

Review: 4297
Statewide Single Audit
Year Ended June 30, 2007
Illinois Department of Employment Security

FINDINGS/RECOMMENDATIONS – 7

Repeated – 4

Accepted – 4

Implemented – 3

07-07. The auditors recommend IDES review the current process for reporting financial information to the IOC and implement changes necessary to ensure the timely submission of complete and accurate forms. This process should include a reconciliation of the reporting packages to the accounting system and reports submitted to federal agencies. Additionally, IDES should ensure a supervisory review is performed by a person knowledgeable of the reporting requirements prior to submission to the IOC.

Findings: IDES does not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) is accurate and timely.

During a review of the financial reporting process, the auditors noted that the IDES information for the preparation of the State's financial statements and SEFA was not completed in a timely manner. Additionally, correcting journal entries were required to accurately state amounts reported by IDES.

In discussing this with IDES officials, they stated that per the Comptroller's Office (IOC), GAAP packages were due September 17, 2007 and IDES submitted theirs on time. Subsequent to submission, there were some adjustments made to GAAP in the normal course of the review process by the IOC. Per the Auditor General Office (OAG) review, there was an unreconciled difference between SEFA and the financial statements for Trust Fund expenditures related to a unique settlement agreement.

Response: IDES will continue to work with staff to improve the accuracy, reconciliations, and timeliness of its financial statements and strengthen its review process.

07-61. The auditors recommend IDES review their procedures for the administration and the coordination of the TAA program to ensure benefits are paid accurately and that waiver forms exist and are properly reviewed every 30 days.

Findings: IDES did not accurately calculate benefit payments and was unable to locate case file documentation supporting client eligibility determinations.

During test work of the TAA beneficiary payments, auditors selected 60 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits, and noted the following exceptions:

- In one case, the claimant did not receive a dependent allowance even though the application indicated this individual did have dependents for which he/she provided at least half of their support resulting in the underpayment of benefits of \$1,584 during the year ended June 30, 2007.
- In one case, DCEO and IDES were unable to locate the claimant's waiver from training. Accordingly, auditors were unable to determine whether: (1) the worker was waived from training; (2) the worker's enrollment or waiver date occurred within sixteen weeks of his/her most recent total qualifying separation date, or within eight weeks of the issuance of the petition certification, whichever is later (the 8/16 week deadline); and (3) the worker received TRA benefit payments without being waived from training. Benefits paid to this individual during the year ended June 30, 2007 were \$ 1,944.
- In one case, there was no documentation that a review by DCEO of the conditions upon which the waiver was granted had taken place every 30 days. Benefits paid to this individual during the year ended June 30, 2007 were \$957.

In discussing these conditions with IDES officials, they stated that these were isolated instances by IDES and local LWIA staffs.

Response: We agree. Since March 2006, IDES and DCEO staffs have continually conducted collaborative reviews of each Agency's respective procedure and have updated and clarified staff responsibility with respect to accuracy of TRA benefit payments, issuance and documentation requirements of waivers and 30-day reviews. IDES finalized the current IDES procedure August 19, 2007 and training reviews were conducted with all six IDES Regional Office and Local office staffs in October and November 2007. Direction on determining accurate weekly benefit amounts and the need to review information for payments of dependency allowance was provided during these reviews. USDOL Region V provided guidance to DCEO, LWIA and IDES state, regional and local office staffs during panel discussions in October 2006 and October 2007 and continues to provide guidance with respect to procedures whenever requested. State level IDES and DCEO staffs have drafted changes to the DCEO policy concerning the responsibility of the LWIA case managers and the need to document the 30-day waiver reviews as well as the procedure for promptly notifying IDES of potential payment issues. Three training/review sessions were conducted with IDES, DCEO, and LWIA staff in April and early May 2008 to ensure compliance with TAA/TRA procedures and accurate payment of benefits. Monitoring of TAA applications and TRA benefit payments for compliance and accuracy are conducted monthly.

07-62. The auditors recommend IDES implement procedures to ensure all eligibility determination documentation is complete and properly maintained. (Repeated-2006)

Findings: IDES did not maintain complete documentation supporting client eligibility determinations made for the Unemployment Insurance program.

