

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS  
For the Two Years Ended June 30, 2023**

2023-001      **FINDING**      (Inadequate Controls Over Accounts Receivable) (Continued)

**RECOMMENDATION**

We recommend the Department take action to ensure its accounts receivable are properly recorded, collection efforts are made, and accounts receivable reports are properly prepared in accordance with all applicable laws, rules, and regulations.

**DEPARTMENT RESPONSE**

Agree. The Department has met with the external auditors regarding this finding and has a better understanding of how they define an account receivable. The Department will work on reconciling the audit definition of an account receivable with legal standards for when a fine, penalty, or fee becomes due and collectible by the Department.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS  
For the Two Years Ended June 30, 2023**

2023-002      **FINDING**      (Failure to Establish and Maintain Adequate Internal Control Over the Special State Trust Fund)

The Department of Labor (Department) failed to establish and maintain adequate control over its Special State Trust Fund (Fund 251), which holds unpaid wages due to employees. As of June 30, 2023, Fund 251 had \$1,593,905 in cash.

Pursuant to the Illinois Wage Payment and Collection Act (WPCA) (820 ILCS 115/11.5(a)), the Department collects, when necessary, an employee’s wages or final compensation due and holds these moneys until the employee (now, claimant) can be located by the Department and properly paid. Additionally, pursuant to the Minimum Wage Law (MWL) (820 ILCS 105/12(b)), the Department collects, when necessary, unpaid minimum wages and overtime due to employees and holds these moneys until the employee (now, claimant) can be located by the Department and properly paid. Finally, the Statewide Accounting Management System (SAMS) (Procedure 05.50.01) notes fiduciary funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, and SAMS (Exhibit 27.50.10-A) notes Fund 251 is an agency type of fiduciary fund.

During our testing, we noted the following:

- Eight of 60 (13%) claimant payments tested, totaling \$59,164, were approved for payment between 14 to 32 days after the Department determined the monies were owed to the claimant.

The WPCA (820 ILCS 115/11.5(b)) requires the Department to pay valid claims upon request from the claimant. As the Department has not adopted administrative rules regarding the amount of time needed to reasonably process a claim as allowed by the WPCA (820 ILCS 115/11.5(c)), we considered the WPCA’s requirement for all wages due to employees be paid within 13 days of the end of a payroll period under the WPCA (820 ILCS 115/4) to be a reasonable period of time to process these claims and present a voucher for payment to the Office of the State Comptroller (Comptroller).

- We were unable to reconcile the Department’s ledger of claimants to Fund 251’s cash balance from the Monthly Cash Report (SB05) prepared by the Comptroller. We noted unreconciled differences of \$1,487,630 and \$1,554,686 at June 30, 2022, and June 30, 2023, respectively.

SAMS (Procedure 07.30.20) notes the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that insures these requirements are being satisfied.

Further, since this is a purely custodial fund, assets must equal its liabilities; therefore, the available cash within Fund 251 should reconcile to the Department’s listing of amounts collected on behalf of, and now due to, claimants.

**STATE OF ILLINOIS**  
**DEPARTMENT OF LABOR**  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS**  
**For the Two Years Ended June 30, 2023**

2023-002

**FINDING** (Failure to Establish and Maintain Adequate Internal Control Over the Special State Trust Fund) (Continued)

Additionally, the State Records Act (5 ILCS 160/8) requires the Department to make and preserve adequate and proper documentation of the functions, procedures, and essential transactions of the Department to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

- At June 30, 2023, the Department is holding claimant balances related to activity in previous Fiscal Years. Each of these balances require a proper disposition by the Department.

For wages collected pursuant to the MWL, the MWL (820 ILCS 105/12(b)) requires any sum unable to be paid to an employee within one year after its recovery shall be transferred into the General Revenue Fund. For wages collected pursuant to the WPCA, as no direct statutory disposition has been established under the WPCA, these amounts represent property held by a government. The Revised Uniform Unclaimed Property Act (RUUPA) (765 ILCS 1026/15-201) notes property held by a government shall be presumed abandoned after three years. Further, the RUUPA (765 ILCS 1026/15-403(a)) requires the Department to annually report property presumed abandoned under the RUUPA as of June 30 to the State Treasurer for in-State addresses and to other state authorities for out-of-State addresses, along with a report with information about the owner of the property and the history of the transaction, by November 1.

In addition to the foregoing, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources. Good internal controls over compliance include establishing a control environment that allows the Department to carry out its assigned duties and responsibilities in accordance with State laws, rules, and regulations as written.

