

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

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

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

TABLE OF CONTENTS

	<u>Page</u>
Commission Officials	1
Management Assertion Letter	3
Compliance Report:	
Summary	5
Independent Accountant's Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes	8
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12
Schedule of Findings	
Current Finding - <i>Government Auditing Standards</i>	14
Current Findings - State Compliance	18
Prior Findings Not Repeated	40

Financial Statement Report:

The financial statements for the Self-Insurers' Security Fund as of and for the year ended June 30, 2017, which includes the Independent Auditor's Report, the financial statements, and the notes to the financial statements, have been released under a separate cover.

	<u>Schedule</u>	<u>Page</u>
Supplementary Information for State Compliance Purposes:		
Summary		42
Fiscal Schedules and Analysis		
Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2017	1	43
Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2016	2	47
Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances	3	51
Schedule of Changes in State Property	4	54
Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller	5	55
Analysis of Operations (Not Examined)		
Agency Functions and Planning Program (Not Examined)		57
Analysis of Significant Variations in Expenditures (Not Examined)		58
Analysis of Significant Variations in Receipts (Not Examined)		61

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

TABLE OF CONTENTS

	<u>Page</u>
Analysis of Significant Lapse Period Spending (Not Examined)	63
Analysis of the Rate Adjustment Fund (Not Examined)	64
Analysis of Accounts Receivable (Not Examined)	65
Budget Impasse Disclosures (Not Examined)	66
Alternative Financing in Lieu of Appropriations and Programs	
To Address Untimely Payments to Vendors (Not Examined)	67
Interest Costs on Fiscal Year 2016 and Fiscal Year 2017 Invoices (Not Examined)	68
Average Number of Employees (Not Examined)	69
Service Efforts and Accomplishments (Not Examined)	70

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

COMMISSION OFFICIALS

Chair	Joann Fratianni
Chief Fiscal Officer (10/01/17 – Present)	Paul Fichtner
Chief Fiscal Officer (Acting) (08/04/17 – 09/30/17)	Brendan O'Rourke
Chief Fiscal Officer (12/01/15 – 08/03/17)	Darlene Senger
Chief Fiscal Officer (Acting) (11/04/15 – 11/30/15)	Bob Devereaux
Chief Fiscal Officer (07/01/15 – 11/03/15)	Mary Wells
General Counsel	Ronald Rascia

COMMISSION MEMBERS¹

Member	Joann Fratianni
Member	Michael Brennan
Member	Joshua Luskin
Member	Stephen Mathis
Member Representative of Employees	Thomas Tyrrell
Member Representative of Employees	Charles DeVriendt
Member Representative of Employees	David Gore
Member Representative of Employers	Kevin Lamborn
Member Representative of Employers (03/06/17 – Present)	Deborah Simpson
Member Representative of Employers (07/01/15 – 03/05/17)	Mario Basurto
Member Representative of Employers (03/06/17 – Present)	L. Elizabeth Coppoletti
Member Representative of Employers (07/01/15 – 03/05/17)	Ruth White

¹ The Workers' Compensation Act (820 ILCS 305/13) requires the Governor appoint three members who are representative citizens of employees, three members who are representative citizens of employers, and four members not identified with either group to the Commission.

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

COMMISSION OFFICES

The Commission's offices are located at:

100 W. Randolph Street
Suite 8-200
Chicago, Illinois 60601

1803 Ramada Boulevard
Suite B201
Collinsville, Illinois 62234

4500 S. Sixth Street Frontage Road
Springfield, Illinois 62703

200 S. Wyman Street
Rockford, Illinois 61101

401 Main Street
Suite 640
Peoria, Illinois 61602



Illinois Workers' Compensation Commission

100 W. Randolph St., Suite 8-200
Chicago, IL 60601
312-814-6500

JB Pritzker, Governor

Joann M. Fratianni, Chairman

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

February 26, 2019

E.C. Ortiz & Co., LLP
Certified Public Accountants
333 S. Desplaines Street, Suite 2-N
Chicago, Illinois 60661

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Workers' Compensation Commission. 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 Illinois Workers' Compensation Commission's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2016, and June 30, 2017, the Illinois Workers' Compensation Commission has materially complied with the assertions below.

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

www.iwcc.il.gov

Yours truly,

Illinois Workers' Compensation Commission

SIGNED ORIGINAL ON FILE

Joann Fratianni, Chair

SIGNED ORIGINAL ON FILE

Paul Fichtner, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Ronald Rascia, General Counsel

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and the Illinois State Auditing Act.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses in internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Reports*</u>
Repeated Findings	10	8
Prior Recommendations Implemented or Not Repeated	4	2
	4	8

* Prior reports includes the Self-Insurers' Security Fund financial audit as of and for the year ended June 30, 2016, and the Commission's compliance examination for the two years ended June 30, 2015.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDING (<i>GOVERNMENT AUDITING STANDARDS</i>)			
2017-001	14	Inadequate Control over Financial Reporting	Material Weakness
FINDINGS (<i>STATE COMPLIANCE</i>)			
2017-002	18	Development and Change Control Weaknesses	Material Weakness and Material Noncompliance
2017-003	20	Disaster Contingency Planning Weaknesses	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

FINDINGS (STATE COMPLIANCE)

Item No.	Page	Description	Finding Type
2017-004	22	Failure to Report Aggregate Statistics	Significant Deficiency and Noncompliance
2017-005	25	Inadequate Control over State Property	Significant Deficiency and Noncompliance
2017-006	27	Inadequate Control over Contracts	Significant Deficiency and Noncompliance
2017-007	30	Inadequate Control over Voucher Processing	Significant Deficiency and Noncompliance
2017-008	35	Inadequate Control over Receipts	Significant Deficiency and Noncompliance
2017-009	37	Inadequate Control over Workforce Reporting	Significant Deficiency and Noncompliance
2017-010	39	Inadequate Control over Performance Evaluations	Significant Deficiency and Noncompliance

In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also meets the reporting requirements for State Compliance.

2017-001	14	Inadequate Control over Financial Reporting	Material Weakness and Material Noncompliance
----------	----	---	--

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

PRIOR FINDINGS NOT REPEATED

A	40	Inadequate Financial Accounting and Reporting
B	40	Inadequate Process to Determine Claims Liabilities
C	40	Uncertainty Regarding Statutory Interpretation
D	41	Inadequate Control over Timekeeping

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on February 8, 2019.

Attending were:

Illinois Workers' Compensation Commission

Joann Fratianni – Chair

Paul Fichtner – Chief Fiscal Officer

Ronald Rascia – General Counsel

Mark Kimmet, CPA, CIA, CFE – Fiscal Operations

Maria Sarli-Dehlin – Office of Self-Insurance Manager

Office of the Auditor General

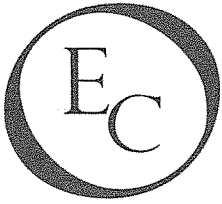
Daniel J. Nugent, CPA – Senior Audit Manager

E.C. Ortiz & Co., LLP

Epifanio R. Sadural III, CPA, CGMA – Partner

Charlou P. Rodriguez – Manager

The responses to the recommendations were provided by Paul Fichtner, Chief Fiscal Officer, in a correspondence dated February 15, 2019.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Workers' Compensation Commission's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2017. The management of the State of Illinois, Illinois Workers' Compensation Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Workers' Compensation Commission's compliance based on our examination.

- A. The State of Illinois, Illinois Workers' Compensation Commission has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Workers' Compensation Commission has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The State of Illinois, Illinois Workers' Compensation Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Illinois Workers' Compensation Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Illinois Workers' Compensation Commission on behalf of the State or held in trust by the State of Illinois, Illinois Workers' Compensation Commission 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 as adopted by the Auditor General pursuant to the Act (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 State of Illinois, Illinois Workers' Compensation Commission complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Illinois Workers' Compensation Commission complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Workers' Compensation Commission's compliance with specified requirements.

Our examination disclosed the following material noncompliance with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. As described in items 2017-001 and 2017-002 in the accompanying schedule of findings, the State of Illinois, Illinois Workers' Compensation Commission did not comply with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Illinois Workers' Compensation Commission to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the material noncompliance described in the preceding paragraph, the State of Illinois, Illinois Workers' Compensation Commission complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2017-003 through 2017-010.

The State of Illinois, Illinois Workers' Compensation Commission's responses to the findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Illinois Workers' Compensation Commission's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the

Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the State of Illinois, Illinois Workers' Compensation Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Illinois Workers' Compensation Commission's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Workers' Compensation Commission's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Workers' Compensation Commission's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-001 and 2017-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-003 through 2017-010 to be significant deficiencies.

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

The State of Illinois, Illinois Workers' Compensation Commission's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Illinois Workers' Compensation Commission's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

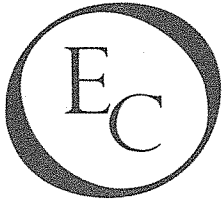
Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2017, and June 30, 2016, in Schedules 1 through 5 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 5. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2015, accompanying supplementary information in Schedules 3 through 5 and in the Analysis of Operations Section and, accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
February 26, 2019



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Self-Insurers Security Board
State of Illinois, Illinois Workers' Compensation Commission

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Self-Insurers Security Fund of the State of Illinois, Illinois Workers' Compensation Commission, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Workers' Compensation Commission's internal control over financial reporting (internal control) of the Self-Insurers Security Fund to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Workers' Compensation Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Workers' Compensation Commission's internal control.

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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2017-001, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Workers' Compensation Commission's Self-Insurers Security Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State of Illinois, Illinois Workers' Compensation Commission's Response to Finding

The State of Illinois, Illinois Workers' Compensation Commission's response to the finding identified in our audit is described in the accompanying schedule of findings. The State of Illinois, Illinois Workers' Compensation Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Illinois Workers' Compensation Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Workers' Compensation Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
February 26, 2019

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY FUND
SCHEDULE OF FINDINGS
CURRENT FINDING – GOVERNMENT AUDITING STANDARDS
For the Year Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Financial Reporting)

The Illinois Workers' Compensation Commission (Commission) failed to ensure its draft financial statements of the Self-Insurers Security Fund (Fund) provided to us were both complete and properly presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

During testing, we noted the following:

- The Commission improperly reported the Fund's deficit of (\$3,428,465) at June 30, 2017, as negative restricted net position. Commission management corrected this error by charging the deficit to unrestricted net position in the Fund's final financial statements.

Governmental Accounting Standards Board (GASB) Implementation Guide No. 2015-1 states that negative amounts should not be reported for any category of restricted net position. If liabilities and deferred inflows of resources that relate to specific restricted assets exceed those assets, no restricted component of net position should be reported as the net negative amount should reduce unrestricted net position.

Commission officials indicated this condition was due to oversight, as this was the first year the Fund reported a deficit net position.