During test work of the UI program, auditors selected 60 beneficiary payments to review for compliance with eligibility requirements and for the allowability of the related benefits, and noted the following exceptions:

- In two cases, the claimant's application contained insufficient documentation to determine if the claimant had dependents and provided over half the support, however the benefit payment included a dependent allowance. After identification of this during our audit, IDES was able to subsequently contact one of the individuals to verify that they had a dependent. Dependent benefits paid to the other individual during the year ended June 30, 2007 were \$2,574.
- In one case, the UI application could not be located. In this case, we were able to verify each of the eligibility criteria through information in the electronic files.
- In three cases, the claimant was not registered on the Illinois Skills Match system. In each of these cases, we were able to determine the individuals were actively seeking employment through the weekly certifications made to IDES.

Additionally, copies of claimant identification (e.g. driver's license and social security card) were maintained at certain locations, but not others.

In discussing these conditions with IDES, they state they believe these were relatively isolated instances where staff was somewhat less diligent in their application of existing procedures.

Updated Response: We agree. IDES has reviewed with staff the importance of completing documentation. Internally, managers monitor a sample of claims filed in their offices and report monthly on the Plan of Service. There is a strict procedure on maintenance of applications and where they are to be stored in the warehouse. In addition, the automatic partial registration of all claimants in the Illinois Skills Match System will take place when the new Benefit System (IBIS) is operational which is scheduled for September 2009.

07-63. The auditors recommend IDES formalize policies and procedures for all claim exception and monitoring reports and clearly document the resolution of each claim on the exception and monitoring report (including supervisory review) and retain the reports as considered necessary to comply with federal audit requirements. IDES should also consider automating the claim exception and monitoring edit reports into the Benefits Information System in future years to facilitate a more efficient and effective process for claims exception resolution documentation. (Repeated-2005)

Findings: IDES has not adequately documented policies and procedures to work all claim exception and monitoring reports. Additionally, the local offices did not clearly document the resolution of the issues identified on the claim exception and monitoring reports, and the reports did not always indicate that a supervisory review had been performed.

During test work, auditors noted policies and procedures had not been established for the Media Transfer Report, the All Transactions Report, the Claims Application Error Report, the Internet Claims Deletion Report, the First Certification Report, and the Pending Adjudication Report. Additionally, IDES only retains claim edit reports (except for the sensitive changes report) for a period of three months after the end of the quarter.

Auditors also conducted unannounced site visits to three local offices and requested the above claim exception and monitoring reports for the most recent date that had been reviewed by the local office staff. From each report, auditors reviewed exceptions to determine whether they had been properly resolved. Resolution of exceptions and supervisory review was not consistently documented.

In discussing these conditions with IDES officials, they stated they believe that the exceptions on the reports are being processed and/or corrected; and that the training materials and procedures provide adequate guidance on reviewing the reports and documenting resolution of claim exceptions.

Updated Response: Procedures were updated in January 2007; all staff responsible for working the error reports received refresher training December 2006 through February 2007. In addition, remedial training was provided for staff and supervisors in September 2008. Both the Procedures and training material contain guidance on the appropriate documentation methods. IDES retains the error/exception reports for three months. Space limitations would preclude extending the retention period. Design of the reports in the new more automated system is currently underway. Under IBIS, there will be fewer exception/rejections since most of the information will not be processed in batch but in real time. Entry will not be accepted by the system if there are errors.

07-64. The auditors recommend IDES personnel formally document the review and approval of the ETA 563 special report. (Repeated-2006)

Findings: IDES has not implemented formal review and approval procedures for the ETA 563 performance report. The ETA 563 report is due quarterly and reports the number of individuals receiving different types of TAA benefits by petition number. During a review of the ETA 563 report, auditors noted the same IDES employee accumulates the information on the excel spreadsheet, prepares and submits the ETA 563 report to DCEO without a formal, documented supervisory review.

In discussing this with IDES officials, they stated they relied on the system edits, the several layers of administrative reviews, and the final supervisory review at IDES to detect any errors.