This finding has been reported since 2007 and the Department has failed to take sufficient, substantive corrective actions to resolve the cause of this finding.

Department management indicated there has been historical issues with fiscal staff turnover and inadequate record-keeping systems have limited the Department's ability to comply with applicable State laws, rules, and regulations. In addition, the administration wants to ensure due diligence is taken in finding claimants their money and this process is time consuming.

Failure to establish and maintain adequate control over Fund 251 resulted in delays in paying collected back wages due to claimants, hinders the reliability of Statewide financial reporting, delays the payment of State obligations from the General Revenue Fund, delays claimants from identifying unclaimed property through the State Treasurer's unclaimed property program and/or other states' unclaimed property programs, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2023-002, 2021-002, 2019-003, 2017-003, 2015-003, 2013-004, 11-4, 09-4, 07-4)



**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS  
For the Two Years Ended June 30, 2023**

2023-002

**FINDING** (Failure to Establish and Maintain Adequate Internal Control Over the Special State Trust Fund) (Continued)

**RECOMMENDATION**

We recommend the Department take action to ensure:

- claimant payments are promptly processed and paid, along with the posting of proper accounting entries, when distributed from Fund 251;
- reconciliations of the total amount due to claimants at the end of each month to the SB05 report are performed and any unreconciled discrepancies are investigated and properly resolved;
- amounts due to claimants older than one year under the MWL are promptly transferred to the General Revenue Fund, with the timely posting of proper accounting entries; and,
- amounts due to claimants under the WPCA are properly handled under the relevant provisions of the RUUPA, with the timely posting of proper accounting entries.

**DEPARTMENT RESPONSE**

Agree. Since Fiscal Year 2020, the Department has more closely tracked claimants for whom the Department has collected back wages and penalties. Since that time the Department has updated several of the statutes it enforces (Illinois Wage Payment and Collection Act and Illinois Minimum Wage Act) as well as its administrative rules to clarify the timeline and process for distributing funds to wage claimants and identifying those funds for which the claimant/employee cannot be located. The Department has also recently developed an updated internal policy regarding when unclaimed funds should be sent to the Illinois State Treasurer's Unclaimed Property Fund.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS  
For the Two Years Ended June 30, 2023**

2023-003      **FINDING**      (Receipt Processing Internal Controls Not Operating Effectively)

The Department of Labor’s (Department) internal controls over its receipt processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our receipt and refund testing at the Department to determine whether certain key attributes were properly entered by the Department’s staff into the ERP. In order to determine the operating effectiveness of the Department’s internal controls related to receipt and refund processing, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the ERP System based on supporting documentation. The attributes tested for receipts were (1) amount, (2) fund being deposited into, (3) date of receipt, (4) date deposited, and (5) SAMS Source Code. The attributes tested for refunds were (1) amount, (2) date of receipt, (3) date deposited, and (4) offset against the correct appropriation code.

Our testing noted:

- Forty-one of 140 (29%) attributes were not properly entered into the ERP System. Therefore, the Department’s internal controls over receipt processing **were not operating effectively.**
- Eight of 20 (40%) attributes were not properly entered into the ERP System. Therefore, the Department’s internal controls over refund receipt processing **were not operating effectively.**

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Department to maintain a detailed record of all moneys received, which is to include date of receipt, the payor, purpose and amount, and the date and manner of disbursement. Additionally, Statewide Accounting Management System (Manual) (Procedure 25.10.10) requires the Department to segregate the moneys into funds and document the source of the moneys. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to the 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.

Due to this condition, we have a modified opinion because we determined the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even give the limitations noted above, we conducted an analysis of the Department’s receipts data for fiscal years 2022 and 2023 to determine compliance with the Act. We noted the Department’s receipts data did not document the date on which the payment was received for 9,106 of 9,106 (100%) receipts. As such, we were unable to determine if the Department deposited the receipts timely.



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2023-004      **FINDING**      (Inadequate Control over Personal Services)

The Department of Labor (Department) failed to maintain proper controls over its personal services functions.

During testing, we noted:

- Four of 32 (13%) employees had missing performance evaluations during the examination period.

The Illinois Department of Labor Policy Manual (Manual) requires certified employees to be evaluated once per year. Further, the Manual requires employees serving a six-month probationary period to be evaluated at the end of their third month and again at the end of 5½ months of employment. Further, the Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270(d)) requires the Department to prepare an evaluation of its employees not less often than annually.

