

# State of Illinois

## Pandemic Unemployment Assistance Financial Audit for the year ended June 30, 2020

September 27, 2021

- The Auditor General's Office performs several types of audits:

- Performance Audits
- Financial Audits
- Compliance Examination
- IS Audits
  - SOC Examinations (SOC 1 & SOC 2)
  - General IT Controls
  - System Developments/Project Management
  - Cybersecurity
  - Network/Mainframe
  - Application Reviews
  - Data Analysis

- The Office has two Divisions:

- Performance Division(27 auditors)
- Financial/Compliance Division (48 auditors with 10 IS auditors)
  - Approximately 80% of the audits are contracted out to CPA firms.

# Agenda

- Background
- Audit Objectives
- Testing/Outcome
- Results
- Challenges
- Fraud
- Moving Forward



The image shows a close-up of an unemployment benefits application form. The title 'UNEMPLOYMENT BENEFITS' is printed in large, bold, black letters at the top. Below the title, the form is divided into sections. The 'Personal Information' section includes fields for Name (Last, First, Middle Initial), Address (Mailing Address), E-Mail Address, Home Telephone, and Other Telephone. The 'Services needed' section has a dropdown menu currently set to 'UNDER REVIEW'. A large, red, rectangular stamp with the word 'APPROVED' in bold, capital letters is stamped diagonally across the middle of the form, overlapping the 'Personal Information' and 'Services needed' sections. A gold and black pen is visible in the bottom right corner, resting on the form. The background is a light blue gradient.

| Personal Information         |                           |
|------------------------------|---------------------------|
| Name (Last)                  | PUBLIC                    |
| Name (First)                 | JOHN                      |
| Name (Middle Initial)        |                           |
| Address (Mailing Address)    | 12345 MAIN STREET         |
| E-Mail Address               | JQPJQPJQP@JQP.JQP         |
| Home Telephone               | 11111-1111                |
| Other Telephone              | 22222-2222                |
| City                         | ANYWHERE                  |
| State (Zip)                  | ZZ 999999                 |
| Services needed              | UNDER REVIEW              |
|                              | APPLICANT IS UNDER REVIEW |
|                              | SUBJECT                   |
|                              | REVIEW                    |
| Income                       |                           |
| Education (GED) Test Passed? | Yes No                    |
| Major or Subject             |                           |

# Background

- The State's Illinois Benefit Information System (IBIS) was unable to be programmed to administer the PUA program within the required timeframe.
- Contracted with a Service Provider for the design and implementation of a "fully-functional integrated unemployment insurance solution designed to carry out the provisions of the PUA and DUA requirements."
  - Service Provider did not have a SOC report.
- Continued to process UI claims via the State's IBIS system.
- As of June 30, 2020, 114,984 claimants had received PUA and FPUC benefits totaling \$1,110,958,318.

# Audit Objectives

- Claimants' Eligibility Determination was appropriate based on criteria:
  - Identity verification,
  - Self-attest to meeting the COVID-19 related reasons for lack of employment, and
  - If eligible for more than the minimum WBA, \$198, wage information was verified.
- Determine if general IT controls were suitably designed and operating effectively.

# Testing/Outcomes

## Claimants' Eligibility Determination

- Data Analysis
  - PUA System documented the claimant's identity had been verified via Experian match.
    - Claimants' identities were not validated.
  - Claimants self attested to lack of employment due to COVID-19 reasons.
    - System required or would not allow claimant to proceed.
  - PUA System documented claimants, which received more than the minimum WBA, had their wages verified.
    - Department did not validate wages of all claimants receiving more than the minimum WBA.

# Testing/Outcomes

- Data Analysis-continued
  - Were claimants 'double dipping'.
    - Claimants received PUA and FPUC benefits also received regular UI benefits.
  - One SSN per claimant
    - Claimants had multiple SSNs.
  - One Claimant IDs per claimant
    - Claimants had more then one claimant ID.

# Testing/Outcomes

- Data Analysis-continued
  - Birth dates reasonable
    - Claimants birthdays were the same day or later than the date of the claim. Birthdate ranged from the same day as the application to 2029.
    - Claimants were 90 years or older and received benefits.
    - Claimants between the ages of birth and 13 years of age received benefits.
  - SSA Master Death Records match
    - Deceased individuals received benefits.

# Testing/Comes

- General IT Controls
  - Change Control
    - Completeness and accuracy of population could not be demonstrated.
    - No documented change control procedures.
    - Documentation could not be provided demonstrating the sampled changes were approved prior to being moved into the production environment.
    - Documentation could not be provided demonstrating programmers' access to the production environment was restricted.

# Testing/Outcomes

- General IT Controls-continued

- Security

- Completeness and accuracy of the populations of users granted and terminated access could not be demonstrated.
    - No access provisioning policies.
    - Could not provide documentation demonstrating:
      - Access and applicable access roles were properly and timely approved.
      - Users' access was timely terminated.
    - Duplicate user accounts.
    - Review of access rights had not been conducted.

- Disaster Recovery

- Plan had not been developed.

# Testing/Outcomes

- General IT Controls-continued
  - Application Program Interfaces (APIs)
    - No issues noted.
- Other Program Issues Noted
  - System did not have a process to provide a report of identified claimants with potential eligibility issues.
  - System did not have the ability to create “Notices of Overpayments” to be provided to claimants.

# Results

- Qualified Financial Statement Opinion
  - Due to the material weaknesses in internal control over the system, we were unable to obtain sufficient audit evidence to conclude that the PUA and FPUC payables, receivables, revenues, and expenses were free of material misstatement.
- Findings
  - Failure to Implement General IT controls over the PUA System.
  - Failure to Accurately Determine Claimants' Eligibility for PUA.
  - Inadequate Controls over PUA Program Process.
  - Inadequate Controls over Accruals.

# Challenges Encountered

- Service Provider did not undergo a SOC Examination.
- Backlog of claims.
- Determine of actual eligibility requirements.
- Multiple iterations of data.
  - Cash basis
- Lack of documentation

# Fraud

- Department began implementing fraud measures in FY 21.
  - Will be reviewed as part of FY 21 audits.
- Illinois fraud estimated to be \$1.528 billion over the full 69 weeks of the federal programs.

# Moving Forward

- FY 2021 Financial Audit
- Financial and Performance Audit for the period of May 11, 2020 – September 6, 2021

# Questions

- Kathy Lovejoy: [Klovejoy@auditor.Illinois.gov](mailto:Klovejoy@auditor.Illinois.gov)