- The Commission did not record the Fund's net pension liability or related flows. Commission management corrected this error by posting an adjusting entry at July 1, 2017, which decreased the Fund's net position by \$296,419, increased the Fund's net pension liability by \$448,131, increased the Fund's deferred outflows of resources related to pensions by \$260,741, and increased the Fund's deferred inflows of resources related to pensions by \$109,029 in the Fund's final financial statements.

GASB Statement No. 68 (Paragraph 136), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, required the Fund to adopt GASB Statement No. 68 for the fiscal year ended June 30, 2015.

Commission officials indicated they were unaware of the need for the Fund's financial statements to reflect pension activity under GASB Statement No. 68.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY FUND
SCHEDULE OF FINDINGS
CURRENT FINDING – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Financial Reporting) (continued)

- The Commission did not ensure its internal accounting records supporting the Fund's financial statements were complete and accurate. We noted the following errors during our audit, which were corrected by Commission management in the Fund's final financial statements:
 - We found certain cash in-transit amounts, totaling \$51,714, were also recorded as excess insurance receivables, which resulted in an overstatement of the Fund's assets.
 - We noted Fiscal Year 2016 assessment revenue was recognized in Fiscal Year 2017, totaling \$76,154.
 - We identified an overstatement of the benefit claims expense and security deposits drawn revenue accounts, totaling \$180,579, due to an incomplete reconciliation of benefit claims.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly 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 financial reporting include ensuring collections on receivables are recorded when cash is received, transactions are recorded within the correct period, and reconciliations are timely and thoroughly performed on all accounts to ensure transactions are properly reflected in the accounting records.

Commission officials indicated these errors were due to oversight during its process to modify its financial reporting and accounting procedures to correct prior period errors.

- During testing, we noted the Commission has not sought a judgment in circuit court against six self-insurers who collectively owe \$4,037 dating back to Fiscal Year 2009. Further, we noted the Commission had not developed a reasonable estimation of uncollectible assessments receivable.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY FUND
SCHEDULE OF FINDINGS
CURRENT FINDING – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Financial Reporting) (continued)

The Workers' Compensation Act (Act) (820 ILCS 305/4a-7(a)) requires, if an assessment is not paid within 30 days after the private self-insurer receives notice, the Commission, at the direction of the Board, "shall proceed in circuit court for judgment against that private self-insurer which judgment shall include the amount of the assessment, the costs of suit, interest and reasonable attorneys' fees." Additionally, the Statewide Accounting Management System (Procedure 26.20.20) provides guidelines for estimating uncollectible accounts receivable because "as a debt ages, the probability of collection normally declines."

Commission officials indicated this error was due to oversight, although four of the six noted self-insurers continue to have a security deposit which will not be returned until these past due amounts are paid.

Failure to ensure financial statements are complete and fairly present the activities of the Fund in accordance with U.S. GAAP could have, if not detected and corrected, resulted in a material misstatement of the Fund's financial statements and represents noncompliance with the Fiscal Control and Internal Auditing Act. In addition, failure to pursue the collection of past due assessments by proceeding in circuit court for a judgement represents noncompliance with the Act. Finally, failure to develop a reasonable estimation methodology for uncollectible accounts receivable reduces the reliability of Statewide financial reporting. (Finding Code No. 2017-001)

RECOMMENDATION

We recommend the Commission ensure its staff members involved in preparing and reviewing financial activity reported in accordance with U.S. GAAP have sufficient training and knowledge to prevent, or detect and correct, misstatements on a timely basis. Additionally, we recommend the Commission implement controls to identify and review recently released GASB guidance, at least on an annual basis, for any impact on the Fund's financial reporting process. In addition, we recommend the Commission implement controls to ensure transactions are properly recorded within the correct fiscal period and all accounts reconcile and balance with each other. Finally, we recommend the Commission ensure assessments receivable are pursued in accordance with the Act and an allowance for uncollectible accounts is developed.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SELF-INSURERS' SECURITY FUND
SCHEDULE OF FINDINGS
CURRENT FINDING – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Financial Reporting) (continued)

COMMISSION RESPONSE

The Commission agrees with the recommendation. Since submitting its draft financial statements to the auditors, the Commission updated, and continues to update, its written accounting policies and procedures to prevent these types of errors. The Commission's Fiscal Department has collected \$786 of the \$4,037 since the audit finding. The remaining \$3,251 does not meet the threshold for seeking a judgement in Circuit Court, as the Attorney General's Office has a \$5,000 minimum on each payee to enable a judgement in Circuit Court. The Commission has security for each of these companies and this will be used as leverage to collect the remaining amount when/if a company's security is due to be released.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Development and Change Control Weaknesses)

The Illinois Workers' Compensation Commission (Commission) did not have a formal system development methodology, adequate change control procedures, or an effective segregation of duties for programmers.

The Commission had several computer applications that were critical for providing and overseeing a no-fault system of benefits to workers who experience job-related injuries or diseases.

During testing, we noted the following:

- The Commission did not have a formal systems development methodology or change control procedures. Currently, the Commission's system changes are communicated by managers through e-mail.
- The Commission lacked adequate segregation of duties, as its five full-time and one part-time programmers during the examination period (1) had access to each application's code and data and (2) were able to move code changes from the development environment into the production environment.
- We requested a list of changes occurring within the Commission's systems' environments during the examination period. As the Commission (1) lacked a formal documentation system outside of e-mail communications and (2) the Commission's Information Technology Department did not maintain a log of the various e-mails, the Commission was unable to provide us with this list. As such, we could not perform testing of requested changes which occurred during the examination period.

Due to this condition, we were able to conclude the Commission's change control population records were not sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Commission's changes. In addition, the State Records Act (5 ILCS 160/8) requires the Commission make and preserve adequate and proper documentation of the functions, policies, decisions, procedures, and essential transactions of the Commission to protect the legal and financial rights of the State and of persons directly affected by the Commission's activities.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Development and Change Control Weaknesses) (continued)

Generally accepted information technology guidance endorses the implementation of system development standards and change management procedures that require new system developments and modifications to existing systems be properly approved, thoroughly tested, and consistently documented. These procedures should include restricting programmers from making a change and moving it into the production to ensure all changes have been independently authorized and moved to production.

Commission officials indicated they lacked sufficient personnel to implement formal system development and change control procedures.

Lack of system development and change control procedures increases the risk of unauthorized or improper changes to computer systems. Further, failure to maintain a record of requested changes hinders accountability and review due to the lack of an audit trail. Finally, inadequate segregation of duties within a computer environment increases the risk the Commission's confidentiality, integrity, and availability of data will be compromised. (Finding Code No. 2017-002, 2015-004)

RECOMMENDATION

We recommend the Commission develop and implement a comprehensive system development methodology and change management procedures and ensure new system developments and modifications to existing systems are developed and implemented in a manner that ensures they are adequately planned, developed, tested, documented, approved, and implemented. Further, the Commission should restrict programmer access to production programs and data and, in rare instances, compensating controls should be designed and implemented to ensure appropriate management and oversight are in place if programmer access is deemed necessary.

COMMISSION RESPONSE

The Commission agrees with the recommendation. The Commission plans to update its change development control procedures and establish compensating controls for segregation of duties problems caused by having a small staff of programmers.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-003. **FINDING** (Disaster Contingency Planning Weaknesses)

The Illinois Workers' Compensation Commission (Commission) lacked an adequate disaster contingency plan that was tested on, at least, an annual basis.

The Commission had several computer applications that were critical for providing and overseeing a no-fault system of benefits to workers who experience job-related injuries or diseases. The Commission's most critical systems, used to process claims for arbitration and monitor insurance carriers, reside at the Department of Innovation and Technology's Central Computing Facility. Additionally, the Commission has other critical systems residing on its own local area network (LAN) for monitoring caseloads, handling case documents, and tracking insurance compliance.

We reviewed the Commission's disaster recovery plan and continued to note the following weaknesses:

- The Commission's plan did not include the LAN-based application systems which are critical to the Commission.
- The Commission's LAN-based application systems were not tested for disaster recovery.

We also noted the Commission performed a disaster recovery exercise for its two systems not on its LAN in September 2016 and updated its plan to reflect the contact information for its current team members.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorse the formal development and testing of disaster recovery plans. Tests of disaster recovery plans (and the associated documentation of the test results) verify that the plan, procedures, and resources provide the capability to recover critical systems within the required timeframe.

Commission officials indicated they lacked sufficient resources to develop and test disaster contingency plans for its LAN-based applications.

Failure to develop an adequate disaster recovery plan and test it for all systems could result in a lack of preparedness to timely recover the Commission's computer operations in the event of a disaster. (Finding Code No. 2017-003, 2015-005)

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-003. **FINDING** (Disaster Contingency Planning Weaknesses) (continued)

RECOMMENDATION

The Commission should, at least, annually review and update its disaster recovery plan and ensure all critical applications are addressed. Further, the Commission should, at least, annually perform and document recovery testing. Finally, the disaster recovery plan should be continuously updated to reflect environmental changes and improvements identified from the tests.

COMMISSION RESPONSE

The Commission agrees with the recommendation. The Department of Innovation and Technology (DoIT) is scheduling visits with each agency to address disaster contingency plans. DoIT has scheduled a visit for our agency in October 2020. We have proactively reached out to DoIT to meet with them earlier to address this issue.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-004. **FINDING** (Failure to Report Aggregate Statistics)

The Illinois Workers' Compensation Commission (Commission) did not produce a report of aggregate statistics on work-related deaths, injuries, or illnesses resulting in the loss of three or more work days.

During testing, we noted the Commission did not produce the aggregate report due to the following conditions:

- While the Commission receives reports on work-related deaths, injuries, and illnesses which resulted in the loss of three or more work days, the Commission does not track accident reports which are not eventually filed as an adjustment to a worker's claim.
- The Commission does not capture data from reports filed on paper. While employers and insurers reported 21,082 incidents occurring in Fiscal Year 2016 and 15,496 incidents occurring in Fiscal Year 2017 electronically, Commission management provided us with an estimate of approximately 14,000 Fiscal Year 2016 incidents and approximately 10,300 Fiscal Year 2017 incidents were reported on paper. In addition, the Commission can only receive electronic initial reports of injuries, as supplementary reports must be filed on paper. Commission records indicate legal proceedings were conducted for 38,321 and 33,727 incidents in Fiscal Year 2016 and Fiscal Year 2017, respectively, where each proceeding likely should have had a supplementary report filed.
- During our review of the four forms and associated instructions accepted by the Commission, we noted the forms were not designed to facilitate the capture of information needed to generate useful statistical reports. We noted the forms provided by the Commission, including the *Employer's First Report of Injury* (Form IC-45) and *Employer's Supplementary Report of Injury* (Form IC-85), are in a narrative format and do not have a coding process for the:
 - type/character of the injury;
 - part of the body affected;
 - location where the accident or illness exposure occurred;
 - the equipment, materials, and chemicals in use at the time of the incident;
 - occupation of the injured worker; and,
 - direct cause of the injury.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-004. **FINDING** (Failure to Report Aggregate Statistics) (continued)

Further, while we noted the forms developed by the International Association of Industrial Accident Boards and Commissions accepted by the Commission in lieu of its own forms, *Workers Compensation - First Report of Injury or Illness* (Form IA-1) and *Workers Compensation - Subsequent Report* (Form IA-2), provide significantly more detail about the injury, such as whether safety equipment was available and in use and the expected length of medical treatment, it did not have a coding process for each data element collected.

