LEGISLATIVE AUDIT COMMISSION

Review of
Department of Corrections
General Office
Two Years Ended June 30, 2008

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REVIEW: 4326
DEPARTMENT OF CORRECTIONS
GENERAL OFFICE AND RELATED DIVISIONS
TWO YEARS ENDED JUNE 30, 2008

FINDINGS/RECOMMENDATIONS - 47

IMPLEMENTED - 29
ACCEPTED - 17
UNDER STUDY - 1

REPEATED RECOMMENDATIONS - 19

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 21

This review summarizes the auditors' report on the Department of Corrections. The report presented the financial statement audit of the whole Department for the year ended June 30, 2008 and compliance attestation examination of the Department's General Office operations, including Adult Education, Field Services and Public Safety Shared Services, for the two years ended June 30, 2008. The auditors conducted the department-wide financial audit and compliance examination in accordance with *Government Auditing Standards* and State law. The auditors expressed a qualified opinion on the Department's financial statements.

The mission of the Department of Corrections is to protect the public from criminal offenders through a system of incarceration and supervision which securely segregates offenders from society, assures offenders of their constitutional rights, and maintains programs to enhance the success of the offender's re-entry into society.

The function of the Department of Corrections - General Office is to provide support services to all of the Department's facilities and divisions. This includes establishing and monitoring budget activities, capital planning, accounting services, and data processing. The General Office also performs other functions necessary to carry out the provisions of the Unified Code of Corrections and provides administrative services to the Department of Juvenile Justice as detailed in an interagency agreement.

Effective June 1, 2006, PA 94-0696 established the Department of Juvenile Justice. Effective July 1, 2006, the Department's School District was transferred to the Department of Juvenile Justice.

The function of Adult Education is to provide academic and vocational training programs in the adult institutions and to enhance the quality and scope of education for inmates so they will be better motivated and better equipped to restore themselves to constructive law-abiding lives in the community.

The function of the Adult Transition Centers is to provide basic needs, custody, and program opportunities for adults committed by Illinois courts. The Centers provide academic and vocational programs, work experience, and participation in public service projects for residents who are making the transition from prison to free society.

The Department has five major programs: Bureau of Operations; Adult Institutions/Adult Transition Centers; Parole; Women and Family Services; and Program Services.

Executive Order 2006-6, issued March 31, 2006, ordered the creation of a Division of Shared Services within DOC to serve designated "public safety" agencies. The Shared Services Division at DOC, called the Public Safety Shared Services Center (PSSSC), was created to combine certain functions such as human resources, personnel, payroll, timekeeping, procurement and financial processes of nine "public safety" agencies. Those agencies were: DOC, Juvenile Justice, Military Affairs, State Police, Criminal Justice Information Authority, IEMA, Law Enforcement Training and Standards Board, State Fire Marshal, and Prisoner Review Board.

In FY07, seven agencies were appropriated $13.4 million for costs and expenses related to or in support of the PSSSC Shared Services Center. $11.1 million was appropriated in FY08. Juvenile Justice and the Prisoner Review Board did not receive appropriations for these purposes in FY07 or FY08. As part of the development of the Shared Services Program, GOMB entered into contracts with five firms to perform consulting and professional services to facilitate the reorganization. The costs of these contracts were allocated among the State agencies designated to participate in the Shared Services Programs.

Roger E. Walker Jr. was the Director during the audit period. He became Director effective June 1, 2003 and served until June 7, 2009. Beginning June 8, 2009, Mr. Michael P. Randle became Director. He still serves in that position, and had no previous employment with the Department. The number of employees at the years indicated was as follows:

	2008	**2007**	**2006**	**2005**
General Office	188	182	261	265
School District #428			274	275
Adult Education	190	196		
Field Services	761	786	794	774
Public Safety Shared Services	60	69		
TOTAL	**1,199**	**1,233**	**1,329**	**1,314**

Population and Average Cost Per Resident

Appendix A provides a summary of average populations and yearly cost per inmate for FY08 and FY07 at each of the adult institutions and community correctional centers. According to statistics provided by the Department, the average daily population of adult institutions (maximum, medium, and minimum security) decreased from 44,117 in FY07 to 43,990 in FY08. The rated capacity of adult institutions at June 30, 2008 was 32,983, or 11,007 over capacity.

The average daily population at the eight Adult Transition Centers decreased slightly by 44 persons from FY07 to FY08. According to the report, the rated capacity for all institutions at June 30, 2008 was 34,263 and the average number of residents was 45,264.

The Department also maintains work camps and impact incarceration camps (boot camps) at the following locations:

Work Camps		Boot Camps
Clayton	East Moline	Dixon Springs
Green County	Hardin County	DuQuoin
Pittsfield	Southwestern	
Vandalia		

The average yearly cost per resident for adult institutions was $21,194 in FY07 and $23,147 in FY08; and the average yearly cost per resident for Adult Transition Centers was $22,133 in FY07 and $29,659 in FY08. The total number of paid overtime hours in FY08 was 890,412 at a cost of $37 million. In FY07, paid overtime hours were 485,511 at a cost of $19.2 million. Inmate assaults on staff numbered 344 in FY07 and 400 in FY08. There were 136 inmate assaults on staff at Pontiac in FY08.

Expenditures From Appropriations

The General Assembly appropriated a total of $263,819,600 to the Department of Corrections in FY08. Appendix B summarizes appropriations and expenditures for the period under review. Total expenditures were $227,700,367 in FY07 compared to $224,693,645 in FY08, a decrease of $3 million, or 1.3%. Most expenditures for programs remained constant from FY07 to FY08 although particular expenditures may have been from another fund. The $3 million grant for the CeaseFire Program was eliminated in FY08.

Lapse period expenditures totaled about $18.5 million for FY08, or 8.2% of total expenditures. Examples of lapse period expenditures in FY06 for the General Office, and other divisions as noted included:

- $2.98 million for the final contractual payments to the colleges.

Cash Receipts

Appendix C contains a summary of cash receipts. Total cash receipts increased from almost $40 million in FY07 to $46.4 million in FY08, principally due to a $3.4 increase from the Illinois Criminal Justice Information Authority for programs stated in FY07; $1.5 million increase from DHS for inmates eligible for TANF funding; and almost $800,000 from increased profits from inmate commissary sales.

Property and Equipment

Appendix D provides a summary of property and equipment for FY08. The balance at the end of FY08 for property and equipment was $40,044,337 compared to $45,840,035 at the beginning of FY08. As indicated in Findings No. 2 and No. 7, The Department did not provide copies of the supporting documentation for the FY07 Agency Report of State Property Forms (C-15). Also, the Department could not determine the reason for the negative balances at July 1, 2007.

Status of a Management Audit

The Program Audit of Funding Provided by or Through the State to the Chicago Project for the CeaseFire Program contained three recommendations for the Department of Corrections concerning the following:

- Document the Department's funding agreement with UIC and improve monitoring of the agreement and the distribution of funds.
- Develop quantifiable performance measures and define measures that accurately depict the effect of CeaseFire activity. Ensure the Chicago Projects documents the selection criteria used when deciding how to utilize funding.
- Provide documentation to show how funding is to be used and whether any discretionary uses are allowed as per the written funding agreement.

The auditors determined that the Department had partially implemented the recommendations.

Accountants' Findings and Recommendations

Condensed below are the 47 findings and recommendations included in the audit report. Of these, 19 are repeated from prior audits. The following recommendations are classified on the basis of updated information provided by Mary Ann Bohlen, Assistant Deputy Director, Fiscal Accounting Compliance, Department of Corrections, in a memo received on January 18, 2010 via electronic mail. Further updates were received on February 4, 2010.

Accepted or Implemented

1. **Implement procedures to ensure GAAP Reporting Packages are prepared in a timely, accurate and complete manner. Allocate sufficient staff resources and implement formal procedures to ensure GAAP financial information is prepared**

and submitted to the Office of the Comptroller in a timely and accurate manner. Maintain all supporting documentation in a contemporaneous manner.

