

**State of Illinois
Department of Employment Security**

**Individual Nonshared Proprietary Fund
Financial Statements
For the Year Ended June 30, 2021**

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

**State of Illinois
Department of Employment Security
Financial Audit
For the Year Ended June 30, 2021**

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Other Report Issued Under a Separate Cover

The Department of Employment Security's *Compliance Examination* for the two years ended June 30, 2021, has been issued under a separate cover.

State of Illinois
Department of Employment Security
Agency Officials
June 30, 2021

Director (03/22/22 – Present)	Ms. Kristin Richards
Director (Acting) (8/10/20 – 03/21/22)	Ms. Kristin Richards
Director (Acting) (03/01/19 – 7/31/20)	Mr. Thomas Chan
Chief of Staff (06/18/19 - Present)	Mr. Raymond Marchiori
Deputy Director Service Delivery Bureau (07/26/21 – Present)	Ms. Mireya Hurtado
Deputy Director Service Delivery Bureau (07/16/21 – 07/25/21)	Vacant
Deputy Director Service Delivery Bureau (02/16/15 – 07/15/21)	Ms. Trina Taylor
Deputy Director Business Services Bureau (02/1/2021 – Present)	Ms. Carrie Thomas
Deputy Director Business Services Bureau (06/16/20 – 02/1/21)	Ms. Crystal Caison-Russell
Chief Legal Counsel (01/16/20 – Present)	Mr. Kevin Lovellette
Chief Financial Officer (12/01/19 – Present)	Mr. Isaac Burrows
Chief Operating Officer (01/01/21 – Present)	Ms. Stacy Howlett
Chief Operating Officer (Acting) (04/01/20 – 12/31/20)	Mr. Rex Crossland
Chief Internal Auditor (05/16/21 – Present)	Mr. Noe G. Reyes
Chief Internal Auditor (04/1/20 – 05/15/21)	Vacant
Chief Information Officer (12/01/18 – Present)	Position fully transitioned to IL DoIT
Chief Technology Officer (12/01/18 – Present)	Position fully transitioned to IL DoIT
Manager, Accounting Services Division (07/01/19 – Present)	Mr. L. Briant Coombs
Manager, Economic Information and Analysis Division (12/16/19 – Present)	Mr. George Putnam, PhD
Manager, Revenue Division (06/08/20 - Present)	Mr. Sydney Parks
Statewide Manager, Field Operations (05/01/21 – Present)	Mr. Manuel Zulaica
Statewide Manager, Field Operations (06/01/15 – 04/30/21)	Ms. Janice Taylor Brown
Statewide Manager, Unemployment Insurance Programs (11/20/21 – Present)	Vacant
Statewide Manager, Unemployment Insurance Programs (06/16/15 – 11/19/21)	Mr. Justin Brissette

The Department's primary administrative offices are located at:
33 S. State Street
Chicago, IL 60603-2802

607 E. Adams, 9th Floor
Springfield, IL 62701-1606

**State of Illinois
Department of Employment Security**

**Financial Statements
For the Year Ended June 30, 2021**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Employment Security Unemployment Compensation Trust Fund (Department) was performed by RSM US LLP as of and for the year ended June 30, 2021.

Based on their audit, the auditors expressed a disclaimer of opinion on the Department's Unemployment Compensation Trust Fund financial statements.

SUMMARY OF FINDINGS

The auditors identified three matters involving the Department's internal control over financial reporting that they considered to be material weaknesses. Further, the auditors identified three noncompliance matters.

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
CURRENT FINDINGS				
2021-001	21	2020/2020	Failure to Implement General Information Technology Controls over the Pandemic Unemployment Assistance System	Material Weakness and Noncompliance
2021-002	23	New	Failure to Maintain Accurate and Complete Pandemic Unemployment Assistance Claimant Data	Material Weakness and Noncompliance
2021-003	24	2020/2020	Failure to Perform Timely Cash Reconciliations	Material Weakness and Noncompliance
PRIOR FINDING NOT REPEATED				
A.	25		Failure to Accurately Determine Claimant's Eligibility for Pandemic Unemployment Assistance	
B.	25		Inadequate Controls over Pandemic Unemployment Assistance Program Processes	
C.	25		Inadequate Controls over Accruals	
D.	25		Inadequate Controls over Receivable Allowance	
E.	25		Inadequate Controls over GenTax Access	

EXIT CONFERENCE

The Department waived an exit conference in a correspondence from Briant Coombs, Manager, Accounting Services Division, on May 27, 2022. The responses to the recommendations were provided by James Schreiber, Audit Liaison, on June 1, 2022.