- We tested employee personnel files for Employment Eligibility Verification (Form I-9) forms for 32 employees and noted:
  - I-9 forms could not be located for 2 (6%) employees.
  - Incomplete I-9 forms were on file for 3 (9%) employees. In each instance, Section 2 of the I-9 form was not completed by the employer.
  - One (3%) I-9 form was completed late by the employer. Section II was completed and signed 154 days after the employee’s third day of employment.
  - Two (6%) employee’s completed and dated Section I of Form I-9 four and 157 days after commencing employment.

The Immigration Reform and Control Act of 1986 (Act) (8 U.S. Code § 1324a) requires an entity hiring an individual for employment in the United States to attest, under penalty of perjury and on a form designated or established by the Attorney General by regulation, that it has verified that the individual is not an unauthorized alien. Such attestation is required to be made by completing Form I-9, in which the employee is required to complete Section 1 by the employee’s first day of employment. The Act further requires completed I-9 forms to be retained for a period beginning on the date of the hiring, recruiting, or referral of the individual and ending three years after the date of hiring or one year after the individual is terminated, whichever is later. The Code of Federal Regulations (8 C.F.R. § 274a.2(b)(1)(ii)(B)) requires each employer to complete Section 2 on the Form I-9 within three business days after an employee is hired and sign the attestation in the appropriate place. Additionally, the State Records Act (5 ILCS 160/8) requires the Department to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Department designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Department’s activities.

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2023-004      **FINDING**      (Inadequate Control over Personal Services) (Continued)

- We tested attendance records for 32 employees and noted:
  - Fourteen (44%) employees tested failed to timely submit weekly timesheets in eTime. We noted 50 instances where timesheets were submitted from 3 to 34 days late.
  - Seven (22%) employees submitted timesheets which were not timely approved by a supervisor. We noted 12 instances where timesheets were approved from one to 179 days late and one instance where a timesheet was not approved.
  - Sixteen (50%) employees failed to submit leave requests for approval in advance of time off taken. We noted 38 instances when leave time was requested and approved between 1 to 21 days after the leave had occurred. Leaves included vacation, earned equivalent time, personal, compensatory, and other paid time away.
  - Eight (25%) employees tested worked overtime which was not approved prior to being worked. We noted 19 instances when overtime was approved from 1 to 22 days after being worked and one instance in which an employee did not submit a request for approval.

The Manual requires vacation, earned equivalent, personal, compensatory, and other paid time to be approved in advance of the requested day off, when possible. The Code (80 Ill. Admin. Code 303.350) requires employees to provide advance notice of absences from work whenever possible. Further, the Manual requires employees to submit weekly eTime reports no later than the following Friday. The Manual also requires employees to obtain written approval before working any overtime, including work performed prior to or after regular working hours and during lunch breaks.

- State and/or federal income taxes for 9 of 32 (28%) employees tested were withheld at an incorrect rate based upon the employees' Federal/Illinois W-4 Employee's Withholding Allowance Certificate (Form C-25) in each employee's personnel file. We noted differences between the data used to prepare the payroll compared to each employee's respective Form C-25, including:
  - Additional amounts elected for deduction from each paycheck;
  - The number of allowances claimed; and,
  - The employee's withholding status.

SAMS (Procedure 23.20.05) requires the Department have on file a properly completed Form C-25 for all active employees.

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2023-004      **FINDING**      (Inadequate Control over Personal Services) (Continued)

- We tested training records for 32 employees and noted 3 (9%) employees noted having access to Social Security numbers had not completed training to protect the confidentiality of social security numbers during Fiscal Year 2022.

The Illinois Department of Labor Identity Protection Policy states the Department shall provide training to protect the confidentiality of social security numbers to all employees who have access to social security numbers in the course of performing their duties. Such training shall include instructions on the proper handling of information that contains social security numbers from the time frame of collection through the destruction of the information.

- We reviewed leave of absence records for four employees during the examination period and noted 1 (25%) employee’s leave of absence authorization lacked an approval date. As a result, we were unable to determine if the leave was authorized prior to the start date of the leave.

The Illinois Department of Labor Policy Manual (Manual) requires your employer may grant leaves of absence without pay for periods not to exceed six months. Such leaves may be extended for good cause for an additional six-month period. General leaves must be approved by the Director of Labor.

Department management stated the deficiencies noted were due to competing priorities and oversight.