Response: Implemented. The ETA 563 is now a collaborative effort between IDES and DCEO. IDES provides data taken from an information systems report (TR025MC) to DCEO for additional inputs and subsequent transmission to the Employment and Training Administration (ETA) in Washington, DC. It has been the practice of States to report Trade Adjustment Assistance (TRA) by petition number. As of the 4th quarter of 2006, the federal requirement changed and the new mandate calls for a summary of Trade Adjustment Activities for the quarter to be reported to ETA. The new reporting system was put in place May 15, 2007 per Federal mandate. IDES and DCEO worked on implementation of the new format. Under this new format, IDES now furnishes aggregated data on basic TRA, additional TRA and remedial TRA to DCEO to allow incorporation of their inputs. The IDES review process was revised with the submission of the June 2007 quarterly report to include a final quality and accuracy review by the Manager of UI Research & Analysis. After the management review is completed, the Manager UI Research & Analysis transmits confirmation of the review and approval via email to the IDES employee responsible for transmission of the approved report to DCEO. The last four quarterly reports have been successfully submitted to ETA by DCEO using this new procedure.

07-65. The auditors recommend IDES ensure information system policies and procedures are adequately documented, updated, and consistently followed. (Repeated-2005)

Findings: IDES does not have adequate documentation of access, change management, and computer operations controls over the information systems that support the Unemployment Insurance (UI) Program.

Access to the information systems that support the UI Program is done through the mainframe system utilizing a security software system. The security software utilizes specific, individually-assigned identifiers which control/limit access to the systems that support the UI Program.

During test work over the access, program change and development, and computer operations controls of the mainframe system, auditors noted the following:

- The policy in place for terminating access rights was not consistently followed. Specifically, IDES did not document requests to delete user ids for four of 30 employees terminated in FY07.
- For 30 program changes, there was no evidence of testing performed on the authorization form. Additionally, two of the 30 changes were approved by the same individual requesting the change.
- One technical services and security manager utilizes two active ids, one of which has been assigned to this individual's name.

- The policy in place for new user access requests was not followed in one instance. All user access requests must be approved and signed by the cost center manager. The security administrator must also approve the form to validate the signature of the cost center manager. We selected 30 individuals who were granted access and noted one was not approved by the security administrator.
- Policies and procedures are not updated in a timely manner. Specifically, we noted the Program Development Methodology has not been updated since 1991 and the Operations Guide has not been updated since 1982.
- IDES does not have documented data backup policies and procedures for the mainframe environment.

In discussing these conditions with IDES officials, they stated procedures are in place to address most of the documentation issues raised in this finding but may not have been followed in all instances. Program development methodology materials and the Operations Guide need to be updated.

Updated Response: We agree. We updated the Operations Guide which now includes back up and recovery procedures. On an ongoing basis, we are working to ensure that program change testing and approvals are properly documented. By June 1, 2009, we expect to review and update custom system development methodology procedures.

We are redoubling our efforts to ensure that new user access rights and termination of access rights are properly documented. The Department revised its procedures and added the requirement that cost center managers promptly notify Technical Services and Security when an employee leaves the Department or no longer requires access to data systems. The ownership of the RACF ID used for DB2 administration has been reassigned to an individual rather than a function.

07-66. The auditors recommend IDES review the process and procedures in place to prepare the ATAA Special Report to ensure expenditures are accurately reported and reconciled to the general ledger.

Findings: IDES did not accurately report expenditures in the Alternative Trade Adjustment Activities (ATAA) Special Report.

The ATAA Special Report is required to be submitted on a quarterly basis to report key workload data used to measure program activities and to allocate program and administrative funds to the state agencies administering the Trade Adjustment Assistance program for the USDOL.

During a review of the March 31, 2007 quarterly ATAA Special report, auditors noted IDES did not reconcile the total expenditures reported for the ATAA to the general ledger. Auditors also noted that the ATAA special report was prepared and submitted by the same individual and was not sufficiently reviewed by a supervisor prior to submission. At the

request of auditors, IDES reconciled the expenditure amounts to the general ledger for each quarter and noted about \$3000 in variances.

In discussing these conditions with IDES officials, they stated that the program is fairly new and USDOL ETA and the agency are still working out some issues. Currently, IDES uses a manual system to administer the program which contributed to some of the reporting inaccuracies.

Updated Response: We agree with the recommendation and are working on an automated system that will allow IDES to administer the program, prepare accurate reports of expenditures and reconcile to the General Ledger. The automated system will allow us to create reports that meet the requirements to measure program activities and funding allocations for benefits and administrative costs as well as the reporting requirements on the ATAA Activities Report. The automated system is expected to be operational by March 31, 2009. We will ensure that the process and procedures in place will be correctly followed and that a supervisory review of the report takes place and is documented.