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we were engaged to audit the accompanying financial statements of the Unemployment Compensation Trust Fund (Trust Fund), an individual nonshared proprietary fund of the State of Illinois, Department of Employment Security (Department), as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the Unemployment Trust Fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Department has not maintained certain accounting records and supporting documents for the Trust Fund relating to transactions with its beneficiaries, nor is the Trust Fund's internal control adequate to provide safeguards over Trust Fund assets and to assure the proper recording of transactions. Accordingly, we were unable to extend our auditing procedures sufficiently to determine the extent to which the financial statements may have been affected by these conditions.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of either the State of Illinois or the Department as of June 30, 2021, the respective changes in their financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Management has omitted management's discussion and analysis for the Trust Fund, that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2022 on our consideration of the Department's internal control over financial reporting of the Trust Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, Department management, and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used, by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
June 3, 2022

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Statement of Net Position
June 30, 2021
(Amounts in \$000's)

	Unemployment Compensation Trust Fund
Current assets	
Cash and cash equivalents	\$ 319,879
Cash equivalents held by Federal government	447,406
Receivables, net	
Taxes	347,719
Intergovernmental - other unemployment insurance and related programs	70,871
Intergovernmental - Pandemic Unemployment Assistance (PUA)	44,726
Intergovernmental - Federal Pandemic Unemployment Compensation (FPUC) associated with Pandemic Unemployment Assistance (PUA)	33,186
Intergovernmental - Lost Wage Assistance (LWA) Pandemic Unemployment Assistance (PUA)	1,562
Due from other government - local	44,712
Other receivable - unemployment insurance and related programs	227,889
Other receivable - Pandemic Unemployment Assistance (PUA)	43,053
Other receivable - Federal Pandemic Unemployment Compensation (FPUC) associated with Pandemic Unemployment Assistance (PUA)	51,066
Other receivable - Lost Wage Assistance (LWA) Pandemic Unemployment Assistance (PUA)	1,084
Due from other Department and State funds	734
Due from component units of the State	8
Total current assets	<u>1,633,895</u>
Current liabilities	
Accounts payable and accrued liabilities	
Benefits payable - other unemployment insurance and related programs	192,937
Benefits payable - Pandemic Unemployment Assistance (PUA)	73,031
Benefits payable - Federal Pandemic Unemployment Compensation (FPUC) associated with Pandemic Unemployment Assistance (PUA)	33,186
Benefits payable - Lost Wage Assistance (LWA) associated with Pandemic Unemployment Assistance (PUA)	1,562
Due to other government - Federal	54,634
Due to other government - local	9,971
Due to other Department and State funds	1,675
Due to component unit	47
Short-term notes payable	4,232,873
Total current liabilities	<u>4,599,916</u>
Net position	
Unrestricted	<u>\$ (2,966,021)</u>

See Notes to Financial Statements.

**State of Illinois
Department of Employment Security**

**Individual Nonshared Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021
(Amounts in \$000's)**

	Unemployment Compensation Trust Fund
Operating revenues	
Contributions - Unemployment taxes	\$ 2,404,472
Total operating revenues	<u>2,404,472</u>
Operating expenses	
Benefit payments and refunds - Unemployment insurance and related programs	16,196,243
Benefit payments and refunds - Pandemic Unemployment Assistance (PUA)	3,644,801
Benefit payments and refunds - Federal Pandemic Unemployment Compensation (FPUC) associated with Pandemic Unemployment Assistance (PUA)	3,812,283
Benefit payments and refunds - Lost Wages Assistance associated with Pandemic Unemployment Assistance (PUA)	362,524
Total operating expenses	<u>24,015,851</u>
Operating loss	<u>(21,611,379)</u>
Nonoperating revenues	
Interest and investment income	3,047
Miscellaneous revenue	178,113
Contributions - Other Unemployment insurance and related programs	10,293,675
Contributions - Pandemic Unemployment Assistance (PUA)	3,687,854
Contributions - Federal Pandemic Unemployment Compensation (FPUC) associated with Pandemic Unemployment Assistance (PUA)	3,863,348
Contributions - Lost Wage Assistance (LWA) associated with Pandemic Unemployment Assistance (PUA)	363,608
Contributions - Lost Wage Assistance Overpayment Contingency	(53,068)
Total nonoperating revenues	<u>18,336,577</u>
Loss before transfers	(3,274,802)
Transfers out	<u>(14,600)</u>
Change in net position	(3,289,402)
Net position, July 1, 2020	<u>323,381</u>
Net position, June 30, 2021	<u>\$ (2,966,021)</u>

See Notes to Financial Statements.

State of Illinois
Department of Employment Security

Individual Nonshared Proprietary Fund
Statement of Cash Flows
Year Ended June 30, 2021
(Amounts in \$000's)

	Unemployment Compensation Trust Fund
Cash flows from operating activities	
Contributions - Unemployment taxes received	\$ 1,439,211
Unemployment benefits paid - Other unemployment insurance and related programs	(15,640,731)
Unemployment benefits paid - Pandemic Unemployment Assistance (PUA)	(3,643,128)
Unemployment benefits paid - Federal Pandemic Unemployment Compensation (FPUC) associated with Pandemic Unemployment Assistance (PUA)	(3,830,162)
Unemployment benefits paid - Lost Wage Assistance (LWA) associated with Pandemic Unemployment Assistance (PUA)	(362,047)
Net cash used by operating activities	<u>(22,036,857)</u>
Cash flows from noncapital financing activities	
Miscellaneous receipts - FUTA credit	178,113
Contributions - Other unemployment insurance and related programs	10,549,240
Contributions - Pandemic Unemployment Assistance (PUA)	3,643,128
Contributions - Federal Pandemic Unemployment Compensation (FPUC) associated with Pandemic Unemployment Assistance (PUA)	3,830,162
Contributions - Lost Wage Assistance (LWA) associated with Pandemic Unemployment Assistance (PUA)	362,047
Transfers out	(16,859)
Short-term notes payable - Loan from Federal government	3,995,934
Net cash provided by noncapital financing activities	<u>22,541,765</u>
Cash flows from investing activity	
Interest and investment income	3,047
Net cash provided by investing activity	<u>3,047</u>
Net increase in cash and cash equivalents	507,955
Cash and cash equivalents, July 1, 2020	<u>259,330</u>
Cash and cash equivalents, June 30, 2021	<u>\$ 767,285</u>

