

Review: 4507
Statewide Single Audit
Year Ended June 30, 2019
Illinois Department of Employment Security

FINDINGS/RECOMMENDATIONS – 10
Repeated – 7

Implemented – 3
Partially Implemented – 4
Accepted – All except 19-67

19-60. The auditors recommend IDES review its current procedures and consider any changes necessary to ensure supporting documentation for payroll and related costs is maintained in accordance with the applicable federal regulations.

Finding: IDES could not provide adequate supporting documentation to substantiate payroll and related costs claimed for federal reimbursement under the Employment Service Cluster program.

The Employment Service Cluster program is an administrative grant program which primarily funds personal service costs, fringe benefit expenditures, and indirect costs which are allocated to its federal and state programs through the use of cost centers established for each of IDES' activities and programs.

Cause:

In discussing these conditions with IDES officials, they stated personnel were unable to return to their offices to locate supporting documentation due to COVID-19 restrictions.

Possible Asserted Effect:

Failure to provide adequate documentation for payroll and related costs inhibits the ability to perform an audit in accordance with professional standards and may result in the federal funds being expended for unallowable purposes.

Response: IDES accepts this audit finding and will confer with senior management to implement a process to require timely submission of required timesheets.

Updated Response: Partially Implemented. Due to COVID-19 workplace restrictions, IDES personnel were unable to return to their offices to locate supporting documents. IDES has now implemented COVID-19 workplace protocols and controls to ensure timely submission of required timesheets, and staff are working through this reconciliation.

In addition, IDES is in the process of transitioning to the IL ACTS Human Capital Management (HCM) system. One of the modules in this new system is Time & Attendance, which will allow an electronic submission and tracking of what is now our paper-based timesheets (FI-46) and other related documents. The module is expected to go live in the first quarter of calendar year 2022.

19-61. The auditors recommend IDES implement adequate internal control procedures over information systems used to document compliance with requirements applicable to its federal programs. (Repeated-2018)

Finding: IDES has not established adequate controls over the Enterprise Resource Planning (ERP) system used to document its compliance with certain requirements of administrative grants of the Employment Service Cluster and Unemployment Insurance (UI) programs.

Cause:

In discussing these conditions with IDES officials, they stated gaps in data accuracy and ERP reporting capabilities are caused by resource limitations both at IDES and DoIT.

Possible Asserted Effect:

Failure to establish effective internal controls over IT systems results in noncompliance and may inhibit the completion of the single audit.

Response: IDES accepts this audit finding and will confer with senior management to implement a process to require timely submission of required timesheets.

Updated Response: Implemented. The implementation of this audit finding requires collaboration and additional resources from both IDES and DoIT. IDES needs a subject matter expert on SAP data sets and report creation given the complexity of the federal reporting. According to the ERP team, the SOC report has been completed and is on the OAG website.

19-62. The auditors recommend IDES implement procedures to ensure access to its information systems is adequately secured and user access reviews are performed. In addition, we recommend IDES implement procedures to verify relevant general IT controls are properly designed, implemented, and operating effectively for information systems administered by other state agencies which are used to meet compliance objectives of IDES' federal programs. (Repeated-2018)

Finding: IDES does not have adequate controls over the IT systems that support the Unemployment Insurance (UI) Program to remove terminated users in a timely manner.

The IT systems that support the UI Program include the following:

- The Illinois Benefits Information System (IBIS)
- The Benefit Charging System (BCS)
- The Overpayment Recovery System (ORS)
- The Benefits Audit and Reporting System (BARTS)

Cause:

In discussing these conditions with IDES officials, they stated IDES has not held individuals responsible for completing security reviews in a timely manner. Regarding the lack of segregation of duties, the security profiles were not configured to restrict these functions.

Possible Asserted Effect:

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement.

Response: Accepted. IDES accepts the finding and will further implement procedures to ensure the timely review of semi-annual RACF access reviews by reporting potential violations to the IDES Chief of Staff for corrective action (i.e. review and submission of the report).

Updated Response: Implemented.

19-63. The auditors recommend IDES develop and implement written procedures to improve UI program integrity and reduce overpayments that incorporate the required monetary penalty on fraud overpayments and prohibit providing relief to employers who fail to provide timely and adequate responses to information requests. (Repeated-2018)

Finding: IDES did not implement federal requirements to improve program integrity and reduce overpayments.