The Workers' Occupational Diseases Act (820 ILCS 310/6(b)) and the Workers' Compensation Act (820 ILCS 305/6(b)) require employers to maintain accurate records of work-related deaths, injuries, or illnesses resulting in the loss of more than three scheduled work days and file a report with the Commission within a specific timeframe depending on the nature of the injury detailing, if known, the:

- 1) date of the injury, including the time;
- 2) the nature of the employer's business;
- 3) the name, address, age, sex, and conjugal condition of the injured person;
- 4) the specific occupation of the injured person;
- 5) the direct cause and nature of the accident;
- 6) the character of the injury or occupational disease;
- 7) the length of the injured person's disability;
- 8) the length of the injured person's disability prior to their death;
- 9) the wages of the injured person;
- 10) whether compensation has been paid and, if so, the amount paid;
- 11) the amount paid by whom for medical bills from physicians, surgeons, and hospitals;
- 12) funeral and burial expenses; and,
- 13) such further information as the Commission shall deem necessary.

From these reports, the Workers' Occupational Diseases Act (820 ILCS 310/6(b)) and the Workers' Compensation Act (820 ILCS 305/6(b)) require the Commission to "compile and distribute to interested persons aggregate statistics." Good internal controls over compliance include designing a reporting system so information can be captured and reported to both internal and external parties.

Commission officials indicated the Commission lacks the resources to collect and gather the information from the reports filed on paper.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-004. **FINDING** (Failure to Report Aggregate Statistics) (continued)

Failure to gather and provide data to external users could hinder academic research into the workers' compensation system, reduces the availability of information to the public about work-related deaths and significant work-related injuries and illnesses, and represents noncompliance with State law. (Finding Code No. 2017-004)

RECOMMENDATION

We recommend the Commission enhance its reporting and data capture process so it can provide aggregate statistics to interested persons, or seek a legislative remedy.

COMMISSION RESPONSE

The Commission agrees with the recommendation. In Fiscal Year 2018, the Commission contracted a vendor to provide jurisdictional hosting for standardized electronic data interchange (EDI) services between the Commission and external entities required by law to submit workers' compensation injury reports. Currently in the work product stage of this paperless initiative, it mandates aggregate statistical data to be compiled electronically from businesses by June 14, 2019. This will greatly enhance the Commission's ability to sort, process, and capture proper data for the Aggregate Statistics Report.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-005. **FINDING** (Inadequate Control over State Property)

The Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over its equipment.

During testing, we noted the following:

- The Commission was unable to locate six laptops which were reported as not found during the Commission's annual inventory counts. During our discussions with the Commission about these laptops, they were unable to provide us with documentation about whether these laptops had sensitive or confidential information.

The State Property Control Act (30 ILCS 605/4) requires the Commission to be accountable for the supervision, control, and inventory of property under its jurisdiction and control. In addition, the Commission has the responsibility to ensure that confidential information is protected from disclosure and that the provisions in the Personal Information Protection Act (815 ILCS 530) are followed.

Commission officials indicated this exception was due to human error.

- The Commission did not report equipment items subject to theft that had a value of less than \$500 on its Annual Inventory Certification during Fiscal Year 2016 and Fiscal Year 2017.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.220) requires the Commission report all equipment subject to theft, including equipment with an acquisition value of less than \$500, to the Department of Central Management Services (CMS).

Commission officials indicated this was due to oversight when its staff ran the report for CMS.

- The Commission did not receive approval from the CMS Property Control Division prior to deleting 13 of 25 (52%) tested deleted equipment items, including laptops, a hard drive, printers, chair, cabinet, computer equipment, and a fabric wall panel. We noted all of these items had not been found by Commission staff during the Commission's last two annual inventory counts and, therefore, were being deleted from its records.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-005. **FINDING** (Inadequate Control over State Property) (continued)

The Code (44 Ill. Admin. Code 5010.310(e)) requires the approval of the CMS Property Control Division prior to the Commission deleting an item which was not found from its property records.

Commission officials indicated this occurred because of a new employee taking over property control responsibilities was unaware of this process.

Failure to exercise adequate control over State property may put the Commission at risk of exposing sensitive and confidential information, hinders governmental oversight, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2017-005, 2015-003, 2013-005, 11-7, 09-6, 07-4, 05-5, 03-7)

RECOMMENDATION

We recommend the Commission implement controls to protect confidential and sensitive information on computer equipment through methods such as encryption, report all equipment subject to theft to CMS, and ensure new personnel performing functions have adequate training and knowledge about their position.

COMMISSION RESPONSE

The Commission is consistently improving its lost inventory numbers through improving inventory procedures as missing computers were \$29,000 during Fiscal Years 2014-2015, \$6,800 during Fiscal Years 2016-2017, and \$3,500 during Fiscal Year 2018. Additionally, the Commission has encrypted all laptops during Fiscal Year 2019 to assure the laptops cannot be accessed by unauthorized users.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-006. **FINDING** (Inadequate Control over Contracts)

The Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over its contractual agreements.

During testing of six contractual agreements, we noted the following:

- One of six (17%) contractual agreements tested, totaling \$353,355, was submitted to the Office of the State Comptroller 24 days late. Further, the Commission did not file a *Late Filing Affidavit* with this contract.

The Illinois Procurement Code (Code) (30 ILCS 500/20-80(b)) and the Statewide Accounting Management System (SAMS) (Procedure 15.10.40) require the Commission to file contracts exceeding \$20,000 with the State Comptroller within 30 days of execution. In addition, the Code (30 ILCS 500/20-80(c)) and SAMS (Procedure 15.10.40) require the Commission complete a *Late Filing Affidavit* and file it with the State Comptroller setting forth the reasons why the contract was not filed within 30 days of execution.

- Two of six (33%) contractual agreements tested, totaling \$84,618, were procured pursuant to an exemption to the Code; however, the Commission did not include either a brief description of the exemption or the applicable statutory reference on either agreement's *Contract-Obligation Document* (Form C-23) filed with the Office of the State Comptroller.

SAMS (Procedure 15.20.10) requires the Commission provide a brief description of the exemption to the Code and the applicable statutory reference on the contract's Form C-23.

- Two of six (33%) contractual agreements tested, totaling \$72,250, were procured as small purchase; however, these agreements were erroneously reported as having been procured pursuant to an exemption to the Code on each agreement's Form C-23 filed with the Office of the State Comptroller.

SAMS (Procedure 15.20.10) requires the Commission code each contract's Form C-23 with certain specific information, including whether the contract was procured as a small purchase under the Code.

- Two of six (33%) contractual agreements tested, totaling \$72,250, were procured without obtaining a proper waiver from the Small Business Set-Aside Program from the State Purchasing Officer.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-006. **FINDING** (Inadequate Control over Contracts) (continued)

The Code (30 ILCS 500/45-45) allows each chief procurement officer to designate small purchase set-asides of construction, supply, and service contracts for award to small businesses within the State. Pursuant to this authority, the *Small Business Set-Aside Program Waiver Request* form promulgated by the Commission's chief procurement officer notes contracts under \$50,000 and contracts, regardless of dollar value, in 673 set-aside categories require the Commission, as the purchasing agency, to demonstrate a clear and discernable justification for a waiver to the program, which is to be approved by the Commission's State Purchasing Officer.

Commission officials indicated these exceptions were due to oversight and the transfer of responsibilities for contractual obligations among staff members.

In addition to the foregoing, we tested two real property leases. For one tested lease (50%), we noted the vendor submitted an invoice that the Commission paid, totaling \$1,856, for case file retrieval and delivery where these services were not included within the written contractual agreement. During discussions on this matter with Commission officials, they stated the Department of Central Management Services (CMS) procured this contract and did not put in all services the Commission needed with regards to this procurement.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law. Good internal controls over contracts include ensuring all relevant services are contemplated at the outset of a procurement, even when the procurement is run by another party, and are reduced to writing to protect the legal and financial rights of the State.

Failure to timely file contracts and prepare affidavits with the reason why a given contract could not be timely filed, properly complete Form C-23s, ensure services performed by vendors are contemplated for within the written agreement, and obtain proper approvals for a waiver to the small business set-aside program reduces governmental oversight, may result in improper expenditures, could hinder small business contractual opportunities with the State, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2017-006)

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-006. **FINDING** (Inadequate Control over Contracts) (continued)

RECOMMENDATION

We recommend the Commission implement controls to provide assurance:

- 1) each contract is timely filed with the Office of the State Comptroller;
- 2) each contract requiring a *Late Filing Affidavit* has an affidavit prepared and filed with the Office of the State Comptroller;
- 3) each contract's Form C-23 is properly completed;
- 4) waiver requests are approved by the appropriate party; and,
- 5) written contractual agreements delineate all of a vendor's functions.

COMMISSION RESPONSE

The Commission agrees with the recommendations. During Fiscal Years 2018-2019, additional resources have been dedicated to contracts, including responsibility for many contractual aspects given to our Deputy General Counsel who has provided consolidation and expertise for these contractual issues.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-007. **FINDING** (Inadequate Control over Voucher Processing)

The Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over voucher processing.

During testing of 152 non-payroll, non-awards and grants expenditures and seven refunds, we noted the following control deficiencies:

- Eleven vouchers (7%), totaling \$307,998, were approved for payment 1 to 86 days late.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70(b)) requires the Commission approve or deny, in whole or in part, a vendor's bill within 30 days of its receipt.

- Three vouchers (2%) for travel reimbursements, totaling \$2,173, were submitted to the Commission by the traveler between 82 and 127 days after the last day travel occurred. We did not note any reasonable explanation for why the traveler was unable to submit their travel voucher within 60 days on the voucher.

Internal Revenue Service (IRS) Publication 535, *Business Expenses*, notes employees receiving travel reimbursements must have paid or incurred deductible expenses while performing employment services, adequately accounted for the expenses within a reasonable period of time, generally defined by Publication 535 as within 60 days after the expenses were paid or incurred, and returned any excess reimbursements within a reasonable period of time. If the employee meets all three tests, the employee is under an accountable plan and the reimbursements are not included as wages on the employee's Form W-2. If the employee fails any of the tests, the employee is under a nonaccountable plan and all amounts paid as reimbursements are reported as wages on the employee's Form W-2, subject to income tax withholding, Social Security, Medicare, and unemployment taxes.