Failure to establish and maintain adequate fiscal and administrative controls over personal services represents noncompliance with laws, rules, and regulations, and could:

- undermine the ability of management to monitor employee development and communicate performance expectations;
- leave of absences not being documented/recorded properly;
- result in excessive overtime costs;
- employees not being properly trained; and,
- result in unnecessary legal risks due to inaccurate or incomplete withholding from an employee’s pay. (Finding Code No. 2023-004, 2021-004, 2019-006, 2017-006, 2015-008, 2013-008)

**RECOMMENDATION**

We recommend the Department establish and maintain fiscal and administrative internal controls over its personal services functions, including:

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- timely performing performance evaluations in accordance with the Manual and the Code;
- maintaining complete and accurate personnel files, including completed Form I-9, hiring agreements, correct Form C-25s, and authorizations for payroll deductions;
- ensuring employees submit leave documentation in a timely manner;
- ensuring employees obtain approval prior to working overtime; and,
- ensuring all employees with access to social security numbers timely complete training to protect the confidentiality of social security numbers.

**DEPARTMENT RESPONSE**

Agree. The Department has implemented a tracking sheet to send reminders to supervisors and managers about evaluations coming due. The I-9 form has been implemented into the employee onboarding checklist. The Department will continue to send reminders to employees about the employee handbook and attendance records. Withholdings have been reviewed for all employees and records updated. Training has been implemented for staff who have access to confidential information including social security numbers.

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2023-005      **FINDING**      (Inadequate Controls Over Monthly Reconciliations)

The Department of Labor (Department) did not have adequate controls over monthly appropriations, cash receipts, contracts, expenditures, obligations and cash balance reconciliations.

During testing of Fiscal Year 2022 and 2023 reconciliations between the Office of the Comptroller (Comptroller) records and the Department’s records, we noted the following:

Monthly Appropriations Status Reports

The Department had expenditure transactions in nine funds within the State Treasury: the General Revenue Fund (Fund 001), Amusement Ride and Patron Safety Fund (Fund 051), Department of Labor Special State Trust Fund (Fund 251), Department of Labor Federal Indirect Cost Fund (Fund 255), Child Labor and Day and Temporary Labor Services Enforcement Fund (Fund 357), Equal Pay Registration Fund (Fund 392), Employee Classification Fund (Fund 446), Department of Labor Federal Trust Fund (Fund 724), Federal Industrial Services Fund (Fund 726), and Wage Theft Enforcement Fund (Fund 885). During testing, we noted:

- One of 28 (4%) SB01 reconciliations were not prepared and reviewed within 60 days. Reconciliations were prepared and reviewed 81 days after the month ended.
- The Department had a net difference of \$4,870 within the SB01 reconciliation as of September 30, 2022. While the Department was able to determine what the differences were for, they did not correct the Department’s records for the noted differences.
- The Department had a net difference of \$1,526 within the SB01 reconciliation as of September 30, 2023. While the Department was able to determine what the differences were for, they did not correct the Department’s records for the noted differences.

Cash Reports

The Department had nine non-shared funds, including Fund 051, Fund 251, Fund 255, Fund 357, Fund 392, Fund 446, Fund 724, Fund 726, and Fund 885. During testing, we noted:

- Out of the 24 months of SB05 reconciliations tested, four (17%) were not reviewed within the required timeframe of 60 days after the month ended. Reconciliations were reviewed between 68 to 71 days after month ended.
- The Department did not prepare an appropriate SB05 reconciliation between their records and the Comptroller’s records for all nine of their non-shared funds. Whereas, the Cash balance was not reconciled fully between the Comptroller and the Department’s ERP cash balance.

Monthly Obligation Activity Report

- Three of 28 (11%) Monthly Obligation Activity Report (SC15) reconciliations tested were not performed by the Department.



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2023-005      **FINDING**      (Inadequate Controls Over Monthly Reconciliations) (Continued)

**Monthly Revenue Status Reports**

- One of 24 (4%) Monthly Revenue Status (SB04) reconciliations tested were not reviewed within 60 days. Reconciliation was reviewed 8 days late.
  
- One of 24 (4%) SB04 reconciliations tested were not performed by the Department.

The Statewide Accounting Management System (SAMS) (Procedure 11.40.20) requires the Department to perform monthly reconciliations of the unexpended appropriation balance from Department records to the records of the Comptroller within 60 days of month end. SAMS (Procedure 09.40.10) requires the Department to perform monthly reconciliations of Department cash records to the records of the Comptroller within 60 days of month end. SAMS (Procedure 25.40.20) requires the Department to perform a monthly reconciliation of each receipt account balance of the SB04 within 60 days of each month and notify the Comptroller of any irreconcilable differences. SAMS (Procedure 15.30.30) requires the Agency to perform a monthly reconciliation of either the SC14 or SC15 within 60 days of month end and report to the Comptroller any discrepancies immediately for correction. Lastly, 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 that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and revenues are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over the States' resources.