IDES is required to establish written procedures for: (1) identifying overpayments, (2) classifying overpayments into categories based on the reason the overpayment occurred (i.e. employer error, non-response from employers, beneficiary fraud, etc.), and (3) establishing appropriate methods for following up on each category of overpayment. In establishing these procedures, the state is required to enter into three agreements prior to commencing recoveries.

Cause:

In discussing these conditions with IDES officials, they stated the implementation of an adjacent project contributed to the delay in completing the 15% fraud penalty. In addition, IDES continued to have difficulty in determining the best method for implementing the non-charging prohibition and additional time was needed in order to respond to the concerns and suggestions of multiple external stakeholders.

Possible Asserted Effect:

Failure to implement federal requirements could result in noncompliance with laws, regulations and the grant agreement.

Response: Accepted. IDES accepts this finding. The 15% penalty on fraud overpayments was implemented December 2019. The department also identified a process to implement the prohibition on non-charging due to employer fault per federal guidelines and passed a rule governing the process in July 2020.

Updated Response: Partially Implemented. Covid19 has delayed implementing the prohibition of non-charging procedures.

19-64. The auditors recommend IDES improve efforts to complete and document the resolution of each claim on the exception and monitoring report (including supervisory review) in a timely manner. (Repeated-2018)

Finding: The IDES 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.

The IDES Central Office generates several system (exception and monitoring) reports to facilitate proper payment of Unemployment Insurance (UI) benefits, which are distributed to and monitored by personnel at local IDES offices.

Cause:

In discussing these conditions with IDES officials, they stated the designated staff assigned to review the reports were having computer problems which were not resolved in a manner that allowed for timely review of reports. In another instance, the designee was absent for several days. In each case, the backup reviewer was not activated.

Possible Asserted Effect:

Failure to adequately document resolution of claim and monitoring reports could result in the payment of UI benefits to ineligible claimants, which are unallowable costs.

Response: Under Study. IDES accepts this finding and has already revisited the procedures with regional management teams and regional management teams have followed up with designated report reviewers and counseled them on the proper procedure. Completed reports are sent to the regional management team as verification of proper completion.

Updated Response: Partially Implemented. IDES is considering a change the procedure language with the possibility of reassessing the due dates. IDES also notes that, with the onslaught of new and continued claims activity, especially during the height of the pandemic, these reports were many times longer than they were historically. For example, the Determination End Date report grew from 12 pages to 100 pages, in other words from 420 items to be reviewed to nearly 3,500 items.

19-65. The auditors recommend IDES review its procedures for preparing financial reports required for the UI program and implement analytical and any other procedures considered necessary to ensure the reports are accurate prior to submission to the USDOL. (Repeated-2018)

Finding: IDES does not have an adequate process in place to ensure all financial reports prepared for the Unemployment Insurance (UI) program are accurate.

On a quarterly basis, IDES is required to report information on overpayments of intrastate and interstate UI claims under the regular state UI program and under federal UI programs.

Cause:

In discussing these conditions with IDES officials, they stated the discrepancies are a result of a currently manual process to compile the reports with data from multiple systems that do not interact.

Possible Asserted Effect:

Failure to establish adequate reporting controls may result in inaccurate reports which prevents the USDOL from effectively monitoring the UI program.

Response: Accepted. IDES accepts the finding and is still in the process of integrating the functionality of legacy benefit payment control systems into the Illinois Benefit Information System (IBIS). This integration will provide for a single data source for reporting financial activity related to benefit overpayments. Though delayed multiple times, the project is near completion. The goal is to produce the ETA 227 report for the 1st quarter of 2021 which is scheduled to be submitted to ETA May 1, 2021.

Updated Response: Partially Implemented. Covid19 activities have caused this project to be delayed again. Progress has been made in generating Section B totally from IBIS

but collection and reconciliation activities that are reported in Section C are still under development. A realistic target would now be for the third quarter of calendar 2021 report due to ETA on September 1, 2021.

19-66. The auditors recommend IDES review its procedures for preparing the ETA 581 financial reports required for the UI program and any additional procedures considered necessary to ensure the reports are complete and accurate prior to submission to the USDOL. (Repeated-2018)

Finding: IDES does not have an adequate process in place to ensure the ETA 581 financial reports prepared for the Unemployment Insurance (UI) program are complete and accurate.