- One voucher (1%), totaling \$3,135, was paid to the individual owner of the company as opposed to the individual's company.

The Basic Ordering Agreement for this transaction indicated the company was the vendor.

- Two vouchers (1%), totaling \$17,850, were not properly approved by the Commission's authorized officers prior to the purchase.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-007. **FINDING** (Inadequate Control over Voucher Processing) (continued)

The Commission's policies require the pre-approval from both the Chair and Chief Financial Officer for any purchases in excess of \$1,000.

- One refund voucher (14%), totaling \$1,000, lacked evidence the voucher was reviewed by an appropriate officer prior to the Commission issuing the refund.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission 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. Good internal controls over voucher processing include having an appropriate officer perform a review to check whether a payment should be processed.

- Four vouchers (3%), totaling \$5,129, were coded with the incorrect detail object code.

The Statewide Accounting Management System (SAMS) (Procedure 11.10.50) requires the Commission assign an appropriate detail object code on its vouchers to report more detailed expenditure information.

- One voucher (1%), totaling \$1,000, for an employee's tuition reimbursement was paid and approved without (1) the official receipt as a proof for tuition reimbursement and (2) the State's *Tuition Reimbursement Application* form was prepared 82 days after the start of the course and was only signed by the employee seeking reimbursement.

The Commission's *Tuition Reimbursement Policy and Procedures* requires the employee seeking reimbursement obtain approval of their supervisor and the Commission's training manager before enrolling in a class. Further, the *Tuition Reimbursement Agreement* with the employee requires the signature of the Commission's training manager and receipts documenting the amount of tuition paid by the employee.

- Four vouchers (3%), totaling \$15,118, were not properly supported with purchase orders or any other obligation documents prior to purchase.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-007. **FINDING** (Inadequate Control over Voucher Processing) (continued)

The State Records Act (5 ILCS 160/8) requires the Commission make and preserve adequate and proper documentation of the essential transactions of the Commission designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Commission's activities. Documentation for vouchers should include purchase orders or other obligations documents documenting management's approval to acquire a good or service.

- During testing, we noted three vouchers (2%) where the Commission did not retain and maintain documentation supporting changes to its purchases of goods and services from vendors. We noted one voucher, totaling \$14,900, which did not have adequate documentation to support the hourly rate charged since the vendor and the Commission agreed to the rate orally. Additionally, we noted two vouchers, totaling \$13,833, for the purchase of goods where changes to the order were agreed to orally by the Commission and the vendor.

The State Records Act (5 ILCS 160/8) requires the Commission make and preserve adequate and proper documentation of the essential transactions of the Commission designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Commission's activities. Ideally, contractual terms would be reduced to writing and signed off on by all parties prior to the start date of the change. In cases where an oral agreement is necessary, a written confirmation of the oral change should be sent to the vendor and maintained by the Commission to support its transactions.

- Three vouchers (2%) for travel reimbursements, totaling \$403, were paid twice. Subsequent to our examination of these transactions, the Commission was reimbursed for the overpayments.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission 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. Good internal controls over voucher processing include ensuring procedures are in place and functioning to prevent duplicate payments.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-007. **FINDING** (Inadequate Control over Voucher Processing) (continued)

- One travel voucher (1%), totaling \$1,154, for a travel reimbursement had excessive mileage claimed amounting to \$188. During our discussions with Commission officials regarding this matter, the traveler indicated this error occurred when he reused a previously submitted voucher to prepare his new voucher and forgot to update the mileage claimed to reflect a change in his hearing site location. Subsequent to our examination of this transaction, the Commission was reimbursed for the overpayment.

The Code (80 Ill. Admin. Code 3000.310) requires distances between two locations shall be as shown on the highway maps published by the Secretary of State. Good internal controls over voucher processing include comparing mileage claimed to these maps for reasonableness, with explanations for any significant deviations.

Commission officials indicated these exceptions were due to insufficient staff, time constraints, travelers resubmitting travel vouchers when they were not paid during the budget impasse, and human error.

Failure to establish and maintain adequate internal control over voucher processing represents noncompliance with State laws, rules, and regulations and increases the likelihood errors and other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties. In addition, failure to require the timely submission of travel vouchers could result in additional efforts by the Commission to allocate income to employees subject to a nonaccountable plan. (Finding Code No. 2017-007, 2015-001, 2013-007)

RECOMMENDATION

We recommend the Commission implement controls to provide assurance:

- 1) vouchers are timely processed;
- 2) travel vouchers are promptly submitted by travelers;
- 3) vouchers are properly approved and reconcile its supporting documentation;
- 4) vouchers are properly coded in accordance with SAMS requirements;
- 5) tuition reimbursements conform with Commission policies;
- 6) contractual terms are reduced to writing and formally agreed to with vendors and, in rare instances if necessary, oral terms are confirmed in writing with the vendor;
- 7) duplicate payments are not processed; and,
- 8) mileage reimbursement requests are checked for reasonableness.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-007. **FINDING** (Inadequate Control over Voucher Processing) (continued)

COMMISSION RESPONSE

The Commission agrees with the recommendation.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-008. **FINDING** (Inadequate Control over Receipts)

The Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over receipts and related reports.

During testing, we noted the following:

- The Commission did not properly prepare its annual Agency Fee Imposition Report (Report) for Fiscal Year 2016 and Fiscal Year 2017. We noted the following:
 - The Commission's Fiscal Year 2017 Report was an exact duplicate of its Fiscal Year 2016 Report.
 - The Commission omitted fees collected for the Rate Adjustment Fund in its Fiscal Year 2016 Report and Fiscal Year 2017 Report.
 - The amount of fees reported as collected by the Commission during Fiscal Year 2016 on its Report did not reconcile with its internal cash receipts records. We noted differences within the Injured Workers Benefit Fund, the Self-Insurers' Administration Fund, the Second Injury Fund, the Illinois Workers' Compensation Commission Operations Fund, and the Self-Insurers' Security Fund that we were unable to reconcile to the State Comptroller's Monthly Revenue Status Report (SB04).

The State Comptroller Act (15 ILCS 405/16.2(a)) requires the Commission, if it imposes and collects fees, to prepare the annual Report. Further, the Statewide Accounting Management System (Procedure 33.16.10) states the Commission's submission shall list and describe the fees imposed by the Commission, the purpose of the fees, the amount of revenue generated by the fee, and the funds into which the fees are deposited. The amount of revenue generated is on a cash basis, which must reconcile to the State Comptroller's SB04 report pursuant to the following formula:

Receipts, per Commission records (amount to report)
Add: Deposits in Transit, Beginning of the Year
Less: Deposits in Transit, End of the Year
Deposits, Recorded by the State Comptroller (SB04)

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-008. **FINDING** (Inadequate Control over Receipts) (continued)

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues and resources 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.

Commission officials indicated these errors were due to a transition in staff responsibilities and oversight.

- Four of 40 (10%) receipts tested, totaling \$5,015, were deposited between seven and eight business days after the Commission received the receipt, two to three business days late.

In accordance with the State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(b)), we noted the Commission sought and obtained from the State Treasurer and State Comptroller an extension to a total of five business days to deposit receipts collected.

Commission officials indicated these receipts were delayed due to a lack of available resources.

Failure to file an accurate annual Report with the Office of the State Comptroller lessens governmental oversight, reduces the reliability of Statewide fee reporting, and represents noncompliance with State laws, rules, and regulations. Further, failure to timely deposit receipts reduces the amount of cash available within the State Treasury for expenditure and could delay payment of State obligations. (Finding Code No. 2017-008)

RECOMMENDATION

We recommend the Commission implement controls to ensure (1) its annual Report is accurate and reviewed by management prior to its submission to the Office of the State Comptroller and (2) receipts are deposited timely.

COMMISSION RESPONSE

The Commission agrees with the recommendation. The Commission has requested an extension from five to ten business days for all deposits from the State Comptroller and State Treasurer.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-009. **FINDING** (Inadequate Control over Workforce Reporting)

The Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over its annual Agency Workforce Report (Report).

During testing, we noted the following:

Fiscal Year 2015 Report (filed in Fiscal Year 2016)

- The Report had discrepancies of between one to two people between the reported total number of newly-hired (1) women and (2) minorities working at the Commission and the summation of these individuals when categorized by race/ethnicity.
- The total number of individuals categorized by gender, race/ethnicity, and disability on the Report did not agree with the Commission's supporting documentation for African-American males and females, Asian females, Hispanic females, Caucasian males and females, and disabled males and females. We were unable to determine the source of this error.

Fiscal Year 2016 Report (filed in Fiscal Year 2017)

- The Report had discrepancies of between one to five people between the reported total number of (1) newly-hired women, (2) women earning between \$60,000 and \$69,999, (3) minorities earning between \$40,000 and \$49,999, and (4) professional minorities working at the Commission and the summation of these individuals when they have been categorized.
- The total number of individuals categorized by gender, race/ethnicity, and disability on the Report did not agree with the Commission's supporting documentation for total employees, African-American males and females, Hispanic females, and Caucasian females. We were unable to determine the source of this error.
- The Commission had mathematical errors within its calculated percentage of (1) disabled males earning between \$30,000 and \$39,999, (2) disabled males earning between \$40,000 and \$49,999, (3) disabled males earning between \$50,000 and \$59,999, (4) disabled males earning between \$80,000 and \$99,999, (5) disabled males earning more than \$100,000, (6) disabled females earning between \$40,000 and \$49,999, (7) disabled females earning between \$70,000 and \$79,999, (8) disabled females earning between \$80,000 and \$99,999, and (10) disabled females earning more than \$100,000.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-009. **FINDING** (Inadequate Control over Workforce Reporting) (continued)

The State Employment Records Act (5 ILCS 410/20) requires the Commission to collect, classify, maintain, and file the annual Report covering the preceding fiscal year with the Governor and the Secretary of State with certain employment statistics for women, disabled persons, and minorities by January 1.

Commission officials indicated these errors were due to oversight.

Filing inaccurate Reports inhibits the State to accumulate meaningful information to achieve a more diversified workforce, hinders governmental oversight, and represents noncompliance with the Act. (Finding Code No. 2017-009)

RECOMMENDATION

We recommend Commission develop and implement procedures to ensure its annual Report is accurate, including conducting a supervisory review of the Report prior to its filing with the Governor and Secretary of State. In addition, we recommend Commission file a corrected Report for Fiscal Year 2015 and Fiscal Year 2016 within 30 days after the release of this compliance report as required by the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) with the Governor and Secretary of State.

COMMISSION RESPONSE

The Commission agrees with the recommendation. The Commission will resubmit its Fiscal Year 2015 Report and Fiscal Year 2016 Report with corrected information.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
CURRENT FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2017

2017-010. **FINDING** (Inadequate Control over Performance Evaluations)

The Illinois Worker's Compensation Commission (Commission) lacked adequate control over evaluating employee performance.