Department management indicated the noncompliance and identified differences in the Department records were due to clerical and management oversight.

Failure to perform and timely review reconciliations and timely complete necessary corrections of an agency's records increases the risk that discrepancies will go undetected, thereby diminishing the effectiveness of data and undermining user confidence in the accuracy of financial information. (Finding Code No. 2023-005)

**RECOMMENDATION**

We recommend the Department implement adequate internal controls and maintain documentation demonstrating the appropriations, cash balance, contracts, expenditures, obligations, and cash receipts reconciliations are all performed and reviewed in a timely manner.

**DEPARTMENT RESPONSE**

Agree. The Department will strengthen internal controls over monthly reconciliations to ensure they are performed in accordance with SAMS. In addition, the Department will document reconciling items which should be written off in a timely manner, including who and when these were performed.

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2023-006      **FINDING**      (Failure to Fully Utilize the State’s Enterprise Resources Planning System)

The Department of Labor (Department) did not utilize all capabilities of the State’s Enterprise Resource Planning (ERP) System which resulted in unnecessary inefficiency.

The State’s implementation of an ERP centralized the finance, procurement, grants management, and asset management processes by replacing outdated manual systems and technologies. The ERP can enhance transparency of data, reduce processing time, and improve the timeliness of financial reporting. During the examination period, the ERP’s processing integrity was sufficient to enable reliance upon ERP’s processing of transactions.

For commodities and property inventories, the ERP has several functionalities which reduce the amount of manual transactions and processing time, such as the “shopping cart” feature that creates a purchase order, tracks receipt of the goods or service along with the vendor’s related invoice, helps generate the voucher fields necessary for the processing of payment to the vendor, records inventory and property transactions, and enables financial reporting to the Comptroller’s Office.

During our examination, we noted the Department

- did not fully utilize the Public Sector Collection & Disbursements (PSCD) ERP module. The PSCD maintains transactions related to billings, payments and accounts receivable. Specifically, the Department did not record accounts receivable for fines and penalties owed to the Department from various entities. Additionally, the Department did not utilize the module to enter receipts for Fund 724 and Fund 726.
- purchased goods and services from vendors; however, the Department did not fully utilize the Material Management Module. The Material Management records transactions related to the purchase of goods/services. Specifically, they did not utilize the “shopping cart” feature.
- purchased and maintained State property but did not utilize the Asset Management Module. The Asset Management Module maintains fixed assets records, depreciation, leases, physical inventory, and the required reporting.

*Government Auditing Standards* (§ 1.02) states:

The concept of accountability for use of public resources and government authority is key to our nation’s governing processes. Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, and ethically within the context of the statutory boundaries of the specific government program.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls

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2023-006      **FINDING**      (Failure to Fully Utilize the State’s Enterprise Resources Planning System) (Continued)

to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws. Good internal controls over compliance include ensuring the full capabilities of the ERP are used to efficiently process, record, and report transactions.

Department management indicated they were not aware of any specific requirement to use all components of ERP.

Failure to fully utilize the State’s ERP System could result in outdated systems not being supported, untimely financial information and the lack of full transparency and resulted in the inefficient usage of State resources (Finding Code No. 2023-006)

**RECOMMENDATION**

We recommend the Department work with the Department of Innovation and Technology to transition and fully utilize the PSCD module, the Materials Management module and the Asset Management module of the ERP System.

**DEPARTMENT RESPONSE**

Agree. The Department has started using the module to enter Federal receipts for Fund 724 and Fund 726. The Department will evaluate the other modules suggested and implement as necessary.

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2023-007      **FINDING**      (Inadequate Controls Over Census Data)

The Department of Labor (Department) did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Department's employees within the Fund are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, we noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, we noted the Department had not properly performed an initial complete reconciliation of its census data recorded by SERS to its internal records to establish a base year of complete and accurate census data.

Additionally, the Department had not developed a process to annually obtain from SERS the incremental changes recorded by SERS in the Department's census data records and reconcile these changes back to the Department's internal supporting records.

For employers participating in plans with multiple-employer and cost-sharing characteristics, the American Institute of Certified Public Accountants' Audit and Accounting Guide: State and Local Governments (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

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2023-007      **FINDING**      (Inadequate Controls Over Census Data) (Continued)

Further, the State Records Act (5 ILCS 160/8) requires the Department make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Department's activities.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Department management indicated a complete reconciliation was not performed properly due to an error by staff. In addition, the Department management indicated a reconciliation of the incremental changes recorded by SERS was not performed due to oversight.