<u>Finding:</u> The Department of Correction's (Department's) year-end financial reporting to the Illinois Office of the Comptroller contained numerous inaccuracies and incomplete data. These problems, if not detected and corrected, could materially misstate the Department's financial statements and negatively impact the statewide financial statements prepared by the Illinois Office of the Comptroller.

During the audit of the June 30, 2008 Department financial statements, auditors noted untimely preparation of GAAP reporting packages and insufficient review of GAAP reporting packages and recommended extensive adjustments and corrections. Several of the problems noted were as follows:

- GAAP reporting packages were due to the Comptroller on September 12, 2008, but were not submitted until October 27, 2008, approximately 1½ months late.

- After numerous requests, the Department did not provide the auditors with detailed workpapers to support GAAP reporting packages and financial statements until February 19, 2009, almost five months after the date the documentation was first requested. Providing requested supporting documentation almost five months late increases auditor skepticism whether records were maintained in a contemporaneous manner, causes significant delays in the audit, and impacts the preparation of the statewide financial statements (see Finding No.2).

- Department liabilities were improperly calculated at June 30, 2008. Accounts payable were overstated and encumbrances were understated by $557,000. Amounts owed to State revolving funds totaling $13,120,000 at June 30, 2008 were not included as liabilities. Expenditures in excess of Department appropriations totaling $10,443,000 were not recorded as liabilities at June 30, 2008 (see Findings No. 3, No. 4 and No. 5).

- There were weaknesses in the financial accounting for, and reporting of capital assets. Transfers from the Capital Development Board were improperly recorded. The Department's Automated Property Control System (APCS) did not allow for testing of depreciation by asset. The Department could not provide sufficient support for the additions, deletions, and net transfers of capital assets as originally reported to the Comptroller (see Findings No. 6 and No. 7).

- There were numerous weaknesses in the Department's administration of its locally held funds. The Department was unable to provide documentation to support many transactions and balances relating to its locally held funds. Key bank reconciliations were not available. Numerous weaknesses were noted at the Correctional Centers and at the Adult Transitional Centers (see Finding No. 8).

Accepted or Implemented - continued

Department management stated the errors noted were due to a lack of resources and competing priorities for personnel.

Due to the significance of the weaknesses identified, the auditors expressed a qualified opinion in the Independent Auditor's Report on the Department's June 30, 2008 financial statements.

Updated Response: Implemented. The Agency has recorded all of the fixed asset information appropriate and has obtained the services of a CPA firm to assist with the financial reporting.

2. Reevaluate and restructure process of providing an audit liaison function to the auditors to ensure requested engagement documentation is provided in a timely manner as required by the Illinois State Auditing Act. (Repeated-2006)

Finding: The Department did not provide all the requested documentation to the auditors in a timely manner and generally demonstrated a lack of cooperation during the audit.

As is necessary during a compliance examination and a financial audit, the auditors made numerous requests of the Department during fieldwork. 445 specific written requests for information were made to the Department for documentation to perform testing. All of these requests were routed through one employee, as requested by the Department. This employee was assigned to be the audit liaison for all of the compliance and financial engagements of the Department (which includes all Correctional Centers and Correctional Industries) and was also involved in other management duties at the Department as well as operational duties with the Public Safety Shared Services Center.

As a result of the Department's audit request protocol a number of the requested documents were not provided timely. 208 requests were provided after the due date. There were many instances where documents were not provided to the auditors; therefore, the auditors could not complete the associated testing. Finally, the Department provided the auditors with detailed workpapers to support the FY08 GAAP reporting packages almost five months late.

Department management stated they were unable to provide the requested information timely because of timing constraints and competing priorities.

Updated Response: Implemented. The Agency will send out a notice to all executive and line staff of the protocols of the audit and mandate cooperation; staff will be dedicated during the audit to respond and escalate unanswered requests.

3. Establish a comprehensive, consistent methodology for determining liabilities and accumulating the information necessary for accurate financial reporting.

<u>Finding:</u> The Department improperly calculated its liabilities at June 30, 2008 which led to errors in its financial reporting.

The Department did not utilize a comprehensive, consistent methodology to analyze and calculate its liabilities at year end, resulting in numerous errors in the Department's financial data as reported on their year end financial statements. During testing of Department liabilities reported on the June 30, 2008 financial statements, auditors noted the following:

- The Department deemed all of its lapse period spending to be accounts payable, rather than consider whether or not the items or services purchased were received prior to June 30. As a result of this process, the Department overstated accounts payable and understated encumbrances by $557,000 at June 30, 2008.

- The Department did not include the amounts owed to the State revolving funds at June 30, 2007 or 2008 in its amounts due to other funds at year end (also see finding 08-4). This resulted in an understatement of liabilities totaling $13,120,000 at June 30, 2008 and a $10,844,000 restatement of beginning net assets as of July 1, 2007.

- The Department incurred expenditures in FY08 in excess of its appropriations at June 30, 2008. The vendors who were owed money were instructed to submit their requests for payment to the Court of Claims (see finding 08-5). The Department did not include these liabilities in its accounts payable at June 30, 2008. As a result, accounts payable were understated $10,443,000.

As a result, the Department originally understated its liabilities by a net of approximately $23 million at June 30, 2008.

<u>Updated Response:</u> Implemented. The Agency had reported accounts payable amounts as in prior years. During FY08, the amount of liabilities due to the lack of funding resulted in the amount going over the materiality threshold. In FY09, the Agency recorded all liabilities that were material to the Agency in accordance with the Comptroller's requirements.

4. Work with the Governor's Office of Management and Budget to determine a method by which to become current with the balance due to DCMS and initiate reductions in other line items to ensure sufficient funds exist to pay for the services provided by DCMS. Also, implement procedures to track the amount owed to DCMS. (Repeated-2006)

Accepted or Implemented - continued

Finding: The Department failed to pay $13,120,311 to the Department of Central Management Services (DCMS) as of June 30, 2008.

The Department purchases automobile, statistical, communications and facility management services from DCMS and is billed for the services provided through the DCMS' internal service funds. Of the $13.1 million owed, $2,373,534 was for services provided in fiscal years 2006 and 2007.

Department management indicated there were not sufficient funds to pay the invoices due to DCMS.

Response: Implemented. During FY09, the Agency paid the balances due to DCMS and remained current with open invoices to the other State agency for operation of automotive and telecommunications.

Updated Response: Implemented. During FY07 & FY08, the Agency asked for and was denied supplemental appropriations needed to pay the CMS revolving fund invoices. As a result, the decision was made to pay small vendors and payroll with the funds on hand and roll over the liability to another State agency to a later period.

5. **Only enter into contracts for which there is an available appropriation and consult with the Governor's Office of Management and Budget when situations arise where it appears amounts appropriated will not be sufficient to meet the Department's obligations.**

Finding: The Department indebted the State for approximately $10.6 million by procuring services and products for amounts that exceeded the funds appropriated without authorization.

During FY2008 the Department entered into contracts with a medical services company (vendor) to provide medical services to certain Correctional Centers. The medical services contracts with this vendor after renewals and other adjustments for FY08 2008 amounted to approximately $91.5 million. The Department filed contract obligation documents (CODs) with the Office of the Comptroller to obligate that amount, $91.5 million, of the Department's appropriation to pay for the services during the fiscal year. At the beginning of June 2008 the Department filed amended CODs with the Office of the Comptroller to decrease the amount obligated for the medical services contract by approximately $5.2 million, freeing up that amount of appropriation to spend on other obligations. The reason provided on the amended CODs was only "decrease obligation".

The Department was in possession of the June invoices from the vendor before the CODs were amended to reduce the appropriation obligations, thereby knowing they were not going to be able to pay the vendor the final amounts owed of approximately $6.3 million at

25 Correctional Centers. The Department instructed the vendor after the lapse period had expired that they were unable to pay the charges as their appropriations have lapsed and referred the vendor to file a claim with the Court of Claims.