During testing of 23 employees with 24 required performance evaluations during the examination period, we noted nine (38%) of these evaluations were conducted between 11 and 235 days late.

The Illinois Administrative Code (80 Ill. Admin. Code 302.270) requires each (1) certified employee receive a performance evaluation not less often than annually and (2) probationary employee receive more frequent evaluations. We considered performance evaluations held more than 30 days after the end of the evaluation period as untimely.

Commission officials indicated these exceptions were due to oversight.

Employee performance evaluations are a systematic and uniform approach used for employee development and communication of performance expectations to employees. Failure to conduct timely employee performance evaluations delays formal feedback on an employee's performance, delays communication of areas for improvement, and delays communication of the next year's performance goals and objectives. In addition, employee performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. (Finding Code No. 2017-010)

RECOMMENDATION

We recommend Commission provide each of its employees a timely evaluation of their performance.

COMMISSION RESPONSE

The Commission agrees with the recommendation.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2017

A. **FINDING** (Inadequate Financial Accounting and Reporting)

During the financial audit as of and for the year ended June 30, 2016, the Illinois Workers' Compensation Commission (Commission) did not exercise adequate internal control over its financial reporting for the Self-Insurers Security Fund (Fund).

During the current audit, we noted the Commission (1) adopted written accounting policies, (2) developed an appropriate process to estimate the Fund's unpaid claims liability, and (3) developed a process for properly handling an insolvent self-insurer's security collected by the Fund. However, we continued to note financial reporting problems identified during the post audit process, which is reported as Finding No. 2017-001. (Finding Code No. 2016-001)

B. **FINDING** (Inadequate Process to Determine Claims Liabilities)

During the financial audit as of and for the year ended June 30, 2016, the Illinois Workers' Compensation Commission (Commission) had an inadequate process to determine the claims liabilities of the Self-Insurers Security Fund (Fund).

During the current audit, we noted the Commission adopted a new methodology that calls for an actuary to calculate an estimate of the Fund's unpaid claims liabilities on the accrual basis of accounting. (Finding Code No. 2016-002)

C. **FINDING** (Uncertainty Regarding Statutory Interpretation)

During the financial audit as of and for the year ended June 30, 2016, the proper accounting treatment for an insolvent self-insurer's security collected by the Illinois Workers' Compensation Commission (Commission) was not determinable due to two different irreconcilable interpretations of the Workers' Compensation Act (820 ILCS 305).

During the current audit, we noted the Commission adopted a new accounting policy for security collected by the Commission and any associated unpaid claims assumed by the Fund as described in Note 2(I), Note 2(J), Note 2(K), and Note 2(M) to the Fund's financial statements. This policy change appears consistent with the Workers' Compensation Act and the Commission's written security agreements. (Finding Code No. 2016-003)

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF FINDINGS
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2017

D. **FINDING** (Inadequate Control over Timekeeping)

During the compliance examination for the two years ended June 30, 2015, the Illinois Workers' Compensation Commission (Commission) lacked adequate control over its timekeeping functions.

During the current examination, our sample testing did not identify any similar issues. (Finding Code No. 2015-002)

**STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2017
 - Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2016
 - Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller

- Analysis of Operations (Not Examined):
 - Agency Functions and Planning Program (Not Examined)
 - Analysis of Significant Variations in Expenditures (Not Examined)
 - Analysis of Significant Variations in Receipts (Not Examined)
 - Analysis of Significant Lapse Period Spending (Not Examined)
 - Analysis of the Rate Adjustment Fund (Not Examined)
 - Analysis of Accounts Receivable (Not Examined)
 - Budget Impasse Disclosures (Not Examined)
 - Alternative Financing in Lieu of Appropriations and Programs To Address Untimely Payments to Vendors (Not Examined)
 - Interest Costs on Fiscal Year 2016 and Fiscal Year 2017 Invoices (Not Examined)
 - Average Number of Employees (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 5. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section and, accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Expenditure Authority for Fiscal Year 2017

Fifteen Months Ended September 30, 2017

<u>Public Act 99-0524</u>	<u>Expenditure Authority (Net After Transfers)</u>	<u>Expenditures Through 6/30/17</u>	<u>Lapse Period Expenditures 7/01 - 09/30/17</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>APPROPRIATED FUNDS</u>					
<u>ILLINOIS WORKERS' COMPENSATION COMMISSION</u>					
<u>OPERATIONS FUND - 534</u>					
GENERAL OFFICE					
Personal Services	\$ 12,054,600	\$ 10,791,746	\$ 462,151	\$ 11,253,897	\$ 800,703
State Contributions for Retirement	5,496,600	4,811,466	206,664	5,018,130	478,470
State Contributions for Social Security	922,200	796,756	34,492	831,248	90,952
Group Insurance	3,552,000	2,605,091	122,277	2,727,368	824,632
Contractual Services	2,055,100	1,628,974	354,901	1,983,875	71,225
Travel	320,000	238,992	34,321	273,313	46,687
Commodities	60,000	44,072	4,011	48,083	11,917
Printing	30,000	8,395	-	8,395	21,605
Equipment	30,000	-	17,766	17,766	12,234
Telecommunications	85,000	63,489	11,229	74,718	10,282
Implementation and Operation of an Accident Reporting System Establishment, Administration, and Operations of the Insurance Compliance Division	34,100	14,993	1,363	16,356	17,744
Establishment of the Medical Fee Schedule	2,041,500	1,350,772	60,981	1,411,753	629,747
	60,000	55,662	1,486	57,148	2,852
Total - General Office	<u>26,741,100</u>	<u>22,410,408</u>	<u>1,311,642</u>	<u>23,722,050</u>	<u>3,019,050</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

Fifteen Months Ended September 30, 2017

Public Act 99-0524	Expenditure Authority (Net After Transfers)	Expenditures Through 6/30/17	Lapse Period Expenditures 7/01 - 09/30/17	Total Expenditures	Balances Lapsed
<u>ILLINOIS WORKERS' COMPENSATION COMMISSION</u>					
<u>OPERATIONS FUND - 534 (continued)</u>					
ELECTRONIC DATA PROCESSING					
Personal Services	\$ 1,136,400	\$ 510,713	\$ 24,901	\$ 535,614	\$ 600,786
State Contributions for Retirement	509,000	228,155	11,119	239,274	269,726
State Contributions for Social Security	85,400	37,455	1,844	39,299	46,101
Group Insurance	240,000	98,895	4,013	102,908	137,092
Contractual Services	200,000	199,951	-	199,951	49
Travel	9,000	1,079	-	1,079	7,921
Commodities	12,000	2,943	312	3,255	8,745
Printing	1,000	-	-	-	1,000
Equipment	15,000	-	-	-	15,000
Telecommunications	90,000	51,004	10,320	61,324	28,676
Total - Electronic Data Processing	<u>2,297,800</u>	<u>1,130,195</u>	<u>52,509</u>	<u>1,182,704</u>	<u>1,115,096</u>
Total Illinois Workers' Compensation Commission Operations Fund - 534	<u>\$ 29,038,900</u>	<u>\$ 23,540,603</u>	<u>\$ 1,364,151</u>	<u>\$ 24,904,754</u>	<u>\$ 4,134,146</u>
<u>INJURED WORKERS' BENEFIT FUND - 179</u>					
Awards and Grants		\$ 1,311,538	\$ -	\$ 1,311,538	
Total Injured Workers' Benefit Fund - 179		<u>\$ 1,311,538</u>	<u>\$ -</u>	<u>\$ 1,311,538</u>	
TOTAL - APPROPRIATED FUNDS	<u>\$ 29,038,900</u>	<u>\$ 24,852,141</u>	<u>\$ 1,364,151</u>	<u>\$ 26,216,292</u>	<u>\$ 4,134,146</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

Fifteen Months Ended September 30, 2017

<u>Public Act 99-0524</u>	<u>Expenditure Authority (Net After Transfers)</u>	<u>Expenditures Through 6/30/17</u>	<u>Lapse Period Expenditures 7/01 - 09/30/17</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>SELF-INSURERS' ADMINISTRATION FUND - 274</u>					
General and Administrative	\$ 415,945	\$ 18,481	\$ 434,426		
Total Self-Insurers' Administration Fund - 274	<u>\$ 415,945</u>	<u>\$ 18,481</u>	<u>\$ 434,426</u>		
<u>SECOND INJURY FUND - 431</u>					
Awards and Grants	\$ 1,211,916	\$ -	\$ 1,211,916		
Total Second Injury Fund - 431	<u>\$ 1,211,916</u>	<u>\$ -</u>	<u>\$ 1,211,916</u>		
<u>RATE ADJUSTMENT FUND - 685</u>					
Awards and Grants	\$ 11,871,252	\$ 5,663	\$ 11,876,915		
General and Administrative	49,829	366,705	416,534		
Total Rate Adjustment Fund - 685	<u>\$ 11,921,081</u>	<u>\$ 372,368</u>	<u>\$ 12,293,449</u>		
<u>SETTLEMENT FUND - 848</u>					
Awards and Grants	\$ 116,025	\$ 802,890	\$ 918,915		
General and Administrative	396,713	151,284	547,997		
Total Settlement Fund - 848	<u>\$ 512,738</u>	<u>\$ 954,174</u>	<u>\$ 1,466,912</u>		
<u>SELF-INSURERS' SECURITY FUND - 940</u>					
Awards and Grants	\$ 964,609	\$ 21,536	\$ 986,145		
General and Administrative	152,386	6,735	159,121		
Total Self-Insurers' Security Fund - 940	<u>\$ 1,116,995</u>	<u>\$ 28,271</u>	<u>\$ 1,145,266</u>		
TOTAL - ALL NON-APPROPRIATED FUNDS	<u>\$ 15,178,675</u>	<u>\$ 1,373,294</u>	<u>\$ 16,551,969</u>		
GRAND TOTAL - ALL FUNDS	<u>\$ 40,030,816</u>	<u>\$ 2,737,445</u>	<u>\$ 42,768,261</u>		

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

Fifteen Months Ended September 30, 2017

<u>Public Act 99-0524</u>	<u>Expenditure Authority</u> <u>(Net After Transfers)</u>	<u>Expenditures</u> <u>Through 6/30/17</u>	<u>Lapse Period</u> <u>Expenditures</u> <u>7/01 - 09/30/17</u>	<u>Total</u> <u>Expenditures</u>	<u>Balances</u> <u>Lapsed</u>
---------------------------	--	---	--	-------------------------------------	----------------------------------

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to the Commission's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

Note 3: The Injured Workers' Benefit Fund has a continuous appropriation pursuant to the Workers' Compensation Act (820 ILCS 305/4(d)).

Note 4: Public Act 99-0524 authorized the Commission to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 66 includes information from Commission management about the number of invoices and the total dollar amount of invoices held by the Commission to be submitted against its Fiscal Year 2017 appropriation.