(Continued)

**State of Illinois
Department of Employment Security**

**Individual Nonshared Proprietary Fund
Statement of Cash Flows (Continued)
Year Ended June 30, 2021
(Amounts in \$000's)**

	Unemployment Compensation Trust Fund
<hr/>	
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (21,611,379)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Provision for uncollectible	9,237
Changes in assets and liabilities:	
Taxes and other receivables - Unemployment insurance and other programs	(176,905)
Taxes and other receivables - Pandemic Unemployment Assistance (PUA)	(43,053)
Taxes and other receivables - Federal Pandemic Unemployment Compensation (FPUC) associated with Pandemic Unemployment Assistance (PUA)	(51,066)
Taxes and other receivables - Lost Wage Assistance (LWA) associated with Pandemic Unemployment Assistance (PUA)	(1,084)
Intergovernmental receivables - Other unemployment insurance and related programs	(3,028)
Due from State funds	14,126
Due from component units	435
Benefits payable - Other Unemployment Insurance and related programs	(135,494)
Benefits payable - Pandemic Unemployment Assistance (PUA)	25,371
Benefits payable - Federal Pandemic Unemployment Compensation (FPUC) associated with Pandemic Unemployment Assistance (PUA)	(68,084)
Benefits payable - Lost Wage Assistance (LWA) associated with Pandemic Unemployment Assistance (PUA)	1,562
Intergovernmental payables	1,920
Due to other component unit	47
Other	538
Net cash used by operating activities	<u>\$ (22,036,857)</u>

See Notes to Financial Statements.

**State of Illinois
Department of Employment Security**

**Unemployment Compensation Trust Fund
Notes to Financial Statements
June 30, 2021
(Amounts in \$000's)**

Note 1. Description of Funds

The State of Illinois, Department of Employment Security (Department) administers the nonshared proprietary fund as described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

Unemployment Compensation Trust Fund

The Unemployment Compensation Trust Fund (UCTF) accounts for assets held by the Department in a trustee capacity, for which the principal and income may be expended in the course of the fund's designated operations. The fund, a locally held fund, receives employer contributions and disburses money in the form of unemployment benefits paid to eligible claimants. This fund also receives Federal funding to pay eligible claimants for any federally mandated benefit programs. As a result of the Pandemic, a number of new Federally mandated benefit programs were added to the UCTF; most significantly, the Pandemic Unemployment Assistance (PUA) program and the Federal Pandemic Unemployment Compensation (FPUC) program. The PUA program provides up to 39 weeks of temporary unemployment benefits for individuals who have exhausted their entitlement to regular unemployment compensation (UC) as well as those who are not eligible for regular UC, individuals who are self-employed or have limited recent work history. The FPUC program provides a temporary emergency increase of \$600 per week in unemployment compensation benefits to eligible individuals.

The UCTF is not appropriated by the General Assembly and is intended to be self-supporting; however, increase unemployment as a result of the Pandemic has exhausted the UCTF and caused a borrowing situation with the Federal Government. Refer to Note 11 for more information.

Note 2. Summary of Significant Accounting Policies

The financial statements of the individual nonshared proprietary fund have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate understanding of the financial statements, significant accounting policies are summarized below.

A. Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable.

The financial statements present only the nonshared proprietary fund administered by the Department and do not purport to, and do not, present fairly the financial position of the Department or the State of Illinois as of June 30, 2021 nor changes in its financial position or cash flows for the year then ended in conformity with GAAP.

**State of Illinois
Department of Employment Security**

**Unemployment Compensation Trust Fund
Notes to Financial Statements
June 30, 2021
(Amounts in \$000's)**

Note 2. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, deferred inflows/outflows, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows have been presented for the nonshared proprietary fund administered by the Department.

The nonshared proprietary fund is an enterprise fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods and services. Activities are required to be reported as enterprise funds if any one of the following criteria is met when applied in the context of the activity's principal revenue sources: the activity is financed with debt that is secured solely by a pledge of net revenues from fees and charges of the activity; laws and regulations require that the activity's costs of providing service, including capital costs, be recovered with fees and charges, rather than taxes or similar revenues; or the pricing policy of the activity establishes fees and charges designed to recover its costs, including capital costs.

The Department administers the unemployment insurance program under various Federal and State statutes and regulations. The Unemployment Trust Fund (UTF) was established under Title IX of the Social Security Act to provide partial protection to workers against the loss of wages when they are out of work due to no fault of their own. To fund this program, the agency receives monies from employers to maintain the fund, which are then used to pay benefits to the unemployed workers who meet the eligibility requirements of the law.

These funds are held by the United States Treasury in an unemployment trust fund and are restricted to the payment of unemployment benefits. Unemployment benefits drawn from the fund are awarded to qualified former employees of covered Illinois employers. Employers are required to contribute to the unemployment trust fund based on employees' wages and their past experience level of causing unemployment. The overall rate used to determine contributions for the Illinois Unemployment Insurance Trust Fund is designed to recover the payment of unemployment benefits plus maintain a reasonable balance to protect the solvency of the fund if unemployment rates rise significantly. Historically in the State of Illinois, when the Unemployment Trust Fund has been in deficit status, representatives from the business and labor communities meet and reach agreement, through what is commonly referred to as the agreed bill process, on solutions to restore the Trust Fund to solvency through legislative change.