In addition, the Department did not pay for electrical and gas service for 19 Correctional Centers near the end of FY08. A total of $4.3 million worth of these invoices was not paid. Again, after the lapse period the supplier was instructed to file a claim with the Court of Claims as the Department indicated it was unable to pay the charges as their appropriations have lapsed.

Department management indicated there were not sufficient funds to pay the invoices due for these required services.

Response: Accepted. The goods and services indicated are required by mandate and by law. The Agency had requested to transfer funds to pay for these services, but was not granted. At that point, the Department had to make difficult choices regarding expenditures. The Agency will continue to work within the appropriations given and seek additional funds as needed for mandated services. During FY07 & FY08, the Agency asked for and was denied supplemental appropriations needed to pay the contractual vendors for medical and utility services.

Updated Response: Implemented. The Agency will work with GOMB to obtain funding for contracts as needed. During FY07 and FY08, the Agency asked for and was denied supplemental appropriations needed to pay the contractual vendors for medical and utility services.

6. Devote sufficient resources to the financial accounting function such that the capital asset information is properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Office of the Comptroller.

Research the capital asset systems used by other State agencies to determine if any can produce the type of data necessary for the Department to prepare detailed capital asset information, and if any system would be available for Department use.

Perform an analysis of CDB versus Department transfers, document the analysis, and make appropriate adjustments to the financial records and the information reported to the Office of the Comptroller.

Finding: The Department did not accurately record all capital asset information in their financial records. As a result of not including all the capital asset information, the Department presented inaccurate information on the Capital Asset Summary (SCO-538) submitted to the Illinois Office of the Comptroller and in the FY08 financial statements.

Accepted or Implemented - continued

Auditors noted the following errors and weaknesses in the Department's accounting for capital assets and SCO-538 reporting process:

- The Department improperly recorded transfers from the Capital Development Board (CDB). Auditors estimate the Department's capital assets could be understated by as much as $30,000,000. This resulted in a qualification of the Independent Auditor's Report on the Department's financial statements for the year ended June 30, 2008.

- The Department's Automated Property Control System (APCS) does not allow for testing of depreciation by asset. Through analytical review and other audit procedures, auditors determined the ending accumulated depreciation was misstated by $5,768,000.

- The Department could not provide sufficient support for the additions, deletions, and net transfers as originally reported on the SCO-538. The Department could not provide support for deletions of $6,632,000 and net transfers of ($17,868,000) for the year in the depreciation section of the SCO-538.

Department management attributed these exceptions and weaknesses to the inherent limitations of the Department's APCS and miscommunication between facilities and the General Office.

Response: Partially implemented. Within the limitations of the antiquated property control system, the recommendations have been implemented. All CDB turnovers that were applicable have been reported as of June 30, 2009. Procedures are in place to ensure timely and accurate reporting to the best of the ability of the Agency within the existing property control system. As resources do not exist to replace the system, several manual processes are required to be maintained, which are subject to human error. The Agency has implemented tracking mechanisms to ensure that appropriate capital asset transactions are captured and reported.

Updated Response: Implemented. The Agency has recorded all of the fixed asset information that is appropriate. The finding cites amounts that the Agency would never have recorded to their financial statements for projects that were cancelled by the previous governor (Greyville & Hopkins Park). The properties were never accepted by the Department, and the amounts would not have been recorded as assets. The finding references site improvements and buildings, not moveable equipment. There was no exposure for lost equipment.

7. Strengthen procedures over property and equipment to ensure accurate recordkeeping and accountability for all State assets.

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Finding: The Department did not maintain accurate and adequate property/fixed asset records.

Auditors tested a sample of 65 equipment items to determine whether the equipment was in the correct location and/or was properly recorded in the Department's Automated Property Control System (APCS), noted the following exceptions:

- Five items tested were not recorded on the APCS property listings.
- One item could not be located at the location listed on the APCS report.
- Twenty-five (38%) items tested were purchased during the audit period, but could not be traced to supporting purchase information due to inadequacies with APCS, 18 because the Department could not identify the voucher utilized to purchase the item and 7 because the Department did not provide us with any supporting documentation for the asset purchase.
- Three items were deleted from APCS without adequate supporting documentation.

As the auditors performed the above testing, they noted the Department listed 76 laptop computers totaling $102,448 and 24 printers totaling $19,296 as "duplicate – delete" in the APCS February 2008 monthly transaction report. The assets had been purchased in May through July 2007. Department personnel stated these assets were entered into APCS twice due to employee error, and the deletion represented a correction of this error. However, the Department, after numerous requests, could not provide documentation to support their explanation. This lack of support and inadequate accounting records forced the auditors to perform numerous alternative procedures to corroborate these were in fact errors, and not a misappropriation of assets.

Auditors also identified inadequacies in the Department's property/fixed asset recordkeeping process:

- The Department utilizes a summary worksheet to prepare its quarterly Agency Report of State Property Form (C-15) for submission to the Comptroller's Office. This worksheet contains summarized activity by division and category. Because the Department was unable to provide detailed information, auditors were unable to test the composition of the transactions reported on the Form C-15s in FY08. The Department did not provide the summary worksheets for any of the quarterly FY07 Form C-15 submissions.
- Due to the lack of transaction detail noted above, a reconciliation of Department's Form C-15 submissions for FY08 to the property listings generated by the Department's Automated Property Control System (APCS) at the end of each month could not be performed.

Accepted or Implemented - continued

- The Department indicated its APCS generates reports which detail the property transactions for the month. These reports are not cumulative. Due to missing reports and the lack of detail on the Department's summary worksheets, the

  Department could not support the activity reported on its quarterly Form C-15 submissions to the Comptroller.

- The Department did not adequately document the date 7 of the 8 required quarterly Form C-15s were prepared and submitted to the Office of the Comptroller. The Form C-15 reports filed for fiscal year 2008 were revised and submitted subsequent to year end.

Department management indicated that the limitations inherent in a property control system in excess of 30 years old create difficulties in the recordkeeping related to the property items. This inherent problem causes the Department to have to maintain several manual spreadsheets and files.

Updated Response: Partially implemented. During FY09 the Agency performed a comprehensive inventory and posted the results to the property control system. The system is over 25 years old and does not maintain a historical record of the property. Any items transferred out or scrapped will not have any history in the system. Hard copies of transactions must be maintained in paper format and are subject to retention issues.

8. Use the following actions to improve administration of locally held funds:

- **Provide requested documentation to the auditors in a timely fashion. Please refer to finding 08-2 for additional discussion of this matter.**

- **Separate the adult facility resident portion and the juvenile facility resident portion of the Benefit Fund into two separate general ledgers within FACTS and into two separate bank accounts. Do not comingle the funds of two agencies in such a way that the Department can not readily provide user friendly documentation of the activity.**

- **Direct the General Office to work with the facility personnel to ensure current and relevant financial information is available to them via the online banking site and within FACTS so that each facility is aware of the running balance of its subaccount of the Benefit Fund. If necessary, perform Department-wide training seminars to ensure the understanding and the communication of guidance related to the Benefit Fund records.**

- **Maintain sufficient source documentation to support the receipts deposited. Handwritten notes are not sufficient.**

- **Submit accurate and timely C-17 reports should to the Comptroller's Office as required.**

<u>Finding:</u> During testing, auditors identified numerous exceptions related to the administration, accounting and financial reporting of the Department's locally held (bank accounts) funds as follows:

- The Department failed to provide the June 30, 2008 bank reconciliation of the consolidated bank account for the residents portion of the Resident's and Employee's Benefit Fund (Benefit Fund), and as such, the auditors were unable to test the cash balance.

- The Department maintains the adult facility resident portion and the juvenile facility resident portion, which belongs to the Department of Juvenile Justice, of the Benefit Fund within one consolidated general ledger in its Fund Accounting and Commissary Trading System (FACTS). The Department could not provide a detailed general ledger specific to the Department's portion of the Benefit Fund's activity.