Failure to reconcile active members' census data reported to and held by SERS to the Department's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the State's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2023-007)

**RECOMMENDATION**

We recommend the Department properly perform an initial reconciliation of its census data and work with SERS to resolve all discrepancies. In addition, we recommend the Department develop procedures to annually obtain and reconcile the SERS incremental changes in the Department's census data records to the Department's internal supporting records.

**DEPARTMENT RESPONSE**

Agree. The Department has provided a point of contact to the State Employee Retirement System (SERS) for coordinating the reconciliation process. The Department will ensure the completeness of our data set and validate the membership demographics through review of internal personnel and payroll files. The agency point of contact will record any errors found on the provided agency certification and remit back the results to SERS so that the results can be evaluated by SERS staff and their contracted actuaries.

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2023-008      **FINDING**      (Weaknesses in Cybersecurity Programs and Practices)

The Department of Labor (Department) had not implemented adequate internal controls related to cybersecurity programs, practices and control of confidential information.

As a result of the Department’s responsibility for the administration and enforcement of labor and safety laws, the Department maintains computer systems containing large volumes of confidential and personal information such as names, addresses, and Social Security Numbers.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices.

During our examination of the Department’s cybersecurity program, practices, and control of confidential information, we noted the Department had not:

- Developed a formal, comprehensive, adequate and communicated security program (Including policies, procedures, and processes as well as clearly defined responsibilities over the security of computer programs and data) to manage and monitor the regulatory, legal, environmental and operation requirements.
- Developed a risk management methodology or performed a comprehensive risk assessment to identify and ensure adequate protection of information.
- Classified all its data to identify and ensure adequate protection of information.
- Evaluated and implemented appropriate controls to reduce the risk of attack.
- Implemented a formal policy to ensure all State-owned storage media was erased, wiped, sanitized or destroyed in accordance with the Data Security on State Computers Act.

The Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

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, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State’s resources.

The Data Security on State Computers Act (Act) (20 ILCS 450/20) requires agencies to implement a policy to mandate that all hard drives of surplus electronic data processing

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2023-008      **FINDING**      (Weaknesses in Cybersecurity Programs and Practices) (Continued)

equipment be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated or transferred by (i) overwriting the previously stored data on a drive or a disk at least 3 times or physically destroying the hard drive and (ii) certifying in writing that the overwriting process has been completed by providing the following information: (1) the serial number of the computer or other surplus electronic data processing equipment; (2) the name of the overwriting software or physical destruction process used; and (3) the name, date, and signature of the person performing the overwriting or destruction process.

Department management indicated the Agency heavily relies on the Department of Innovation and Technology for cybersecurity functions. The deficiencies noted were due to lack of resources within the Department to ensure these functions are being adequately performed.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department’s volumes of confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-008, 2021-008, 2019-013)

**RECOMMENDATION**

We recommend the Department work with the Department of Innovation and Technology to define roles and responsibilities related to cybersecurity control. In addition, we recommend the Department:

- Develop a formal, comprehensive, adequate and communicated security program (including policies, procedures, and processes as well as clearly defined responsibilities over the security of computer programs and data) to manage and monitor the regulatory, legal, environmental and operation requirements.
- Establish a risk management methodology and perform a comprehensive risk assessment to identify and ensure adequate protection of confidential or personal information.
- Classify its data to establish the types of information most susceptible to attack to ensure adequate protection.
- Evaluate and implement appropriate controls to reduce the risk of attack.
- Develop policies and procedures to ensure all media is sanitized in accordance with the Act.

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2023-008      **FINDING**      (Weaknesses in Cybersecurity Programs and Practices) (Continued)

**DEPARTMENT RESPONSE**

Agree. The Department has asked the Department of Innovation and Technology for template policies and procedures and will work with the Department of Innovation and Technology to create a security program and revise draft policies and procedures to provide stronger protection over storage of media and confidential information.



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2023-009      **FINDING**      (Lack of Disaster Contingency Planning or Testing to Ensure the Recovery of Computer Systems)

The Department of Labor (Department) had not developed comprehensive disaster recovery plans or performed comprehensive disaster recovery testing during the examination period.

The Department carries out its mission through the use of information technology. Computer systems that support the Department’s mission include the Carnival System, the Check Receipts System, the Day and Temporary Labor License System, the Nurse Agency Licensing Program, the Private Employment Agency Licensing, Wage Claims and Adobe Forms (data in-take forms).