Operating revenues, collections of unemployment tax contributions from employers, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, Federally mandated programs including programs as the result of COVID-19 and investment earnings, result from nonexchange transactions or ancillary activities.

**State of Illinois
Department of Employment Security**

**Unemployment Compensation Trust Fund
Notes to Financial Statements
June 30, 2021
(Amounts in \$000's)**

Note 2. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The nonshared proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include Federal funding for federally mandated benefit programs. On an accrual basis, revenues from employer contributions are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenues from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

D. Cash and Cash Equivalents

Cash and cash equivalents consist principally of cash in banks for locally held funds, U.S. government securities, and pooled investment funds held by other governmental agencies with original maturities of three months or less from the date of acquisition.

E. Interfund Transactions

The nonshared proprietary fund has the following types of interfund transactions with other funds of the State:

a) Reimbursements

Repayments from the funds responsible for particular expenditures or expenses to the fund that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

b) Transfers

Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. Transfers are reported after nonoperating revenues and expenses.

F. Non-Operating Contribution Revenues

Details of the reported balance of Federal government contributions and grants revenue is shown in the table which follows. The negative balances shown below are because the Programs have come to an end. Those Programs include the Emergency Unemployment Programs, Temporary Extended Unemployment Compensation, Federal Additional Compensation and Extended Benefits. These amounts have historically been reported net consisting of, total Federal receipts less the recouped cash receipts from Claimants. Under Federal Guidelines the recouped receipts are reported as an offset of Federal revenue receipts.

**State of Illinois
Department of Employment Security**

**Unemployment Compensation Trust Fund
Notes to Financial Statements
June 30, 2021
(Amounts in \$000's)**

Note 2. Summary of Significant Accounting Policies (Continued)

F. Non-Operating Contribution Revenues (Continued)

Program	Revenue
	\$ 22,375
Unemployment Compensation for Federal Employees	
Unemployment Compensation for ex-service members	8,253
Temporary Extended Unemployment Compensation	(60)
Emergency Unemployment Compensation 2008 (General Revenue funded)	(3,229)
Emergency Unemployment Compensation 2008 (FUTA funded)	(98)
Federal Additional Compensation	(5,613)
Extended Benefits	538,261
Emergency Unemployment Compensation 2008 (Non- General Revenue)	(683)
Federal Pandemic Unemployment Compensation	9,835,796
Pandemic Emergency Unemployment Compensation	3,111,820
Pandemic Unemployment Assistance	3,616,722
Lost Wage Assistance	1,261,032
Year-end Adjustment	(176,151)
Miscellaneous Revenue	178,113
Total	\$18,386,538

G. Net Position

Net Position for the Trust Fund is normally restricted for payment of unemployment benefits in accordance with the Unemployment Insurance Act. However, due to the balance being a deficit, it is reflected as unrestricted in accordance with the applicable standards.

H. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3. Deposits and Investments

At June 30, 2021, cash and cash equivalents for the UTF for a locally held fund had a carrying amount in the accompanying financial statements of \$319,879 and a bank balance of \$324,036.

Custodial credit risk relating to deposits is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. As of June 30, 2021, the Department's deposits held outside the State Treasury were adequately collateralized and therefore not exposed to custodial credit risk.

**State of Illinois
Department of Employment Security**

**Unemployment Compensation Trust Fund
Notes to Financial Statements
June 30, 2021
(Amounts in \$000's)**

Note 3. Deposits and Investments (Continued)

Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Department does not have a formal policy limiting credit risk.

Investments held by the Federal government totaled \$447,406 as of June 30, 2021 and represents an external investment pool in which the Department's funds are pooled along with other participating States' funds. This pool is valued at amortized cost. It is not rated regarding credit risk.

Custodial credit risk is the risk that in the event of custodian failure, investment principal may not be returned. At June 30, 2021, the Department did not have any investments subject to this risk.

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Department does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Department does not have any debt securities that are subject to interest rate risk.

Note 4. Taxes Receivable

Taxes receivable represent unemployment taxes, known as contributions, owed by private and non-governmental employers. The allowance for uncollectible taxes has been based on historical collection experience which, per statute, is typically on a 4-year collection cycle.

Balances as of June 30, 2021, are as follows:

Unemployment taxes	\$ 577,115
Interest and penalties receivables on taxes	<u>155,563</u>
Total taxes receivable	732,678
Less allowance for uncollectible taxes	<u>(384,959)</u>
Taxes receivable, net	<u><u>\$ 347,719</u></u>

Note 5. Intergovernmental Receivables

Intergovernmental receivables represent reimbursements due from other State and local governments for unemployment benefits paid to those governments' ex-employees and receivables due from the Federal government for regular Unemployment Compensation, Pandemic Unemployment Assistance (PUA) and Federal Pandemic Unemployment Compensation (FPUC) associated with PUA. The \$150,345 due from the Federal government consists of \$70,871 for regular Unemployment Compensation, \$44,726 for PUA, \$33,186 for FPUC associated with PUA and \$1,562 for LWA associated to PUA at June 30, 2021.