- The Department maintains the adult facility resident portion and the juvenile facility resident portion, which belongs to the Department of Juvenile Justice, of the Benefit Fund in one umbrella bank account at a local financial institution. The Department and the Department of Juvenile Justice are two separate and distinct agencies whose funds should not be commingled, especially without adequate accounting records and adequate supporting documentation.

- During testing at the facilities it was found that 12 of the 28 (43%) adult faculties and 2 of 8 (25%) juvenile facilities could not access the online banking website.

- Testing was unable to be performed on receipts in the resident's portion of the Benefit Fund. Receipts could not be traced to source documentation, as the source documents are not maintained by the Department's General Office. In addition, receipts could not be traced into the bank statements because the Department did not provide the requested bank statements.

- The Department did not provide the June 30, 2007 and 2008 bank reconciliations or statements for the General Office's employee portion of the Benefit Fund.

- The Department failed to provide requested copies of the Report of Receipts and Disbursements for Locally Held Funds (C-17) for fiscal year 2007 or the first three quarters of fiscal year 2008.

Department management indicated the exceptions noted were directly related to the timing of the creation of a new agency, the Department of Juvenile Justice. The funds were not entirely split at that time.

Accepted or Implemented – continued

<u>Updated Response:</u> Implemented. In FY07, DOC and DJJ funds were maintained in separate bank accounts identifiable by facility. There was one general ledger, but the accounts were set up to clearly separate adult transactions from juvenile transactions. As a result of the audit finding, the general ledgers were split, creating a new database for DJJ as of the end of FY09.

9. Improve centralized oversight function related to inventory and ensure center personnel are adequately trained on the use of the Inventory Management System (TIMS). Additionally, ensure that the inventory balances reported to the Comptroller's Office during GAAP reporting process are reconciled adequately with those maintained at the Centers.

<u>Finding:</u> The Department failed to adequately establish controls over its inventory. During testing of Department inventory balances at June 30, 2008, numerous errors were noted with inventory balances at Correctional Centers. The errors were so pervasive that auditors at five Centers (Stateville, Big Muddy, Dixon, Graham and Jacksonville) could not report on inventory balances. Inventory balances at these five Centers totaled $5.2 million of $22.1 million (24%) total inventory reported by the Department at June 30, 2008. These errors included, but were not limited to:

- Physical inventory counts did not agree to accounting records;
- Inventory purchases were not recorded in the proper fiscal year; and
- Inventory counts were not reconciled to The Inventory Management System (TIMS).

Auditors also noted the General Office made errors totaling $1.6 million compiling inventory balances from the Centers for financial statement reporting.

Center personnel attributed the weaknesses noted in the Department's inventory controls to the lack of training provided to employees on the use of the Department's new automated inventory system, The Inventory Management System (TIMS). Auditors noted personnel at 10 (71%) did not consider the training provided on TIMS sufficient to provide them with the knowledge needed to properly utilize the application.

<u>Response:</u> Implemented. During FY09, mandatory training was given on TIMS with documentation of those attending. Facilities were instructed to maintain timely and accurate information on TIMS of inventory for use in financial reporting.

<u>Updated Response:</u> Implemented. Proper inventory maintenance was stressed to facility staff. On a monthly basis, the inventory changes are compared between current to prior month. Any differences must be explained. Facilities are mandated to complete all inventory transactions by the 5th of the month.

10. Establish procedures to report grant activity to the Illinois Office of the Comptroller for only those programs that relate to the Department and properly segregate Department and DJJ programs.

Finding: The Department failed to implement adequate controls over grant reporting to the Illinois Office of the Comptroller.

Auditors noted the Department reported activity on its Interfund Activity-Grantee Agency (SCO-567) form for which it was not the grantee. The Department of Juvenile Justice (DJJ) was the grantee from the Illinois State Board of Education.

By reporting these grants in this manner, the net effect was the Department overstated receivables due from ISBE by $492,000 and overstated expenditures for FY08 by $32,000, resulting in adjustments to the financial statements for these amounts.

Response: Accepted. The Agency is in the process of separating grants by agency, as opposed to by function. The exceptions noted were related to the timing of the creation of a new agency, the Department of Juvenile Justice. The grants were not split by the grantors at that time.

Updated Response: Implemented. With the assistance of a CPA firm, the Agency split out and reported upon the grants by agency, regardless of funding source. The Agency is pursuing designation with ISBE as an educational entity.

11. Make payments in accordance with appropriation authority. Furthermore, take steps necessary to meet the intent of the General Assembly when utilizing appropriation authority.

Finding: The Department failed to satisfy the legislative intent of its appropriation authority during FY07 by utilizing part of the funds authorized for the hiring of 231 front line staff for the purposes of paying personal services expenditures for its existing staff. $11,750,000 to be appropriated for the hiring of 231 front line staff at the Department.

The Correctional Centers reported 154 new front line staff were added during fiscal year 2007. During April and May of 2007 the Department paid all of certain Correctional Center payrolls from the appropriation. Taylorville Correctional Center’s payroll was paid 3 times, Robinson Correctional Center 2 times, Logan Correctional Center 2 times and Jacksonville Correctional Center 2 times.

Public Act authorized the Department to expend $12,000,000 from the General Revenue Fund for hiring 500 additional front line staff in fiscal year 2008. The Department spent $0 from that appropriation. Based on the information provided by the Correctional Centers there were six new front line staff added during FY08.

Accepted or Implemented – continued

Department management stated the use of the hiring frontline staff appropriation to cover personal services costs incurred in FY07 was necessary because the Department's personal services appropriations were not sufficient and the Department could not transfer funds between the personal services lines of its various divisions. Department officials stated the additional personal services costs were incurred due to the mandatory overtime and inadequate staffing levels. Department management stated it was not allowed, at the direction of the Office of the Governor, to hire any front line staff during FY08.

Required and volunteer overtime and compensatory time is being used to cover staffing shortages. Auditors identified 126 employees working at various Correctional Centers that worked so many required and voluntary overtime and compensatory hours during FY08 that their year to date gross compensation exceeded $100,000. The employees' normal salary rate per their position classification without overtime and compensatory time would be in the range of $40,000-75,000 annually.

Updated Response: Implemented. The Agency will work within the limitations and guidelines of appropriation language. The funding was appropriated to hire 231 staff effective on July 1st. The staff was hired throughout the year, as union agreements and training classes allowed. Since the audit period, 812 cadets completed training and were hired by the Department. In March 2010, an additional 120 cadets will start training at the Department.

12. Pay the personnel costs of only DOC employees, not those of other agencies, and ensure all payment certifications are accurate.

Finding: The Department paid the personnel costs of an employee working for the Governor's Office of Management and Budget (GOMB). During the audit period, an employee who had previously worked for the Department was transferred to a position within GOMB. The Department continued to pay for her personnel costs on its payroll vouchers. Department personnel explained that this individual was working on behalf of the Department as the Deputy Director Project Manager for the Public Safety Shared Services Center (PSSSC). The Department's explanation was inconsistent with the fact the employee was at the same time listed on the GOMB organization chart as the Deputy Director of Financial Reporting and was responsible for the oversight of other GOMB employees.

Response: Implemented. The employee indicated transferred to another State agency.

13. Revise methodology for computing cost of goods to ensure included costs are not duplicative and comply with the statute and only mark-up the goods for resale in the inmate commissary in the allowable amounts.

Seek a formal written Attorney General opinion on this matter if the Department believes it is statutorily allowed to impose the additional charge. (Repeated-2006)

Finding: The Department added a charge to the purchase price of the goods to be resold in the inmate commissaries prior to adding the statutorily allowed percentage mark-up to arrive at the sales price to charge inmates.

The Department phased in the application of the charge. Effective November 1, 2005 the charge was set at 3%. The Department raised the charge on January 1, 2006 to 7% and has continued to assess the 7% charge since then. The additional charge is computed based on the original cost of the goods prior to the statutorily allowed markup being applied. Noted below in the table are the total amounts that the Department has collected since instituting the added charge.