Note 5: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Commission to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 66 includes information from Commission management about the number of invoices and total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Commission to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriations.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Expenditure Authority for Fiscal Year 2016

Fourteen Months Ended August 31, 2016

<u>Public Act 99-0524</u>	<u>Expenditure Authority (Net After Transfers)</u>	<u>Expenditures Through 6/30/16</u>	<u>Lapse Period Expenditures 7/01 - 08/31/16</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>APPROPRIATED FUNDS</u>					
<u>ILLINOIS WORKERS' COMPENSATION COMMISSION</u>					
<u>OPERATIONS FUND - 534</u>					
GENERAL OFFICE					
Personal Services	\$ 11,845,400	\$ 10,662,541	\$ 465,718	\$ 11,128,259	\$ 717,141
State Contributions for Retirement	5,401,300	4,853,129	212,894	5,066,023	335,277
State Contributions for Social Security	816,500	782,045	34,309	816,354	146
Group Insurance	3,600,000	2,645,255	124,363	2,769,618	830,382
Contractual Services	1,785,100	72,306	1,545,226	1,617,532	167,568
Travel	305,000	-	286,412	286,412	18,588
Commodities	30,000	-	17,843	17,843	12,157
Printing	30,000	-	26,264	26,264	3,736
Equipment	30,000	-	-	-	30,000
Telecommunications	85,000	-	81,865	81,865	3,135
Implementation and Operation of an Accident Reporting System	34,100	-	34,100	34,100	-
Establishment, Administration, and Operations of the Insurance Compliance Division	2,000,000	1,374,599	356,973	1,731,572	268,428
Establishment of the Medical Fee Schedule	60,000	-	59,210	59,210	790
Total - General Office	<u>26,022,400</u>	<u>20,389,875</u>	<u>3,245,177</u>	<u>23,635,052</u>	<u>2,387,348</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Expenditure Authority for Fiscal Year 2016

Fourteen Months Ended August 31, 2016

<u>Public Act 99-0524</u>	<u>Expenditure Authority (Net After Transfers)</u>	<u>Expenditures Through 6/30/16</u>	<u>Lapse Period Expenditures 7/01 - 08/31/16</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>ILLINOIS WORKERS' COMPENSATION COMMISSION</u>					
<u>OPERATIONS FUND - 534 (continued)</u>					
ELECTRONIC DATA PROCESSING					
Personal Services	1,070,800	752,544	28,500	781,044	289,756
State Contributions for Retirement	488,300	343,813	13,032	356,845	131,455
State Contributions for Social Security	56,500	54,400	2,076	56,476	24
Group Insurance	240,000	168,713	6,635	175,348	64,652
Contractual Services	398,000	-	387,890	387,890	10,110
Travel	9,000	-	4,332	4,332	4,668
Commodities	12,000	-	1,518	1,518	10,482
Printing	1,000	-	-	-	1,000
Equipment	6,500	-	6,424	6,424	76
Telecommunications	55,000	-	53,574	53,574	1,426
Total - Electronic Data Processing	<u>2,337,100</u>	<u>1,319,470</u>	<u>503,981</u>	<u>1,823,451</u>	<u>513,649</u>
Total Illinois Workers' Compensation Commission Operations Fund - 534	<u>\$ 28,359,500</u>	<u>\$ 21,709,345</u>	<u>\$ 3,749,158</u>	<u>\$ 25,458,503</u>	<u>\$ 2,900,997</u>
<u>INJURED WORKERS' BENEFIT FUND - 179</u>					
Awards and Grants		<u>\$ 2,186,281</u>	<u>\$ -</u>	<u>\$ 2,186,281</u>	
Total Injured Workers' Benefit Fund - 179		<u>\$ 2,186,281</u>	<u>\$ -</u>	<u>\$ 2,186,281</u>	
TOTAL - APPROPRIATED FUNDS	<u>\$ 28,359,500</u>	<u>\$ 23,895,626</u>	<u>\$ 3,749,158</u>	<u>\$ 27,644,784</u>	<u>\$ 2,900,997</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

Fourteen Months Ended August 31, 2016

<u>Public Act 99-0524</u>	<u>Expenditure Authority (Net After Transfers)</u>	<u>Expenditures Through 6/30/16</u>	<u>Lapse Period Expenditures 7/01 - 08/31/16</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>SELF-INSURERS' ADMINISTRATION FUND - 274</u>					
General and Administrative		\$ 424,534	\$ 19,211	\$ 443,745	
Total Self-Insurers' Administration Fund - 274		<u>\$ 424,534</u>	<u>\$ 19,211</u>	<u>\$ 443,745</u>	
<u>SECOND INJURY FUND - 431</u>					
Awards and Grants		\$ 1,146,191	\$ -	\$ 1,146,191	
Total Second Injury Fund - 431		<u>\$ 1,146,191</u>	<u>\$ -</u>	<u>\$ 1,146,191</u>	
<u>RATE ADJUSTMENT FUND - 685</u>					
Awards and Grants		\$ 11,377,683	\$ (832)	\$ 11,376,851	
General and Administrative		3,834	-	3,834	
Total Rate Adjustment Fund - 685		<u>\$ 11,381,517</u>	<u>\$ (832)</u>	<u>\$ 11,380,685</u>	
<u>SELF-INSURERS' SECURITY FUND - 940</u>					
Awards and Grants		\$ 1,000,206	\$ 21,898	\$ 1,022,104	
General and Administrative		693,502	6,970	700,472	
Total Self-Insurers' Security Fund - 940		<u>\$ 1,693,708</u>	<u>\$ 28,868</u>	<u>\$ 1,722,576</u>	
TOTAL - ALL NON-APPROPRIATED FUNDS		<u>\$ 14,645,950</u>	<u>\$ 47,247</u>	<u>\$ 14,693,197</u>	
GRAND TOTAL - ALL FUNDS		<u>\$ 38,541,576</u>	<u>\$ 3,796,405</u>	<u>\$ 42,337,981</u>	

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

Fourteen Months Ended August 31, 2016

<u>Public Act 99-0524</u>	<u>Expenditure Authority (Net After Transfers)</u>	<u>Expenditures Through 6/30/16</u>	<u>Lapse Period Expenditures 7/01 - 08/31/16</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
---------------------------	--	---	--	-------------------------------	----------------------------

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to the Commission's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

Note 3: The Injured Workers' Benefit Fund has a continuous appropriation pursuant to the Workers' Compensation Act (820 ILCS 305/4(d)).

Note 4: During Fiscal Year 2016, the Commission operated without appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in AFSCME Council 31 v. Munger (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing the payment of wages [for all State employees] at their normal rates of pay." As such, the Commission's court ordered payroll payments were merged into the enacted appropriation within Fund 534. Further, the Commission incurred non-payroll obligations within Fund 534 it was unable to pay until the passage of Public Act 99-0524.

Note 5: Public Act 99-0524 authorizes the Commission to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 66 includes information from Commission management about the number of invoices and the total dollar amount of invoices held by the Commission to be submitted against its Fiscal Year 2017 appropriation.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

	2017 <u>PA 99-0524</u>	Fiscal Year 2016 <u>PA 99-0524</u>	2015 <u>PA 98-0681</u>
<u>APPROPRIATED FUNDS</u>			
Illinois Workers' Compensation Commission Operations Fund - 534			
Appropriations (Net After Transfers)	\$ 29,038,900	\$ 28,359,500	\$ 27,572,600
Expenditures			
Personal Services	\$ 11,789,511	\$ 11,909,303	\$ 11,843,034
State Contributions to Employee Retirement	5,257,404	5,422,868	4,988,641
State Contributions to Social Security	870,547	872,830	864,197
Group Insurance	2,830,276	2,944,966	2,631,276
Contractual Services	2,183,826	2,005,422	1,744,038
Travel	274,392	290,744	333,367
Commodities	51,338	19,361	51,647
Printing	8,395	26,264	26,788
Equipment	17,766	6,424	59,342
Telecommunications	136,042	135,439	131,647
Implementation and Operation of an Accident Reporting System	16,356	34,100	57,662
Establishment, Administration, and Operations of the Insurance			
Compliance Division	1,411,753	1,731,572	1,567,382
Establishment of the Medical Fee Schedule	57,148	59,210	44,587
Total Expenditures	<u>\$ 24,904,754</u>	<u>\$ 25,458,503</u>	<u>\$ 24,343,608</u>
Lapsed Balances	<u>\$ 4,134,146</u>	<u>\$ 2,900,997</u>	<u>\$ 3,228,992</u>
Injured Workers' Benefit Fund - 179			
Expenditures			
Awards and Grants	\$ 1,311,538	\$ 2,186,281	\$ 1,658,558
Total Expenditures	<u>\$ 1,311,538</u>	<u>\$ 2,186,281</u>	<u>\$ 1,658,558</u>
TOTAL - APPROPRIATED FUNDS			
Appropriations (Net After Transfers)	\$ 29,038,900	\$ 28,359,500	\$ 27,572,600
Total Expenditures	26,216,292	27,644,784	26,002,166
Lapsed Balances	<u>\$ 4,134,146</u>	<u>\$ 2,900,997</u>	<u>\$ 3,228,992</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

	2017	Fiscal Year 2016	2015
	<u>PA 99-0524</u>	<u>PA 99-0524</u>	<u>PA 98-0681</u>
<u>NON-APPROPRIATED FUNDS</u>			
Self-Insurers' Administration Fund - 274			
Expenditures			
General and Administrative	\$ 434,426	\$ 443,745	\$ 495,941
Total Expenditures	<u>\$ 434,426</u>	<u>\$ 443,745</u>	<u>\$ 495,941</u>
Second Injury Fund - 431			
Expenditures			
Awards and Grants	\$ 1,211,916	\$ 1,146,191	\$ 1,179,643
Total Expenditures	<u>\$ 1,211,916</u>	<u>\$ 1,146,191</u>	<u>\$ 1,179,643</u>
Rate Adjustment Fund - 685			
Expenditures			
Awards and Grants	\$ 11,876,915	\$ 11,376,851	\$ 14,397,234
General and Administrative	416,534	3,834	11,376
Total Expenditures	<u>\$ 12,293,449</u>	<u>\$ 11,380,685</u>	<u>\$ 14,408,610</u>
Settlement Fund - 848			
Expenditures			
Awards and Grants	\$ 918,915	\$ -	\$ -
General and Administrative	547,997	-	-
Total Expenditures	<u>\$ 1,466,912</u>	<u>\$ -</u>	<u>\$ -</u>
Self-Insurers' Security Fund - 940			
Expenditures			
Awards and Grants	\$ 986,145	\$ 1,022,104	\$ 1,404,674
General and Administrative	159,121	700,472	219,262
Total Expenditures	<u>\$ 1,145,266</u>	<u>\$ 1,722,576</u>	<u>\$ 1,623,936</u>
TOTAL - ALL NON-APPROPRIATED FUNDS	<u><u>\$ 16,551,969</u></u>	<u><u>\$ 14,693,197</u></u>	<u><u>\$ 17,708,130</u></u>
GRAND TOTAL - ALL FUNDS	<u><u>\$ 42,768,261</u></u>	<u><u>\$ 42,337,981</u></u>	<u><u>\$ 43,710,296</u></u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

	Fiscal Year		
	2017	2016	2015
	<u>PA 99-0524</u>	<u>PA 99-0524</u>	<u>PA 98-0681</u>
<u>STATE OFFICERS' SALARIES</u>			
Illinois Workers' Compensation Commission Operations Fund - 534 (State Comptroller)			
Expenditures			
Commission Chair's Salary	\$ 125,232	\$ 125,232	\$ 124,260
Commission Members' Salaries	1,078,942	1,078,559	1,077,766
State Contributions for Retirement	539,779	551,822	500,470
State Contributions for Social Security	89,173	89,187	88,689
Group Insurance	223,041	221,182	198,584
Total Expenditures	<u>\$ 2,056,167</u>	<u>\$ 2,065,982</u>	<u>\$ 1,989,769</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and September 30, 2016, and have been reconciled to the Commission's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

Note 3: The Injured Workers' Benefit Fund has a continuous appropriation pursuant to the Workers' Compensation Act (820 ILCS 305/4(d)).