**State of Illinois
Department of Employment Security**

**Unemployment Compensation Trust Fund
Notes to Financial Statements
June 30, 2021
(Amounts in \$000's)**

Note 6. Other Receivables

Other receivables represent amounts due from claimants who received benefits that exceeded their allowable amounts. The allowance for uncollectible accounts has been based on historical collection experience which, per statute, is typically on a 5-year collection cycle.

Balances as of June 30, 2021 are as follows:

Other receivables	\$ 3,814,519
Less allowance for uncollectible receivables	<u>(3,491,427)</u>
Other receivable, net	<u><u>\$ 323,092</u></u>

Note 7. Interfund Balances and Activities

(a) Balances Due to and from Other Funds

The following balances at June 30, 2021 represent amounts due from and due to other Department and State of Illinois funds.

<u>Description/Purpose</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Due from General Revenue Fund for reimbursement of unemployment benefits paid	\$ 734	\$ -
Due to Department of Transportation for reimbursement of unemployment benefits to former employees of the Department	-	538
Due to Operating Fund for discretionary transfers of penalties and interests	-	1,133
Due to Operating Fund for discretionary transfers of nonsufficient funds (NSF) fees	<u>-</u>	<u>4</u>
Totals	<u><u>\$ 734</u></u>	<u><u>\$ 1,675</u></u>

Due from component units of the State of Illinois balance at June 30, 2021 of \$8 represents reimbursement of unemployment benefits paid to employees of State universities.

**State of Illinois
Department of Employment Security**

**Unemployment Compensation Trust Fund
Notes to Financial Statements
June 30, 2021
(Amounts in \$000's)**

Note 7. Interfund Balances and Activities (Continued)

(b) Transfers

Interfund transfers out to other Department funds for the year ended June 30, 2021, were as follows:

<u>Description/Purpose</u>	<u>Transfer Out to Other Fund</u>
Discretionary transfers of penalties and interests to Operating Fund	\$ 16
Discretionary transfers of NSF fees to Operating Fund	<u>14,584</u>
Total	<u>\$ 14,600</u>

Note 8. Intergovernmental Payables

Intergovernmental payables of \$9,971 represent interstate combined wage claim benefits payable.

Note 9. Contingencies

The Department is involved in various claims and legal actions arising in the ordinary course of business. It is the opinion of management that the ultimate disposition of these matters as part of the ordinary course of business will not have a material effect on the UCTF financial statements.

The Department recognizes there are inherent risks within any unemployment insurance program. Overpayments exist within any unemployment program resulting from the implementation process, administration process, claimant miscommunications or misunderstandings, and due process which allows for employers and claimants to appeal department decisions. There is also an inherent risk of fraud. Unlike in Regular UI, the PUA program does not provide for a database of earnings and wages to support the program, and consequently, there are unique and pervasive opportunities for fraud within PUA.

Overpayments associated with ID Theft and traditional fraud within the PUA program was unprecedented and resulted in fraudsters using highly sophisticated techniques to take advantage of the current economic condition created by the COVID-19 pandemic. ID Theft overpayments associated with the PUA program was \$1,836,108 for FY 2021. Traditional Fraud overpayments associated with the PUA program was \$21,904. The Department reports these amounts as contingencies and classifies the probability of loss as remote as the Federal government has not required repayment of overpayments stemming from identity theft and fraud.

Overpayments associated with the Loss Wage Assistance (LWA) program funded by FEMA requires the repayment of LWA overpayments unless recovery of the overpayment has been waived. At present, the Department has not completed the process to waive the recovery of LWA overpayments and recognizes the \$53,068 in LWA overpayments as a contingent liability with a probability of loss as probable. Once the Department completes the process to waive the recovery of LWA overpayments, this contingent liability will most likely be reduced.

**State of Illinois
Department of Employment Security**

**Unemployment Compensation Trust Fund
Notes to Financial Statements
June 30, 2021
(Amounts in \$000's)**

Note 10. COVID/PUA/Overpayment

On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantine in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Department operates.

In response to the pandemic, on March 27, 2020, President Trump signed into law the CARES Act (P.L. 116-136) which includes the Relief for Workers Affected by Coronavirus Act set out in Title II, Subtitle A. The CARES Act created new temporary programs to mitigate the economic effects of the pandemic. These new programs included but are not limited to:

- 1) Pandemic Unemployment Assistance (PUA): PUA provided up to 39 weeks of unemployment benefits to individuals who exhausted their entitlement to regular unemployment compensation (UC) as well as coverage for individuals who were not eligible for regular UC such as individuals who are self-employed or who have limited recent work history.
- 2) Federal Pandemic Unemployment Compensation (FPUC): FPUC provided an emergency increase in unemployment compensation (UC). This program provided an additional \$600 per week to weekly benefits for eligible individuals until July 31, 2020.
- 3) Pandemic Emergency Unemployment Compensation (PEUC): PEUC provided up to 13 weeks of additional unemployment compensation (UC) to individuals who exhausted their regular unemployment benefits.

On August 8, 2020, President Trump issued a memorandum to make available other needs assistance for lost wage in accordance with Section 408(e)(2) of the Stafford Act. This memorandum created the Loss Wage Assistance (LWA) program. LWA was administered by states and territories through a grant agreement with FEMA. Once the grant was awarded by FEMA, states were eligible to pay out an additional \$300 per week in benefits. This \$300 was intended to help claimants who lost the \$600 of additional benefits when the first iteration of FPUC expired on July 31, 2020.