	Fiscal Years Ending June 30		
	2006	2007	2008
Dollars collected as a result of the 3%-7% charge	$ 1,266,911	$ 2,259,760	$ 2,339,244

The Unified Code of Corrections, 730 ILCS 5/3-7-2a states, "…the selling prices for all goods shall be sufficient to cover the costs of the goods and an additional charge of up to 35% for tobacco products and up to 25% for non-tobacco products. The amount of the additional charges for goods sold at commissaries serving inmates shall be based upon the amount necessary to pay for the wages and benefits of the commissary employees who are employed in any commissary facilities of the Department."

Department management stated the 3%, and later 7%, charge was to help cover the costs associated with those of State employees who work in the inmate commissary, inmate labor for the commissary and utilities to operate the commissary.

Auditors previously recommended the Department revise its methodology for computing cost of goods to ensure included costs are not duplicative and comply with the statute and only mark-up the goods for resale in the inmate commissary the allowable amounts. The Department responded at the April 1, 2008 Legislative Audit Commission hearing they had worked with the Comptroller's Office on changing the definition for cost of goods sold at the commissaries to be in line with generally accepted accounting principles and the Department's new definition which includes salaries of commissary workers and cost of uniforms. Per inquiry with the Office of the Comptroller they have not made any changes related to their policy regarding the definition of cost of the inventory to be sold.

In addition, auditors had previously recommended the Department seek a formal written Attorney General opinion on this matter. Again, during the April 1, 2008 Legislative Audit Commission hearing, it was stated by Department staff and the Director that they were waiting on the Attorney General's opinion before making any changes because the

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Department has to cover its commissary costs. Department staff indicated that during the prior administration permission was not granted to seek an opinion from the Attorney General.

Based on information provided by the Department, the funds collected exceeded the computed 3%-7% charge by the amounts noted in the following table.

	Fiscal Years Ending June 30		
	2006	2007	2008
Computed amount collected in excess of the additional charge on the cost of goods sold.	$ 242,055	$ 451,888	$ 466,838

Response: Accepted. The Agency will once again try to get permission to seek an opinion from the Attorney General. There is every expectation permission will be granted.

Updated Response: Accepted. The Agency Chief Legal Counsel is in the process of working through the Governor's Office to review the statutory requirements and seek additional guidance as needed.

14. Remind Correctional Center staff of the requirements related to the inmate benefit fund administration as set forth in the administrative directives. In addition, prepare a formal administrative directive in accordance with the Comptroller's rules to cover the overall purchasing (gift) card process.

Finding: Auditors noted numerous exceptions regarding the administration and operation of the benefit funds at Correctional Centers.

Each Correctional Center maintains an employee benefit fund and bank account from which expenditures are made for the benefit of the Correctional Center employees. Each Correctional Center also submits requests for purchases from the Correctional Center's inmate benefit fund that is administered from the Department's General Office. The request for items to be purchased from the inmate benefit fund should generally be for items each inmate will have a similar opportunity to benefit from. As a result of testing performed at the Correctional Centers the following exceptions were identified:

- One Correctional Center (East Moline) did not have an established inmate benefit fund committee.

- Six Correctional Centers (Big Muddy, Hill, Jacksonville, Menard, Shawnee and Stateville) were identified where the inmate benefit fund committee did not officially meet during the audit period. At another Correctional Center (Vandalia) the inmate benefit fund committee only officially met once during the audit period. All of the Centers noted expended funds from their respective inmate benefit fund accounts on a regular basis during the audit period.

- Two Correctional Centers (Dixon and East Moline) were identified where the inmate benefit fund committee did not keep minutes of the actions taken when they met during the audit period.

- As a result of testing performed at four Correctional Centers (Graham, Pontiac, Stateville and Vienna) the auditors identified questionable uses and purchases from the inmate benefit funds. At Graham Correctional Center a printer was purchased for the Correctional Center print shop from the inmate benefit fund at a cost of $21,000. Pontiac Correctional Center purchased chairs for the Job Preparedness Class. Stateville and Vienna Correctional Centers made loans from their inmate benefit funds during the audit period to purchase postage for the Correctional Centers. Stateville loaned $19,500 while Vienna loaned $10,000. The purchases at Graham and Pontiac appear to be items that should be purchased as part of the normal course of the Correctional Center operations and not from the inmate benefit funds. Postage may be purchased for resale through the inmate's commissary fund, but not for loans to the Correctional Centers to fund operations.

- Testing of the resident and employee benefit fund expenditures identified 3 Correctional Centers (Tamms, Vandalia and Lincoln) where store gift cards were used to make purchases as opposed to having the store bill the Correctional Center and process the payment through the normal expenditure process. The Department does not have a written administrative directive relating to the use, reporting, and safeguarding of purchasing (gift) cards.

Department management indicated the exceptions noted were due to staffing limitations at the correctional facilities and staff errors.

Updated Response: Implemented. Facilities are required to submit the member list for their committees and their minutes on a monthly basis to ensure compliance.

15. Comply with the requirements of the Illinois Procurement Code in making commissary purchases. (Repeated-2004)

Finding: The Department is not complying with the requirements of the Illinois Procurement Code with regard to purchases of items for resale in the Department's commissaries at Correctional Centers. As a result of testing performed during the compliance examination auditors noted the following items:

- Purchases were not made by competitive sealed bidding or competitive sealed proposals as required by the Code.

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- Terms and conditions for the purchases of goods from vendors for the commissaries were not documented in the form of a contract as required by the Code.

- None of the required procurement notices were published in the Illinois Procurement Bulletin as required by the Code.

Department management indicated that they have requested from DCMS guidance and direction on the commissary purchasing. Due to security needs and specialized products, DCMS and the Department are working together to determine the proper way to complete the purchases.

Updated Response: Partially Implemented. The Agency has worked with CMS to establish the program basics for the purchase of merchandise for sale in the commissaries. The Agency is in the process of submitting Procurement Business Cases for the purchase; it was approved and is awaiting CMS delegation. In the interim, the notice was sent out by the SPO reminding the business administrators of the requirement to obtain bids at a facility level until such time as the Agency wide process is completed.

16. Work with the Office of the Comptroller to determine the appropriate means to document the establishment of the "cash box" imprest funds, and what reporting is required. Also, discontinue using the Inmates' Trust Fund or Inmates' Benefit Fund as means to provide cash to pay for travel allowances for committed, paroled and discharged prisoners while waiting for reimbursement from the General Revenue Fund. In addition, remind Correctional Center staff of the need to maintain good internal controls over the "cash box" function.

Finding: Each of the Correctional Centers maintains a "cash box" imprest fund. The "cash box" consists of cash from two sources: cash box from the Inmates' Trust Fund to pay either all or a portion of an inmate's trust account upon their parole or release, and cash provided through a General Revenue Fund appropriation at each Correctional Center to provide gate money and to purchase the inmate's transportation upon parole or release from a Correctional Center. During testing of the "cash box" imprest funds at the Correctional Centers auditors noted the following exceptions:

- The Department has never officially requested to establish the "cash box" imprest funds for the Correctional Centers with the Office of the Comptroller.

- The Correctional Centers are inappropriately using the Inmates' Trust Fund and Inmates' Benefit Fund to supply the "cash box" imprest funds pending reimbursement from the General Revenue Fund for gate and transportation money.

- One Correctional Center's (Graham) entire appropriation during FY08 was $12,500, to pay for travel allowances for committed, paroled and discharged prisoners was transferred. According to Center records, Graham Correctional Center disbursed $30,893 from their "cash box" during FY08. Some of the amount expended may have been payouts upon release of inmates from their accounts in the Inmates' Trust Fund, but that breakout was not provided.

- The "cash box" at three out of 28 Correctional Centers (Lincoln, Sheridan and Vienna) was either not always counted by a person independent of the person assigned custody and/or was not counted or reconciled to supporting documents timely.