The Department had not developed an Information Systems Contingency Plan for two of 10 (20%) critical applications. The eight plans that had been developed did not include sufficient information necessary to restore the applications. Additionally, the Department could not provide documentation demonstrating disaster recovery testing had been completed during the examination period.

The Contingency Planning Guide for Information Technology Systems published by the National Institute of Standards and Technology (NIST) requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

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, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State’s resources.

This finding has been reported since 2015 and the Department has failed to take sufficient, substantive corrective actions to resolve the cause of this finding.

Department management indicated the weaknesses were the result of the Department’s belief the responsibilities belonged to the Department of Innovation and Technology, competing priorities and lack of resources.

Failure to conduct disaster recovery testing leaves the Department exposed to the possibility of disruptions and loss of data. (Finding Code No. 2023-009, 2021-009, 2019-014, 2017-011, 2015-007)

**RECOMMENDATION**

We recommend the Department ensure contingency plans are developed for all critical systems, contain sufficient detail to recover the systems, and the plans are tested at least annually.

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2023-009

**FINDING** (Lack of Disaster Contingency Planning or Testing to Ensure the Recovery of Computer Systems) (Continued)

**DEPARTMENT RESPONSE**

Agree. The Department will develop Contingency Plans for two critical applications and update the existing Contingency Plans. The Department will work with the Department of Innovation and Technology to schedule disaster recovery testing.

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2023-010      **FINDING**      (Weakness in Change Management of Computer Systems)

The Department of Labor’s (Department) change management policies and procedures did not ensure all changes were initiated, planned, developed, tested, and implemented in a controlled environment.

The Department had established computer systems in order to meet its mission and mandates. The Department processed and maintained critical, confidential and sensitive information on its computer systems. However, the Department had not developed formal change management policies.

During the examination, we reviewed a sample of twenty-seven changes, noting:

- All twenty-seven changes (100%) lacked documentation testing was performed and associated approvals were obtained.
- All twenty-seven changes (100%) lacked documentation indicating changes were approved before being moved to production.
- Eleven (41%) changes were moved into the production environment by the developer. In addition, one other change lacked supporting documentation to determine if duties were properly segregated.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST) Configuration Management section requires entities to test, validate, and document changes to the system (including approvals) before finalizing the implementation of changes and limit privileges to change system components and system-related information within a production environment.

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, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State’s resources.

Department management indicated deficiencies noted were due to a lack of supporting documentation maintained by Information Technology staff and lack of resources.

Without adequate change management procedures, there is a greater risk of unauthorized, improper, or erroneous changes to computer systems. The lack of separation of duties in the environment increases the risk of the confidentiality, integrity, and availability of data will be compromised. (Finding Code No. 2023-010, 2021-010)

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS  
For the Two Years Ended June 30, 2023**

2023-010      **FINDING**      (Weakness in Change Management of Computer Systems) (Continued)

**RECOMMENDATION**

We recommend the Department strengthen its controls to ensure controls adequately provide for changes to be initiated, planned, developed, tested, and implemented in a controlled environment. Specifically, we recommend the Department enhance its procedures and requirements for:

- Testing and approval;
- Requesting and receiving approval to migrate changes into production; and,
- Segregating duties between individuals requesting changes, programming changes, testing changes and moving changes to production. If the Department determines that programmer access to the production environment is necessary in some situations, it should establish and enforce compensating controls to ensure appropriate management oversight and approval of changes.

**DEPARTMENT RESPONSE**

Agree. The Department will work on a change management tool to document segregation of duties between requestor, programmer, testing and approval to migrate changes into production.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS  
For the Two Years Ended June 30, 2023**

2023-011      **FINDING**      (Information Technology Access Weakness)

The Department of Labor (Department) had not implemented adequate internal controls related to application access and control.

To carry out its mission to “protect and promote the wages, welfare, working conditions, and safety of Illinois workers by enforcing State labor and employment laws, providing compliance assistance to employers, and increasing public awareness of workplace protections”, the Department utilizes several Information Technology applications.

During testing of controls over system access for four of the Department’s applications, we noted:

- The Department had not developed formal written policies for user access provisioning.
- Documentation was not provided to determine if the user’s access was appropriate for one of 31 (3%) users tested.
- One terminated employee did not have their access timely revoked to one application.
- The Department failed to conduct annual reviews of user access rights for four of 4 (100%) applications tested.

In addition, the Department did not conduct annual reviews of access rights to the Department of Innovation and Technology’s (DoIT) Central Payroll System (CPS), eTime, and Central Time and Attendance System (CTAS) during the examination period. As a result, we noted nine former employees still had access to eTime, and one former employee still had access to CPS.