On December 27, 2020, President Trump signed into law the Continued Assistance to Unemployment Workers Act of 2020 (Division N, Title II, Subtitle A of PL 116-260) (CAA) which amended the CARES Act to extend PUA and PEUC through March 14, 2021. The CAA also reinstated FPUC, from December 27, 2020, through March 14, 2021, but at \$300 per week for eligible individuals.

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 (ARPA) into law. This Act amends certain provisions of the Emergency Unemployment Insurance Stabilization and Access Act (EUISAA) and the CARES Act, as amended, extending with some modification the expiration date of March 14, 2021, to September 6, 2021. The following is a summary of amendments to the major programs:

**State of Illinois
Department of Employment Security**

**Unemployment Compensation Trust Fund
Notes to Financial Statements
June 30, 2021
(Amounts in \$000's)**

Note 10. COVID/PUA/Overpayment (Continued)

- 1) PUA was extended, without interruption, to weeks of unemployment ending on or before September 6, 2021. The maximum number of weeks of PUA benefits were increased to 79 weeks.
- 2) The FPUC program was extended, at \$300 per week for eligible individuals, to weeks of unemployment ending on or before September 6, 2021.
- 3) Period end applicability for the PEUC program was extended, without interruption, to weeks of unemployment ending on or before September 6, 2021.

Under normal circumstances, individuals who are self-employed or have limited recent work history are ineligible to collect unemployment benefits. As a result of the CARES Act, the CAA, and ARPA, the Department had to implement and maintain a new system for the PUA program. This system initially went online May 14, 2020.

For SFY 2020, the Department paid PUA benefits and FPUC benefits of \$378,520 and \$732,547, respectively. For SFY 2021, the Department paid out PUA benefits and FPUC benefits of \$3,643,128 and \$3,830,162, respectively. As of June 30, 2021, the Department recorded a liability for PUA related benefit claims that were owed but not paid of \$107,779.

The Department recognizes there are inherent risks within any unemployment insurance program. Overpayments exist within any unemployment program resulting from the administering department's implementation process, claimant miscommunication or misunderstanding, and the due process that allows for employers and claimants to appeal decisions. There is also an inherent risk of fraud. Unlike in regular UI, the PUA program does not provide for a database of earnings and wages to support the program, and consequently, there are unique and pervasive opportunities for fraud within PUA.

Other Net Receivables represents the amount of overpayments the department estimates it will collect. Other Net Receivables for PUA and FPUC associated with PUA were \$43,053 and \$51,066, respectively. PUA and FPUC associated with PUA includes amounts for SFY 2020 and SFY 2021 due to Due Process and claimant's right to appeal the Department's decision.

As described in Note 9, the Department reports a contingent liability of \$1,836,108 for PUA ID Theft overpayments and \$21,904 for PUA Traditional Fraud overpayments for SFY 2021 as the Federal government has not required repayment of overpayments stemming from identity theft and fraud.

Note 11. Title XII Federal Loan

The Unemployment Insurance Trust Fund (UTF) entered a deficit position on June 23, 2020 as a direct result of the labor market disruption arising from the COVID-19 pandemic that began in March 2020. Therefore, and pursuant to the provisions of Title XII of the Social Security Act, as amended by the Emergency Unemployment Insurance Stabilization and Access Act of 2020, the Department initiated borrowing from the federal government to fulfill its mandate to pay benefits as required by law. Interest on these federal advances is due and payable to the federal government on September 30 of each year and may not be paid from the UTF. The interest rate for a given calendar year equals the earnings yield on the UTF for the quarter ending December 31 of the previous calendar year.

**State of Illinois
Department of Employment Security**

**Unemployment Compensation Trust Fund
Notes to Financial Statements
June 30, 2021
(Amounts in \$000's)**

Note 11. Title XII Federal Loan (Continued)

As of June 30, 2021, the Trust Fund had incurred \$4,232,873 in Title XII Loan Advances accruing interest at a rate of 2.7777% per annum. However, under the amended Emergency Unemployment Insurance Stabilization and Access Act of 2020, these loans are interest free through September 6, 2021, with interest accruing beginning on September 7, 2021. The Department will incur interest from September 7, 2021 through September 30, 2021 in the amount of \$6,384,286 and will make the interest payment due September 30, 2021 through the Unemployment Compensation Special Administration Fund.

Note 12. Net Position Deficit

The Unemployment Trust Fund reported a \$3.29 billion decrease in its net trust fund balance during fiscal year 2021, as a direct result of labor market disruption the State of Illinois experienced during the COVID-19 pandemic which began in March of 2020. As of June 30, 2021, the UTF net trust fund deficit balance was \$2.97 billion.

Under current federal requirements, if a state has outstanding Title XII federal loan balances (see Note 11) at the beginning of two consecutive calendar years, and does not repay all outstanding federal Title XII advances by November 10th of the year in which the second January 1st occurs, employers are subject to a reduction of the Federal Unemployment Tax Act (FUTA) credit; revenues attributable to the credit reduction are applied toward the advances, until the advances are repaid.

The Department is working with the legislature and stakeholders from business and labor, through the established agreed bill process, on a possible alternative to addressing the UTF deficit through FUTA credit reductions. Through this process, the Department is providing impact analyses and technical guidance, along with reviewing that any changes to state law to address UTF solvency, conform with federal requirements.