Cause:

In discussing these conditions with IDES officials, they stated in the past there has been an issue where converted data was causing a shifting on previous submitted ETA 581 reports to DOL. This shifting was the result of staff conducting maintenance on these converted accounts.

Possible Asserted Effect:

Failure to establish adequate reporting controls may result in incomplete and inaccurate reports which prevents the USDOL from effectively monitoring the UI program.

Response: Accepted. IDES has accepted this finding and has updated procedures that were implemented after the previous findings.

Updated Response: Implemented. The procedures have been refined and there has been no discrepancies with the submission of the ETA 581 to ETA/DOL in the past year and a half.

19-67. The auditors recommend IDES implement procedures to ensure all required financial reports for the Employment Service Cluster are prepared and submitted to the USDOL or obtain clarification of the applicability of the reporting requirement from USDOL.

Finding: IDES did not prepare and submit federal financial reports for the Employment Service Cluster.

IDES is required to prepare quarterly federal financial reports (SF-425) for Disabled Veterans' Outreach Program (Disabled Veterans') and Local Veterans' Employment Representative (Local Veterans') Program grants included in the Employment Service Cluster for submission to the USDOL.

Cause:

In discussing these conditions with IDES officials, they stated they disagree with the finding as they do not believe the SF-425 reports are required.

Possible Asserted Effect:

Failure to prepare and submit financial reports results in noncompliance with program requirements and inhibits USDOL from effectively monitoring the Employment Service Cluster.

Response: Not Accepted. IDES disagrees with this finding and is waiting for a response from the DOL on the matter.

Auditors' Comment:

As discussed in the finding above, IDES is required to submit the SF-425 financial reports to the USDOL no later than 30 days after the end of each quarter. We recommend IDES obtain clarification of the applicability of this reporting requirement from USDOL if the agency does not believe this is a required report.

Updated Response: Not Accepted. The SF-425 the auditors are referencing in this audit finding is the FFR-425 from the PMS system. This report is the same as the SF-425/9130 report IDES provided to the auditors from the DOL's E-grant system.

IDES is no longer required to complete the FFR-425 nor do we have the physical ability to create the report in the PMS system. When PMS changed our payee account number from ending in a "P" to ending in a "B", the FFR-425 report was no longer required. When we tried to create the report, a pop-up box comes up stating the report is not required and won't allow the report to be completed.

In conversation with Travis Siggers from the Veterans' Employment and Training Services, the Vets unit refers to the 9130s as the SF-425.

IDES supplied the auditors with all the SF-425s/9130s required for the time period requested. For this reason, IDES does not accept or believe this should be an audit finding.

19-68. The auditors recommend IDES establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC. (Repeated-2018)

Finding: IDES did not accurately report federal expenditure information under the Employment Service Cluster and Unemployment Insurance program.

Federal expenditures reported to the Illinois Office of the Comptroller (IOC) which were used to prepare the schedule of expenditure of federal awards (SEFA) did not agree to IDES' financial records.

Cause:

In discussing these conditions with IDES officials, they stated the error was a result of the constraints of the State Comptroller Office (SCO) 563 form used to report this information.

Possible Asserted Effect:

Failure to accurately report federal expenditures prohibits the completion of an audit in accordance with the Uniform Guidance which may result in the suspension of federal funding.

Response: Accepted. IDES agrees with the finding and will continue to work with the Comptroller to arrive at a resolution.

Updated Response: Accepted and Under Study. The implementation of this audit finding requires collaboration and additional resources from both IDES and the IOC.

19-69. We recommend IDES review its internal control procedures and implement additional procedures to ensure fringe benefit expenditures charged to federal programs are complete and accurate.

Finding: IDES does not have adequate controls in place over determining fringe benefits to be charged to the Employment Service Cluster and Unemployment Insurance (UI) programs.

Cause:

In discussing these conditions with IDES officials, they stated this was a system error with the human resource application that impacted a portion of the state fiscal year 2019.

Possible Asserted Effect:

Failure to establish effective internal control over the completeness and accuracy of fringe benefit expenditures claimed may result in the unallowable costs being charged to federal programs.

Response: Under Study. IDES accepts this finding and will work with the CMS and their vendor who runs the human resource application to resolve any discrepancies.

Updated Response: Under Study.