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 that revenues, expenditures, and transfer 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.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control section, requires entities to develop access provisioning policies and procedures and ensure access is provided on a needed basis.

The Department stated the deficiencies noted above were due to oversight.

The lack of adequate controls over access could result in unauthorized access and disclosure of confidential information. (Finding Code No. 2023-011, 2021-012)

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS  
For the Two Years Ended June 30, 2023**

2023-011      **FINDING**      (Information Technology Access Weakness) (Continued)

**RECOMMENDATION**

We recommend the Department develop formal written policies for user access provisioning and proper retention of annual reviews of user access rights to ensure individual levels of access are appropriate. In addition, we recommend the Department retain adequate documentation to determine if individual user's access rights are appropriate.

**DEPARTMENT RESPONSE**

Agree. The Department is working on implementing a procedure to track user access including justification and approval. The Department is reviewing all access rights on a biannual plan.

**STATE OF ILLINOIS  
DEPARTMENT OF LABOR  
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS  
For the Two Years Ended June 30, 2023**

2023-012      **FINDING**      (State Property Control Weaknesses)

The Department of Labor (Department) did not exercise adequate controls over its State property and related reporting.

- We reviewed the Department’s property listing, and noted a voucher number was not reported for 15 of 90 (17%) items listed.
- During our testing of deletions, we noted two of 8 (25%) deletions, totaling \$5,052, had an incorrect cost reported in the Department of Central Management Services (CMS) Surplus Property Delivery Form and had no documentation the property was received by CMS.
- The Department does not have a policy clearly delineating the categories of equipment considered subject to theft.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.230) requires the Department to include an identification number, date of purchase, purchase price, and voucher number for each item in its equipment records. The CMS Surplus Property Delivery Form requires the Department report the acquisition cost of equipment items delivered to CMS. The Code (44 Ill. Admin. Code 5010.210(c)) requires the Department to adopt polices clearly delineating categories of equipment considered to be subject to theft.

Department personnel indicated they tag all equipment susceptible to theft, but inadvertently failed to implement a policy clearly outlining the categories of equipment considered at risk of theft. Department personnel indicated the other noncompliance noted were attributed to clerical errors and oversights.

Failure to exercise adequate control over property increases the potential for fraud and loss of property by theft or misplacement. In addition, inaccurate reporting hinders the accuracy of, and delays preparation of, Statewide financial information and may result in unnecessary equipment expenditures by the State. (Finding Code No. 2023-012, 2021-003, 2019-005, 2017-005, 2015-005, 2013-003, 11-3, 09-3, 07-3, 05-7, 03-6)

**RECOMMENDATION**

We recommend the Department strengthen its controls over the recording and reporting of State property by reviewing its inventory and recordkeeping practices to ensure compliance with State law. In addition, we recommend the Department adopt polices clearly delineating categories of equipment considered to be subject to theft.

**DEPARTMENT RESPONSE**

Agree. The Department will update its policy and include categories of equipment. In addition, property listings will be updated with all applicable information and staff will review forms to ensure items are reported correctly.

**STATE OF ILLINOIS**  
**DEPARTMENT OF LABOR**  
**SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED**  
**For the Two Years Ended June 30, 2023**

A. **FINDING** (Noncompliance with the Project Labor Agreements Act)

During the prior examination, Department of Labor (Department) did not comply with the Project Labor Agreements Act

During the current examination, our testing indicated the Department submitted an annual report that details the number of minorities and women employed under all public labor agreements with the State for both Fiscal Year 2022 and Fiscal Year 2023 to the Governor and General Assembly as required by the Act. (Finding Code No. 2021-005)

B. **FINDING** (Noncompliance with Employee Classification Act)

During the prior examination, the Department did not ensure it fully enforced applicable provisions of the Employee Classification Act (Act).

During the current examination, our testing indicated the Department improved its internal control over its handling of contractor reports and complaints filed by interested parties pursuant to the Act. (Finding Code No. 2021-006, 2019-007, 2017-007, 2015-011)

C. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

During the prior examination, the Department failed to adhere to the provisions in the Fiscal Control and Internal Auditing Act (FCIAA).

During the current examination, our testing indicated the Department complied with FCIAA and maintained a formal program of internal auditing during Fiscal Year 2022 and Fiscal Year 2023. (Finding Code No. 2021-007, 2019-009, 2017-008, 2015-006)

D. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls for Service Providers)

During the prior examination, the Department had not implemented adequate internal controls over its service providers.

During the current examination, our testing indicated the Department improved its internal controls over its service providers. (Finding Code No. 2021-011)