Department management indicated the exceptions noted at the facilities were due to insufficient resources and conflicting priorities. The Department is mandated by law to provide funds to inmates upon their release.

Response: Partially implemented and partially accepted. The Agency will work with the Comptroller regarding the classification of the funds; has reminded the facilities of the requirements of good internal controls; but must, by law, provide inmates being released with travel and allowance funds. These funds are reimbursed by the General Revenue Fund, but due to timing, must be ready upon the inmate's release, and not paid weeks later. The Agency will strengthen its controls over the cash boxes and document inspections and counts of the cash in an effort to meet a level of compensating controls.

Updated Response: Partially Implemented. The Agency has contracted with a bank to provide debit cards at release for inmates, eliminating the needs for cash boxes at the facilities. This resolves the audit finding and reduces risk of cash issues.

17. Allocate the resources necessary to fully utilize equipment purchased to provide training to the inmates. Also, assess equipment needs for providing training to inmates to determine the necessary equipment based on the ability to provide the training and only purchase or obtain the equipment needed.

Finding: Newly purchased computers were not being used at four of the Correctional Centers. The Department entered into a contract with a vendor to provide computers and software for intensive job preparedness training to inmates through coordination with community college instructors at Correctional Centers. Upon an inmate's parole or supervised release the vendor would continue to provide ongoing post release employment counseling and placement assistance services. The contract required a certain number of computers to be provided and installed at the Department's Correctional Centers to provide pre-release job preparedness training. As a result of testing at the Correctional Centers the following exceptions were noted:

Accepted or Implemented – continued

- At Stateville, the auditors observed that 30 new computers were covered to prevent damage and were told by Correctional Center staff the computers had not been used since they were installed in September 2007.

- At Vandalia, the auditors identified 25 new computers not being utilized. Eleven of the computers were still in their boxes while 14 had been unpacked. The auditors noted 32 other computers in two classrooms being utilized by inmates at the Correctional Center and Work Camp.

- At Logan, the auditors noted two classrooms with 15 computers in each. In one of the classrooms, four of the computer monitors had been removed and were being used in other classrooms leaving only 11 computers operational. It was explained to the auditors that the classroom with the 11 operating computers was only used once or twice a month.

- At East Moline, the auditors observed 3 classrooms used for computer skills training. One classroom had 18 computers the other two classrooms had 15 computers each. The auditors were told by Correctional Center staff that the classroom with the 18 computers had not been used for 18 months.

Department management indicated that the program was in the start up phase during the audit and as such, some equipment was not yet utilized.

In addition, as a result of the testing at the four Correctional Centers noted above, auditors identified 88 computers not being used. According to the contract with the vendor, each computer with associated software cost approximately $1,100 or a total of $96,800 for the 88 computers.

Response: Accepted. The Agency will make every effort to ensure the equipment is used as needed.

Updated Response: Implemented. The computer programs came on line in FY09 and FY10.

18. Improve accounting procedures and controls at the Adult Transitional Centers (ATCs). Specifically, ensure: accountants prepare year-end reconciliations using correct year-end balances, and that accurate cash balances are reported to the General Office; disbursements are properly processed and authorized, and ATC personnel retain all supporting documentation; resident trust fund maintenance fees are properly calculated and collected; loans to residents are properly documented and accurate; property and equipment records are properly recorded and maintained; all

required forms are included within the resident's file; and noted maintenance and repair issues are reviewed and addressed. (Repeated-1994)

<u>Finding:</u> The Department did not properly maintain records at the Adult Transition Centers (ATCs). Testing of the eight ATCs for the two years ended June 30, 2008, produced the following exceptions:

- Year-end cash balances were misstated at two ATCs.
- At five ATCs, deficiencies were identified in the processing of disbursements from the DOC Resident's Trust Fund.
- Errors in the calculation of Trust Fund maintenance fees were noted at two ATCs.
- At two ATCs, resident master files did not contain complete and adequate documentation.
- At two ATCs, documents related to resident loans were not properly supported.
- At one ATC, there were deficiencies related to the personal property listings.
- At two ATCs, inmates were depositing funds into and maintaining personal bank accounts at institutions outside of the ATC.
- At 1 of the 8 ATCs, bank service charges were not reimbursed to the Trust Fund from the DOC Resident's and Employee's Benefit Fund.
- At five ATCs, auditors noted inadequate controls over property and equipment.
- Two ATCs had maintenance and repair issues related to electrical wiring, the presence of asbestos in the floors, leaks in a shower room and missing floor tiles.

Similar weaknesses were noted at the ATCs in the previous eight audits. Department personnel stated on-going issues are the result of human errors, also noting that turnover in personnel occurred at several ATCs during the audit period. Department personnel also indicated that because many of the Administrative Directives (A.D.s) pertaining to the ATCs were out of date, several ATCs had adopted internal procedures which they followed in addition to the A.D.s. However, noncompliance was also noted with those procedures.

<u>Updated Response:</u> Accepted. The ATC executive staff were notified of the audit findings across all ATCs. The Supervisors were to return to their facilities and draft a plan of action on issues that the ATCs face in regards to their business operations. The Supervisors were instructed on proper records maintenance and the importance of the audit and documentation of the transactions. The Agency will periodically, on a random basis, test the ATC records.

Accepted or Implemented – continued

19. Perform an analysis of food service at the Peoria ATC and all ATCs to ensure the following:

- **Establish a system to determine in advance how many residents will be present for a meal as a means to base the number of meals the contractor should prepare and provide;**
- **Sufficient, but not excessive food is served at each meal;**
- **Establish controls to ensure the State pays only for the meals provided by the contractor, and does not pay for meals not provided.**

Finding: The Department is not fully utilizing the meals purchased under a food services contract. During testing at the Peoria ATC, auditors noted the Department has a contract with a vendor to provide approximately 646 meals per day (200 residents for three meals per day plus 46 employees for one meal per day). When attempting to review the meal count sheets for the engagement period, many of the sheets were unreadable and varied in both methodology and detail. Based on available data, it appears the average meal consumption was 282 meals per day and the ATC was billed for an average of 585 meals per day, resulting in 48% utilization.

The vendor contract was negotiated by the Department's General Office and is required to be monitored by the Peoria ATC. ATC management stated the vendor prepares food for the number of residents expected for each meal rather than the number of meals to be billed per the contract. As a result, situations have occurred where the last residents served do not always get a full meal as not enough meals were prepared to serve all the residents who ate at the ATC that day.

Response: Accepted. The Agency will monitor the food service contract and program for compliance with the State contract.

Updated Response: Implemented. The contract was revised in FY10 to exclude any guaranteed language.

20. Implement an automated timekeeping system. (Repeated-1998)

Finding: The Department payroll timekeeping system was not automated.

During the audit period, the Department's human resources responsibilities were consolidated with a number of other State agencies as part of the Public Safety Shared Services Center (PSSSC). The PSSSC was scheduled to create and implement an automated timekeeping system, but it was not created. As noted in previous audits, each Correctional Center continued to maintain a manual timekeeping system for several hundred employees. Correctional Center employees sign in and out, and sign-in sheets are sent to the timekeeping clerk. Other information, including notification of absence and call-in reports, are also forwarded to the timekeepers. No automation is involved except for the processing of payroll warrants.

Department officials indicated the automated payroll system project was delayed due to various issues that arose during the creation of the PSSSC. They stated a project began in August 2008, but ceased in January 2009 due to lack of funding.

Updated Response: Accepted. The timekeeping software vendor is anticipated to be paid for prior services on or about February 8, 2010. The Department has a team of subject matter experts designated to assist with and complete a successful installation.