Note 13. Subsequent Events

On March 25, 2022, Governor Pritzker signed into law Public Act 102-0696, which among other acts, appropriated the sum of \$2,700,000 from the State Coronavirus Urgent Remediation Emergency Fund to the Department of Employment Security for payment to the Illinois State account in the federal Unemployment Insurance Trust Fund for partial repayment of Title XII advances, including prior year costs. The Department applied those funds, in the entirety, to the outstanding Title XII loan balance of \$4,512,645 resulting in a remaining loan balance of \$1,812,645 as of March 29, 2022.

**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

As Special Assistant Auditors for the Auditor General, we were engaged to audit, 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 Unemployment Compensation Trust Fund (Trust Fund), an individual nonshared proprietary fund of the State of Illinois, Department of Employment Security (Department), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements, and have issued our report thereon dated June 3, 2022. Our report disclaims an opinion on such financial statements due to material weaknesses in internal control over one of the benefit payment systems, for which we were unable to obtain sufficient appropriate audit evidence over related amounts.

Internal Control Over Financial Reporting

In connection with our engagement to audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 items 2021-001 through 2021-003 that we consider to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Trust Fund, 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2021-001 through 2021-003. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the financial statements of the Trust Fund, other instances of noncompliance or other matters may have been identified and reported herein.

Department's Responses to the Findings

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

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 entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
June 3, 2022

**State of Illinois
Department of Employment Security**

**Schedule of Findings
For the Year Ended June 30, 2021**

Current Findings – Government Auditing Standards

**Finding 2021-001 Failure to Implement General Information Technology Controls over the
Pandemic Unemployment Assistance System**

The Department of Employment Security (Department) failed to implement general Information Technology (IT) controls over the Pandemic Unemployment Assistance (PUA) System (System).

In April 2020, the Department contracted with a service provider to provide the System as a Software as a Service (SaaS) and to provide hosting services for the System. The service provider maintained full control over the system.

In order to determine if general IT controls were suitably designed and operating effectively over the System, we requested the Department provide a System and Organization Control (SOC) report for the service provider. As was noted in the prior audit, the Department could not provide a SOC report, as the service provider's contract did not require the service provider to undergo a SOC examination. Therefore, we conducted testing of the general IT control of the System.

Change Control

As was noted in the prior audit, the service provider's developers continued to have access to the production environment. As a result, we were unable to determine if the developers made unauthorized changes to the environment, application, and data.

Security

The Department had not implemented internal controls over the System's access.

Disaster Recovery

The Department had not implemented disaster recovery controls.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, require entities outsourcing their IT environment or operations to obtain assurance over the entities' internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews. In addition, the Access Control section, sanctions the implementation of internal controls over access. The Configuration Management section also enforces logical restrictions with changes to systems. Further, the Contingency Planning section makes compulsory the development of a detailed disaster recovery plan.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

The Department indicated the service provider's contract did not require a SOC report to be provided. Additionally, the Department indicated competing priorities resulted in the other weaknesses.

**State of Illinois
Department of Employment Security**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2021**

Current Findings – Government Auditing Standards

Finding 2021-001 Failure to Implement General Information Technology Controls over the Pandemic Unemployment Assistance System (Continued)

As a result of the lack of general IT controls over the System, we were unable to rely on the System and the proper determination of claimant eligibility data and benefits paid. Furthermore, as a result of the lack of internal controls identified in this finding and finding 2021-002, we are unable to obtain sufficient documentation to determine if the Department's Fiscal Year 2021 financial statements are fairly presented. Therefore, we are issuing a disclaimer of opinion over the Department's Fiscal Year 2021 Unemployment Compensation Trust Fund financial statements. (Finding Code No. 2021-001, 2020-001)

Recommendation

We recommend the Department ensure the service provider's contract requires obtaining a SOC report or an independent review. We also recommend the Department ensure the service provider's developers' access is restricted and changes are appropriate. Further, we recommend the Department develop and implement security controls and disaster recovery controls.

Department Response

IDES accepts the auditor's recommendation. In 2021, IDES took action to address the points raised in the finding. The improvements to the PUA system were implemented within a timeframe that did not impact the entire 2021 audit period. As recommended, a contract is in place requiring the PUA system service provider to secure a SOC report for FY22. The system access of the PUA service provider's developers has been restricted and accurately documented. In addition, documentation for PUA system disaster recovery, as well as security controls, are in place and have been reviewed and documented.

**State of Illinois
Department of Employment Security**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2021**

Current Findings – Government Auditing Standards

Finding 2021-002 Failure to Maintain Accurate and Complete Pandemic Unemployment Assistance Claimant Data

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

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provided states the ability to provide unemployment insurance to individuals affected by the pandemic, including those who would not normally be eligible for unemployment. Based on the Department's records, as of June 30, 2021, 424,887 claimants had received benefits totaling \$8,168,499,998.

From June 2021 through January 2022, the Department attempted to provide complete and accurate PUA claimant data in order to determine if the claimants were properly determined eligible. After several attempts and considerable manipulation of the data to make the data more auditable and organized, it was determined complete and accurate PUA claimant data could not be provided. Therefore, we were unable to conduct detailed testing to determine whether the PUA claimants were entitled to benefits.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Also, due to these conditions, we were unable to conclude the PUA claimant data records were complete and accurate under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.08 and AT-C § 205.35).