Note 4: During Fiscal Year 2016, the Commission operated without appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in AFSCME Council 31 v. Munger (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing the payment of wages [for all State employees] at their normal rates of pay." As such, the Commission's court ordered payroll payments were merged into the enacted appropriation within Fund 534. Further, the Commission incurred non-payroll obligations within Fund 534 it was unable to pay until the passage of Public Act 99-0524.

Note 5: Public Act 99-0524 authorized the Commission to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 66 includes information from Commission management about the number of invoices and the total dollar amount of invoices held by the Commission to be submitted against its Fiscal Year 2017 appropriation.

Note 6: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Commission to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 66 includes information from Commission management about the number of invoices and total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Commission to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriations.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2017

	Self-Insurers' Administration Fund - 274 Equipment	Governmental Funds Equipment	Total
Balance, July 1, 2015	\$ 43,923	\$ 1,305,573	\$ 1,349,496
Additions	-	7,220	7,220
Deletions and Transfers	-	(51,711)	(51,711)
Net transfers and adjustments	(5,074)	(335,408)	(340,482)
Balance, June 30, 2016	38,849	925,674	964,523
Additions	-	4,598	4,598
Deletions and Transfers	-	(69,912)	(69,912)
Net transfers and adjustments	(15,925)	-	(15,925)
Balance, June 30, 2017	<u>\$ 22,924</u>	<u>\$ 860,360</u>	<u>\$ 883,284</u>

Note: The above schedule has been derived from the Commission records, which have been reconciled to property reports submitted to the Office of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2017	2016	2015
<u>Injured Workers' Benefit Fund - 179</u>			
Fines, Penalties, or Violations	\$ 2,410,977	\$ 2,505,061	\$ 2,217,102
Total Cash Receipts per Commission Records	2,410,977	2,505,061	2,217,102
Add: Receipts in Transit, Beginning of Year	116,678	43,465	10,355
Less: Receipts in Transit, End of Year	149,364	116,678	43,465
Total Cash Receipts per State Comptroller's Records	<u>\$ 2,378,291</u>	<u>\$ 2,431,848</u>	<u>\$ 2,183,992</u>
<u>Self-Insurers' Administration Fund - 274</u>			
Licenses, Fees, or Registrations	\$ 322,500	\$ 326,000	\$ 338,517
Total Cash Receipts per Commission Records	322,500	326,000	338,517
Add: Receipts in Transit, Beginning of Year	28,000	12,000	5,000
Less: Receipts in Transit, End of Year	20,000	28,000	12,000
Total Cash Receipts per State Comptroller's Records	<u>\$ 330,500</u>	<u>\$ 310,000</u>	<u>\$ 331,517</u>
<u>Second Injury Fund - 431</u>			
Statutory Assessments	\$ 1,448,873	\$ 864,107	\$ 1,106,304
Prior Year Refunds	315	-	-
Prior Year Warrant Voids	-	-	1,182
Total Cash Receipts per Commission Records	1,449,188	864,107	1,107,486
Add: Receipts in Transit, Beginning of Year	1,361	757	1,961
Less: Receipts in Transit, End of Year	2,018	1,361	757
Total Cash Receipts per State Comptroller's Records	<u>\$ 1,448,531</u>	<u>\$ 863,503</u>	<u>\$ 1,108,690</u>
<u>Illinois Workers' Compensation Commission Operations Fund - 534</u>			
Statutory Assessments	\$ 2,775,181	\$ 2,672,056	\$ 2,697,041
Prior Year Warrant Voids	5,075	845	-
Total Cash Receipts per Commission Records	2,780,256	2,672,901	2,697,041
Add: Receipts in Transit, Beginning of Year	-	-	-
Less: Receipts in Transit, End of Year	20	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 2,780,236</u>	<u>\$ 2,672,901</u>	<u>\$ 2,697,041</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2017	2016	2015
<u>Rate Adjustment Fund - 685</u>			
Statutory Assessments	\$ 14,107,833	\$ 8,518,187	\$ 4,644,086
Prior Year Refunds	4,531	4,622	15,909
Prior Year Warrant Voids	-	-	35
Total Cash Receipts per Commission Records	<u>14,112,364</u>	<u>8,522,809</u>	<u>4,660,030</u>
Add: Receipts in Transit, Beginning of Year	14,082	1,830	19,767
Less: Receipts in Transit, End of Year	20,423	14,082	1,830
Total Cash Receipts per State Comptroller's Records	<u><u>\$ 14,106,023</u></u>	<u><u>\$ 8,510,557</u></u>	<u><u>\$ 4,677,967</u></u>
<u>Self-Insurers' Security Fund - 940</u>			
Securities Collected, Assessments, and Reimbursements	\$ 653,286	\$ 1,745,620	\$ 623,235
Total Cash Receipts per Commission Records	<u>653,286</u>	<u>1,745,620</u>	<u>623,235</u>
Add: Receipts in Transit, Beginning of Year	1,180	-	-
Less: Receipts in Transit, End of Year	52,994	1,180	-
Total Cash Receipts per State Comptroller's Records	<u><u>\$ 601,472</u></u>	<u><u>\$ 1,744,440</u></u>	<u><u>\$ 623,235</u></u>
<u>Grant Total All Funds</u>			
Total Cash Receipts per Commission Records	\$ 21,728,571	\$ 16,636,498	\$ 11,643,411
Add: Receipts in Transit, Beginning of Year	161,301	58,052	37,083
Less: Receipts in Transit, End of Year	244,819	161,301	58,052
Total Cash Receipts per State Comptroller's Records - All Funds	<u><u>\$ 21,645,053</u></u>	<u><u>\$ 16,533,249</u></u>	<u><u>\$ 11,622,442</u></u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

FUNCTIONS

The Commission administers the Workers' Compensation Act (820 ILCS 305/) (Act) and the Workers' Occupational Diseases Act (820 ILCS 310/).

The Commission consists of ten members appointed by the Governor with the consent of the Senate. Of the ten members, three are representatives of employers, three are employees covered under the Act, and four are representative citizens not identified with either the employing or employee classes. The Chair of the Commission has the general supervisory authority over all personnel of the Commission, including arbitrators and Commissioners, including but not limited to the assignment and distribution of cases and assignment of Commissioners to panels.

The Act authorizes the Commission to function as a quasi-judicial body with the equivalent of court status in that its records, when properly represented, are accepted by regularly constituted courts as legal evidence and its decisions are final unless an appeal is made to the State's court system. The Commission has authority to formulate rules and orders for its procedures, administer oaths, and issue subpoenas commanding witnesses to produce documents.

The applications for adjustment of claims are first heard by an Arbitrator. Appeal of an Arbitrator's decision is heard by a panel of three members of the Commission. The Commission can affirm, reverse, or modify the Arbitrator's decision. Thereafter, a case can be appealed to the Circuit Court, Appellate Court, and the Supreme Court.

The mission of the Commission is (1) to resolve disputes that arise between injured workers and their employers regarding workers' compensation, (2) assure financial protection to injured workers and their dependents at reasonable costs to employers, and (3) provide timely resolution of cases. The Commission coordinates the various elements of the public service and information functions to structure a cohesive public service and information department. These elements are comprised of telephone responses to requests for information, distribution of forms and literature, pro se counseling, and preparation of literature for distribution.

PLANNING PROGRAM

The Commission has established formal written long and short-term goals and objectives, which are conducive to fulfilling its mandates as follows:

- Enhance timeliness and quality of case resolutions and other services;
- Investigate, identify, and enforce insurance compliance;
- Improve technology to enhance customer access to and usefulness of Illinois Workers' Compensation Commission data; and,
- Monitor and investigate the incidence of employer noncompliance with Illinois Workers' Compensation Commission's insurance requirements.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016

Injured Workers' Benefit Fund - 179

Awards and Grants

These amounts are expected to fluctuate based on the number of eligible claims received and the amount of cash available each fiscal year. The decrease was due to a decrease in claims for injured workers of uninsured employers.

Illinois Workers' Compensation Commission Operations Fund - 534

Commodities

The increase in expenditures was due to the Commission's use of commodities normalizing after the end of the budget impasse.

Printing

The decrease in expenditures was due to the Commission not printing handbooks, as they are now available on the Commission's website.

Equipment

The increase in expenditures was due to the purchase of new computer equipment.

Implementation and Operation of an Accident Reporting System

The decrease in expenditures was due to the Commission ending its old contract with a vendor for developing the accident reporting system. While the Commission entered into a new contract with a new vendor for developing the accident reporting system, these costs were charged to the Commission's contractual services appropriations.

Rate Adjustment Fund - 685

General and Administrative

The increase in expenditures was primarily due to an increase in refunds for assessment overpayments.

Settlement Fund - 848

Awards and Grants

The increase in expenditures was due to the payment of liabilities for back claims from the Rate Adjustment Fund.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016 (continued)

Self-Insurers' Security Fund - 940

General and Administrative

The decrease in expenditures was primarily due to a decrease in security deposit refunds.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015

Injured Workers' Benefit Fund - 179

Awards and Grants

These amounts are expected to fluctuate based on the number of eligible claims received and the amount of cash available each fiscal year. The increase was due to an increase in claims for injured workers of uninsured employers.

Illinois Workers' Compensation Commission Operations Fund - 534

Commodities

The decrease in expenditures was due to the Commission's reduction in the use of commodities during the budget impasse.

Equipment

The decrease in expenditures was due to the Commission's delay of equipment purchases during the budget impasse.