21. Follow the Personnel Rules and the Administrative Directive and hold management accountable for completing employee performance evaluations on a timely basis. (Repeated-2006)

Findings: The Department did not conduct performance evaluations in a timely manner. During testing of a sample of 50 employee performance evaluations, 38 (76%) were not performed on a timely basis. In addition, other auditors performing testing at twelve of the Department's Correctional Centers and Illinois Correctional Industries (ICI) noted 141 evaluations were not performed timely. Seventy-nine evaluations at two Correctional Centers and ICI that should have been performed were not performed at all.

According to Department officials, supervisors and managers are aware of the Directive. However, the late evaluations could be due to a number of factors, including current staffing constraints and lack of follow-up.

Updated Response: Accepted. Via a 10/27/09 email, Agency staff were notified again of the requirements of the timely completion of evaluations.

22. Implement procedures to require employees to maintain timesheets in compliance with the Act. (Repeated-2006)

Findings: The Department is not requiring all of its employees to submit timesheets as required by the State Officials and Employees Ethics Act. During testing of timesheets for 25 employees, auditors noted the following exceptions:

- Fourteen employees (56%) did not submit timesheets in accordance with the Act.
- Auditors were not provided with an attendance record for three employees and were provided an attendance record for the incorrect time period for three other employees tested.

Department management indicated that due to the decentralized nature based upon shifts by its security staff, the existing manual timekeeping system would not provide this information.

<u>Response</u>: Accepted. The Agency is limited in the implementation of the finding recommendation based upon resources and the existing manual timekeeping system. Upon implementation of an automated timekeeping system, this issue should be resolved.

<u>Updated Response:</u> Accepted. As part of the automated timekeeping system, the audit finding will be resolved. As noted in 08-20, the timekeeping software vendor is anticipated to be paid for prior services on or about February 8, 2010. The Department has a team of subject matter experts designated to assist with and complete a successful installation.

23. Allocate sufficient resources to comply with the Administrative Directive to document and ensure employees receive the required training to enable them to perform their specific job duties. (Repeated-2000)

<u>Finding:</u> The Department is not properly documenting that all employees complete their minimum required number of training hours. In addition, no training coordinators were designated.

The Department was unable to provide training documentation for two of 25 employees tested. For the 23 employees for which the Department could provide training documentation, the Department was unable to document that six had met the mandatory training hour requirements.

The same issue of not being able to document the minimum training hour requirements was noted in the previous five audits. In response to this finding for the two years ending June 30, 2006, the Department indicated a training coordinator had been named for the General Office and related complex subsequent to June 30, 2006. However, the Department did not provide evidence to document that such a training coordinator had been designated.

Department management indicated the finding is related to limited resources to maintain the training documentation needed by the auditors. Department management stated the staff received numerous hours of training every year in order to perform their job duties.

<u>Updated Response:</u> Implemented. In FY10, training coordinators were identified for non-facility locations. The Director issued mandates to comply with training and set guidelines for staff to meet.

24. Remind employees to follow the established Administrative Directive to ensure all State property is returned and other issues affecting separated employees are addressed. (Repeated-2004)

Finding: The Department failed to follow the established standardized procedures when employees leave employment with the Department.

Auditors tested 25 employees who had separated during the audit period, noting the exit checklist regarding the return of Department property was not completed for 15 (60%) employees and the Business Administrator did not sign and date the exit checklist, as required by the Administrative Directive for two employees. During FY07 and FY08, 45 and 55 employees, respectively, left employment with the Department at the General Office.

Department management indicated the exceptions noted were due to oversights.

Updated Response: Implemented. A reminder of the requirements was sent to supervisors on 10/27/09.

25. Maintain adequate documentation to support lump sum payments and seek reimbursement for any incorrect payments made.

Finding: The Department failed to implement adequate controls over processing lump sum payments for separated employees.

Auditors tested 25 of the 100 employees that separated from the Department during the audit period. The Department could not provide the supporting timesheet for four of these 25 employees and could not provide the lump sum calculation worksheet for one of these employees. Without this documentation to support the number of days included in the calculation of the lump sum distribution, auditors could not determine if the calculation for lump sum payments totaling $81,704 was performed accurately. Additionally, the Department inaccurately calculated the number of days to include in the final salary payment for another employee, which resulted in an overpayment of $282. The Department had not sought reimbursement for the error.

Department management stated the timesheets and lump sum calculation worksheet could not be located due to the documents being misfiled. Additionally, the Department attributed the overpayment to employee oversight.

Updated Response: Implemented. The payroll supervisors review and approve each lump sum payment amount.

26. Review record filing and retention process to ensure all necessary payroll documentation is maintained in an accurate manner.

Accepted or Implemented – continued

Finding: The Department failed to adequately maintain documentation for payroll deductions authorized by its employees. During testing of the payroll records for 55 employees, auditors noted the following weaknesses:

- The Department was unable to provide signed payroll deduction authorization cards for 16 of 55 employees tested.
- The deduction authorized on the Form W-4 for one of 55 employees did not agree to the deduction listed on the payroll voucher.
- The Department could not provide insurance benefit election forms for three of 55 employees.

Department management provided several explanations for inadequately maintaining payroll documentation, including misfiling documents, transfers to other agencies, missing files from previous years, and elections being made prior to 1995 and possibly being located at the Department's storage facility.

Response: Accepted. The Agency will make every effort to ensure documentation is maintained.

Updated Response; Accepted. The exceptions noted were due to filing errors and a backlog of filing. The payroll filing has since been brought current. The Agency will periodically test the filing system for accuracy and timeliness.

27. Ensure all required documentation is maintained in employee personnel files in compliance with Department Administrative Directives.

Finding: The Department failed to maintain all required documentation in the employee's personnel file. During testing of a sample of 50 employees' personnel files, seven of 50 employees' personnel files were not properly maintained. The following weaknesses were noted:

- One did not contain an Application Form (CMS-100).
- One included a paycode on the Personnel/Position Action Form (CMS-2) in the file that did not agree to the paycode from which the employee was paid on the payroll voucher.
- Five employees' personnel files did not contain the most recent Personnel/Position Action Form (CMS-2). Therefore, the base salary being paid per the payroll records did not correspond to the base salary to be paid on the CMS-2 in the personnel files. New CMS-2s were completed in January 2007 but were not included in the

employees' personnel file. The salary paid did agree to the applicable pay step in the Department of Central Management Services (DCMS) Alphabetic Index of Position Titles.

Department management stated the personnel division is not always notified of a paycode change until after it has been made. Sometimes, once they are notified, the employee has been changed to another paycode or returned to the original code. The personnel division does not attempt to retroactively maintain the documentation for these changes. The Department attributed the remaining exceptions to human error.

Updated Response: Accepted. The exceptions noted were due to filing errors and a backlog of filing. The personnel filing has since been brought current. The Agency will periodically test the filing system for accuracy and timeliness.

28. Remind employees of the requirements to monitor contractual agreements and develop a comprehensive monitoring program which includes documenting the monitoring efforts. Additionally, seek reimbursement of the $25,000 expended to the entity that did not create the contracted program.

Finding: The Department failed to develop and implement adequate monitor procedures for memorandums of understanding (MOUs) effective during the audit period.

During the audit period, the Department had 19 FY07 and 15 FY08 contractual agreements which originated from General Assembly member initiatives and were considered by the Department to be "memorandums of understanding". The Department expended $1,225,278 to the recipients of the memorandum of understanding contractual agreements during the audit period. During testing of these 34 agreements, auditors noted the following:

- One contractual agreement permitted the prepayment of $25,000 for the creation of a program at a not-for-profit organization that was formed with the intended purpose of providing rehabilitation services to parolees in an effort to prepare participants to become contributors in society while eliminating the reoccurrence of criminal activities. The organization failed to implement the program. The Department did not request or receive a refund of the funds expended.

- The Department did not perform any monitoring procedures on the recipients of funds through these agreements. Once the funds were expended, no follow-up evaluation was performed by Department personnel.

Department personnel stated the Placement Resource Unit was not instructed to monitor the services provided under the contractual agreements which originated from the memorandums of understanding. Department personnel also affirmed that no action was taken by the Department to seek a refund of the $25,000 expended for which no services were received.