The Department indicated the PUA system limitations and data entry errors resulted in the weaknesses.

Due to the inability to conduct detailed claimant testing, we were unable to determine whether the Department's financial statements accurately document the PUA benefits paid during Fiscal Year 2021. Therefore, we are issuing a disclaimer of opinion over the Department's Fiscal Year 2021 Unemployment Compensation Trust Fund financial statements. (Finding Code No. 2021-002)

Recommendation

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

Department Response

IDES accepts the auditor's recommendation. The department continues to work with the PUA system service provider and the Department of Innovation and Technology (DoIT) staff to refine the PUA database information and develop a reporting structure that conforms with auditors' expectations. Errors and anomalies within the PUA system have been identified and are being addressed to ensure claimant data is complete and reliable.

**State of Illinois
Department of Employment Security**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2021**

Current Findings – Government Auditing Standards

Finding 2021-003 Failure to Perform Timely Cash Reconciliations

The Department of Employment Security (Department) did not prepare its year end bank reconciliations timely.

As part of our engagement, we requested the June 30, 2021 bank reconciliations. The reconciliations are between cash as recorded in the Department's general ledger, and cash as reported by the bank for each account. The Department did not have the reconciliations prepared timely for audit fieldwork and we received the final versions of the June 2021 reconciliations on December 23, 2021.

The timely reconciliation of cash accounts is a basic control procedure that should occur every month to determine the recorded amount of cash is accurate. Normally this procedure is performed shortly after the end of the month upon receipt of the bank statement. Most organizations have a regular monthly accounting schedule whereby the monthly general ledger cannot be closed without the preparation of the cash reconciliation.

Concepts Statement No. 1 of the Governmental Accounting Standards Board, Objectives of Financial Reporting (GASBCS 1, paragraph 64), states, "Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. To be reliable, financial reporting needs to be comprehensive." The reconciliation of cash accounts is a basic control to ensure the accuracy and reliability of financial reports.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure State resources are used efficiently and effectively. This includes the timely performance of bank reconciliations.

Department management indicated the weaknesses were due to turnover in personnel and the inability to quickly move employees into this area to perform this function as workloads increased significantly as a result of the new CARES Act unemployment programs.

Since the Department has numerous cash transactions every month, the risk of error due to misapplied cash transactions is significant. Monthly there can be over \$1 billion in cash that flows through the Department's various cash accounts. Monthly and annual financial statements could be materially misstated due to the lack of timely bank reconciliations. Failure to properly complete timely bank reconciliations could also result in a misuse or misappropriation of cash that could go undetected. (Finding Code No. 2021-003, 2020-004)

Recommendation

The Department should prepare a monthly reconciliation for every cash account, reconciling the bank and general ledger balances. Each monthly bank reconciliation should be timely completed and reviewed and approved by a supervisor.

Department Response

IDES accepts the auditor's recommendation. In 2021, IDES contracted with a professional accounting firm to assist department staff with the cash reconciliation work required for seven programs, including the new federal programs such as PUA and PEUC that were enacted in response to the pandemic. In consultation with a professional accounting firm, department procedures are undergoing review and revision to ensure cash reconciliations for all programs are completed on a timely basis.

State of Illinois

Department of Employment Security

**Schedule of Prior Year Findings
For the Year Ended June 30, 2021**

Prior Findings Not Repeated

A. Failure to Accurately Determine Claimants' Eligibility for Pandemic Unemployment Assistance.

In the prior audit, the Department of Employment Security (Department) failed to ensure Pandemic Unemployment Assistance claimants met eligibility requirements.

In the current audit, the Department was unable to provide complete and accurate claimant data. Therefore, we were unable to conduct detailed testing as noted in Finding 2021-002. We will review the Department's progress in the next audit. (Finding Code No. 2020-002)

B. Inadequate Controls over Pandemic Unemployment Assistance Program Processes

During the prior audit, the Department did not implement adequate controls over the Pandemic Unemployment Assistance (PUA) program processes.

In the current audit, as noted in Finding 2021-002, the Department was unable to provide complete and accurate claimant data. Therefore, we were unable to conduct detailed testing. We will review the Department's progress in the next audit. (Finding Code No. 2020-003)

C. Inadequate Controls over Accruals

During the prior audit, the Department did not have sufficient internal control over the determination of accruals for payments related to both the Unemployment Insurance program (UI) and the Pandemic Unemployment Assistance Program (PUA).

In the current audit, as noted in Finding 2021-002, the Department was unable to provide complete and accurate claimant data. Therefore, we were unable to conduct detailed testing. We will review the Department's progress in the next audit. (Finding Code No. 2020-005)

D. Inadequate Controls over Receivable Allowance

During the prior audit, the Department did not have sufficient internal control over the estimate of the allowance for doubtful accounts recorded in its financial statements.

In the current audit, as noted in Finding 2021-002, the Department was unable to provide complete and accurate claimant data. Therefore, we were unable to conduct detailed testing. We will review the Department's progress in the next audit. (Finding Code No. 2020-006, 2019-001)

E. Inadequate Controls over GenTax Access

During the prior audit, the Department did not ensure adequate security over the enterprise-wide tax system (GenTax).

In the current audit, sample testing did not contain significant errors that would affect the financial statements. (Finding Code No. 2020-007, 2019-005, 2018-008)