Implementation and Operation of an Accident Reporting System

The decrease in expenditures was due to one contractor completing its services on the accident reporting system.

Rate Adjustment Fund - 685

Awards and Grants

The decrease in expenditures was due to the normalization of payments after \$3 million in back payments were processed during Fiscal Year 2015.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015 (continued)

Self-Insurers' Security Fund - 940

Awards and Grants

The decrease in expenditures was primarily due to the net effect of three settled claims in Fiscal Year 2015 and the cessation of benefit claims related to the claimant's benefit eligibility period ending during Fiscal Year 2016.

General and Administrative

The increase in expenditures was primarily due to an increase in security deposit refunds.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 AND 2016

Second Injury Fund - 431

Statutory Assessments

The increase in receipts was due to the Commission issuing one half rate (.0625%) assessment and one full rate (.125%) assessment in Fiscal Year 2017, which was higher than the two half rate assessments in Fiscal Year 2016.

Rate Adjustment Fund - 685

Statutory Assessments

The increase in receipts was due to the Commission issuing one half rate (.0625%) assessment and one full rate (1.25%) assessment in Fiscal Year 2017, which was higher than the two half rate assessments in Fiscal Year 2016.

Self-Insurers' Security Fund - 940

Securities Collected, Assessments, and Reimbursements

The decrease in receipts was primarily due to the Self-Insurers Security Board not charging an assessment in Fiscal Year 2017.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2016 AND 2015

Second Injury Fund - 431

Statutory Assessments

The decrease in receipts was due to the Commission collecting assessment overpayments of approximately \$200 thousand in Fiscal Year 2015, which were offset against future collections or assessments due from the companies.

Rate Adjustment Fund - 685

Statutory Assessments

The increase in receipts was due to the Commission issuing two half rate (.0625%) assessments in Fiscal Year 2016, which was higher than the one half rate assessment in Fiscal Year 2015.

Prior Year Refunds

The decrease in receipts was due to as decrease in refunds for benefit overpayments in Fiscal Year 2016.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2016 AND 2015 (continued)

Self-Insurers' Security Fund - 940

Securities Collected, Assessments, and Reimbursements

The increase in receipts was primarily due to an assessment of approximately \$1.4 million in Fiscal Year 2016, which did not occur in Fiscal Year 2015.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

FISCAL YEAR 2017

Illinois Workers' Compensation Commission Operations Fund - 534

Equipment

The significant spending during the Lapse Period was due to the Commission ordering 18 laptops during the year, which were received and paid for during the Lapse Period.

Rate Adjustment Fund - 685

General and Administrative

The significant spending during the Lapse Period was due to the Commission processing refunds for assessment overpayments during the Lapse Period.

Settlement Fund - 848

Awards and Grants

The significant spending during the Lapse Period was due to the Commission processing back claims from the Rate Adjustment Fund during the Lapse Period.

General and Administrative

The significant spending during the Lapse Period was due to the Commission processing bills for the Digital Transformation Project during the Lapse Period.

FISCAL YEAR 2016

Illinois Workers' Compensation Commission Operations Fund - 534

Contractual Services; Travel; Commodities; Printing; Equipment; Telecommunications, Implementation and Operation of an Accident Reporting System; Establishment, Administration, and Operations of the Insurance Compliance Division; and, Establishment of the Medical Fee Schedule

The significant spending during the Lapse Period was due to the Commission processing invoices received during Fiscal Year 2016 after the passage of Public Act 099-0524 on June 30, 2016.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF THE RATE ADJUSTMENT FUND
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

The Workers' Compensation Act (820 ILCS 305/7(f)) provides for the rate of assessments to be charged to employers for the Rate Adjustment Fund (RAF). Assessment rates vary depending on the fund balance as of February and August of each year. The balance of the fund did not exceed the statutory amount for moratorium on employer contributions. During Fiscal Years 2015 and 2016, the Commission sent out an assessment at half rate. During Fiscal Year 2017, the Commission sent out an assessment at full rate. Presented below are RAF balances calculated on the modified accrual basis of accounting for the fiscal years ended June 30,

	Fiscal Year		
	2017	2016	2015
Beginning Fund Balance	\$ 3,580,553	\$ 6,217,421	\$ 12,005,844
Revenues			
Statutory Assessments	13,813,427	8,438,661	4,677,967
Transfer In	-	-	3,694,330
Interest Income	46,767	20,271	40,297
Expenses			
Awards and Grants	<u>(11,921,020)</u>	<u>(11,095,800)</u>	<u>(14,201,017)</u>
Ending Fund Balance	<u>\$ 5,519,727</u>	<u>\$ 3,580,553</u>	<u>\$ 6,217,421</u>

The Commission is required to provide a cost of living adjustment (COLA) based on the State's computed average weekly wage, pursuant to Sections 8(f) and 8(g) of the Workers' Compensation Act, to persons who have received an award from the Commission that provides for Permanent Total Disability 8(f) or Statutory Permanent Total Disability 8(e)18, or if an employee's death is determined to be related to a work injury.

Fiscal Year 2015 transfer in of \$3,694,330 was from the Settlement Fund to repay the outstanding loan to the General Revenue Fund. The Settlement Fund was created as a result of the settlement of a lawsuit with the Chamber of Commerce.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Aging of Accounts Receivable, per Commission's records, were as follows:

	Injured Workers' Benefit Fund	Illinois Workers' Compensation Commission Operations Fund	Rate Adjustment Fund	Self-Insurers' Security Fund	TOTAL
<u>As of June 30, 2017</u>					
Current	\$ 3,458,099	\$ 100	\$ -	\$ 218,270	\$ 3,676,469
1-30 days	53,137	-	-	-	53,137
31-90 days	96,686	200	-	-	96,886
91-180 days	143,382	200	2,448	-	146,030
181 days - 1 year	243,795	100	94,119	863	338,877
Over 1 year	3,163,019	2,600	-	3,175	3,168,794
Accounts Receivable Gross Balance	7,158,118	3,200	96,567	222,308	7,480,193
Less: Estimated Uncollectibles	3,406,814	-	-	-	3,406,814
Accounts Receivable Net Balance	<u>\$ 3,751,304</u>	<u>\$ 3,200</u>	<u>\$ 96,567</u>	<u>\$ 222,308</u>	<u>\$ 4,073,379</u>
<u>As of June 30, 2016</u>					
Current	\$ 3,131,765	\$ 2,007	\$ 45,701	\$ 283,209	\$ 3,462,682
1-30 days	25,329	100	-	-	25,429
31-90 days	192,004	200	1,908	-	194,112
91-180 days	73,845	300	-	-	74,145
181 days - 1 year	119,032	300	49,075	31,131	199,538
Over 1 year	3,007,595	1,715	-	3,175	3,012,485
Accounts Receivable Gross Balance	6,549,570	4,622	96,684	317,515	6,968,391
Less: Estimated Uncollectibles	3,126,627	-	-	-	3,126,627
Accounts Receivable Net Balance	<u>\$ 3,422,943</u>	<u>\$ 4,622</u>	<u>\$ 96,684</u>	<u>\$ 317,515</u>	<u>\$ 3,841,764</u>

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
BUDGET IMPASSE DISCLOSURES
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Payment of Prior Year Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the Commission to pay Fiscal Year 2016 costs using the Commission's Fiscal Year 2017 appropriations for non-payroll expenditures. The Commission did not have any outstanding invoices from Fiscal Year 2016 unpaid after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016. Therefore, the Commission did not use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs.

In addition, Article 998 of Public Act 100-0021 authorized the Commission to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Commission's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Commission did not have any outstanding invoices from Fiscal Year 2017 unpaid after the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017. Therefore, the Commission did not use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs and did not use either its Fiscal Year 2017 or Fiscal Year 2018 appropriations to pay its Fiscal Year 2016 or Fiscal Year 2017 costs.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Transactions Involving the Illinois Finance Authority

The Commission and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Commission's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2017.

STATE OF ILLINOIS
 ILLINOIS WORKERS' COMPENSATION COMMISSION
INTEREST COSTS ON FISCAL YEAR 2016 AND FISCAL YEAR 2017 INVOICES
 For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Prompt Payment Interest Costs

The Commission calculated prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issued a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016 and Fiscal Year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Commission. The following chart shows the Commission's prompt payment interest incurred related to Fiscal Year 2016 invoices, calculated on the accrual basis of accounting, through June 30, 2016, by fund:

PROMPT PAYMENT INTEREST INCURRED

Year Ended June 30, 2016

Fund #	Fund Name	Invoices	Vendors	Dollar Value
534	Illinois Workers' Compensation Commission Operations Fund	<u>67</u>	<u>62</u>	<u>\$ 9,549</u>

During Fiscal Year 2017, the Commission did not incur any prompt payment interest due to vendors under the Act. The Commission's vendors were either paid within 90 days or paid from funds and accounts not eligible for prompt payment interest due to vendors under the Act.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
AVERAGE NUMBER OF EMPLOYEES
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

	Fiscal Year		
	2017	2016	2015
Administrative - General Office (including Court Reporters)	106	107	103
Arbitrators	32	32	30
Electronic Data Processing	7	8	7
Insurance Compliance	10	10	10
Administrative Exempt	1	1	2
Self-Insurers' Administration Fund	3	3	3
Self-Insurers' Security Fund	1	1	1
	<hr/>	<hr/>	<hr/>
Total Average Employees	<u>160</u>	<u>162</u>	<u>156</u>
Commissioners, including the Chair	<u>10</u>	<u>10</u>	<u>10</u>

The Commissioners, including the Chair, are paid by the State Comptroller from the State Officers' salaries appropriation.

STATE OF ILLINOIS
ILLINOIS WORKERS' COMPENSATION COMMISSION
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

ANALYSIS OF WORKERS' COMPENSATION CASES

<u>CASE LOAD VOLUME</u>	Fiscal Year		
	2017	2016	2015
Cases Pending at the Beginning of the Year	88,485	93,141	93,627
New Cases Filed During the Year			
Application for Arbitration	34,030	36,042	38,932
Original Applications for Approval of Settlement Contracts	4,327	5,735	4,801
Total New Cases Filed	<u>38,357</u>	<u>41,777</u>	<u>43,733</u>
Cases Reinstated During the Year	1,145	1,188	1,359
Cases Closed During the Year			
Dismissed at Review	167	221	160
Dismissed by Applicants at Arbitration	677	657	621
Dismissed for Want of Prosecution at Arbitration	3,298	3,873	4,533
By Decisions of Arbitrators and Commissioners	1,486	1,650	1,961
By Approval of Settlement Contracts and Lump Sum Settlements	39,298	41,220	38,303
Total Cases Closed	<u>44,926</u>	<u>47,621</u>	<u>45,578</u>
Cases Pending at the End of the Year	<u>83,061</u>	<u>88,485</u>	<u>93,141</u>