Accepted or Implemented – continued

Response: Accepted. The Agency will make every effort to ensure compliance with monitoring requirements.

Updated Response: MOU Terms will be reduced to standard contract term language so they can be better monitored and reviewed.

29. Review contractual agreements to ensure the payment schedules outlined are feasible considering the availability of the necessary funds. Make modifications to the contractual agreements as necessary.

Maintain the necessary documentation to justify payments made to vendors, as well as carefully review vouchers to verify that payments are only for the liabilities of the Department.

Fund programs specific to the intent outlined in the appropriation bills.

Finding: Auditors noted several weaknesses in the Department's administration of its lump sum appropriation accounts. The Department expended $70,833,242 and $55,165,242 in FY07 and FY08, respectively, from lump sump appropriations. Lump sum appropriations are utilized for activities where a breakdown into standard common object codes would be unfeasible or detrimental, either because of the nature of the activity or the lack of historical data in the area. Auditors tested 60 vouchers totaling $19,129,103 from these lump sum appropriations and noted the following weaknesses:

- Nine vouchers totaling $1,574,408 were not paid in accordance with the payment schedule outlined in the contractual agreements. The Department did not pay more than the contracted amounts, but did not comply with the payment schedule outlined in the contract.

- Three vouchers totaling $504,700 did not contain accompanying vendor invoices. Auditors could not determine if the payment was for the correct amount based on the documentation provided by the Department.

- Two vouchers totaling $400,000 were not supported with the evaluation reports required by the contract to demonstrate the vendor had provided the contracted services.

- One voucher totaling $555,657 contained an overpayment of $1,418 because the Department paid for another agency's portion of the bill in addition to its own.

The Department's FY07 appropriation bill, Public Act 94-798 authorized the Department to spend $1,500,000 from the General Revenue Fund through a lump sum appropriation in for a juvenile methamphetamine pilot program at the Franklin County Juvenile Detection

Center. The Department spent $1,800,000 on this program. The Department did not have specific authority to exceed the overall $1,500,000 maximum.

Department management indicated the exceptions noted were due to staff oversight regarding the varied program requirements.

Updated Response: Implemented. The Agency will follow the payment schedules identified for contractual lump sum appropriation obligations; ensure documentation is maintained to support performance and payments.

30. Require and maintain sufficient documentation to ensure contracted services have been provided and that the expenditures are reasonable and necessary.

Finding: The Department did not have adequate support for Interagency Agreements with the Office of the Governor detailing the methodology for determining the allocation of expenditures to be paid by the Department for actuarial and legal services.

The Office of the Governor entered into a contract for actuarial services to assist in analyzing various aspects of the retirement systems of the State including pension system assets, projected actuarial liabilities, and various funding options and alternatives. The Department's allocable share per the agreements was 22% for the agreement applicable to July 1 through December 31, 2006, and 21% for the remainder of the audit period. However, there was no supporting documentation detailing the methodology used for determining the percent allocation to be paid. The Department was instructed to remit $74,821.

The Office of the Governor entered into three contracts for legal services to provide advice, counsel, and, if appropriate, legal representation to the Office of the Governor, the Agency, and officers and employees of the State of Illinois, and perform such other legal services as requested. The Department’s allocable share per the agreements was 14% for the contract effective September 19, 2005 through June 30, 2008; 14% for the contract effective September 28, 2005 through June 30, 2007; and, 22% for the contract effective January 17, 2007 through December 31, 2007. However, there was no supporting documentation detailing the methodology used for determining the percent allocation to be paid. The Department was instructed to remit $392,863.

Department management stated additional documentation was not provided to the Department to support the specific allocable percentage in the Interagency Agreement or the amounts paid.

Updated Response: Implemented. The Agency requires documentation of the formulas and calculations used to determine the payment liability prior to any payment is made.

Accepted or Implemented – continued

31. Implement the necessary controls to adequately administer contractual agreements and ensure compliance with applicable statutes and procedures. (Repeated-2006)

<u>Finding:</u> The Department failed to ensure proper controls were established in the administration of its contracts during the audit period. During testing of 25 contractual agreements at the General Office, auditors noted the following weaknesses:

- One contract totaling $1,268,911 did not contain the signatures of the chief legal counsel and chief fiscal officer of the Department.

- One construction contract totaling $49,850 was not signed by the Director.

During testing of the Department's Memorandums of Understanding, which were converted into contractual agreements, one of 34 contracts totaling $12,270 was not approved prior to the contractor providing services to the Department. The date of the final signature on the contractual agreement was June 26, 2008; however, the services were performed by the vendor from July 1 to October 31, 2007.

Additionally, auditors at Correctional Centers identified exceptions with contracts at seven of 28 Correctional Centers. For the seven Centers, 18 of the 72 contract agreements tested were not signed by all parties prior to the beginning date as set forth in the contract agreements.

Also, one of 25 contracts tested did not include one or more required disclosures of financial interest.

Department management indicated that the exceptions noted were due to errors and oversights.

<u>Updated Response:</u> Implemented. The Agency has created a master contract filing system. Requests by auditors for documentation will result in all contract documents being submitted.

32. Remind employees reviewing travel vouchers of the need to perform stringent reviews and of their responsibility to enforce the regulations issued by the Governor's Travel Control Board.

Collect any overpayments previously made to employees or vendors.

Develop a mechanism to enforce the requirement of having employees submit travel vouchers in a timely manner.

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Finding: The Department's procedures over the submission, review and approval of travel expenditures are not sufficient to ensure that travel costs are in compliance with Travel Regulations and Department Administrative Directives (AD). During testing of travel vouchers, auditors noted the following weaknesses:

- Sixteen travel vouchers for two employees claimed mileage reimbursement for travel on official State business with a personal vehicle in excess of the standard mileage for the destinations listed. The mileage claimed on the travel vouchers exceeded the actual mileage by 2,505 miles. The employees were reimbursed an additional $1,115 above the expected mileage reimbursement according to recalculations.

- Four travel vouchers reimbursed lodging in excess of the approved State rate by $257. The travel vouchers did not contain, nor could the Department provide, explanations.

- The Department made duplicate payments for lodging to a hotel totaling $497.

- Employees failed to comply with the Department's AD regarding the timely submission of travel vouchers. Fifty-three travel vouchers which were submitted two to 270 days after the month end following the date of the employees' travel, which is past the timeframe allowed by the Department's AD.

Department management indicated that the issues noted are inherent in a large agency where manual travel vouchers are completed. The staff are continually reminded to submit the vouchers timely. However, the vouchers must be paid according to statutes and failure to submit timely does not equate nonpayment.

In addition, Department management stated employees are periodically reminded to submit travel vouchers on a monthly basis, but untimely submission could occur due to the delays in obtaining the required signatures or employee oversight.

Updated Response: Accepted. Accounts payable and the agency travel coordinator have reminded staff of the policies on travel. The Department approved mileage chart will be added to the Administrative Directives and be utilized for travel voucher reimbursement.

33. Send a formal notice to those employees whose jobs involve travel to remind them of the requirement and importance of filing accident reports in a timely manner. Consider disciplinary action for those employees who do not file reports in a timely manner.

Monitor the submission of accident reports to ensure the requirements are being met as required by the Department's Administrative Directive.

Accepted or Implemented – continued

> **Enforce vehicle maintenance schedules to reduce future year expenditures for repairs and to extend the useful lives of vehicles.**
>
> **Establish controls to ensure compliance with the Treasury Rule regarding the value of personal use of a State vehicle.**
>
> **Establish a procedure to receive the DC 352 Form from each employee allowed the "personal use' of a State vehicle to ensure proper records for the reporting of fringe benefits.**
>
> **Review procedures over timely filing of the required annual certification of license and liability insurance. (Repeated-2000)**

Finding: The Department had several weaknesses regarding the reporting of vehicle accidents, vehicle maintenance records, reporting the value of the "personal use" of State vehicles and annual certifications of license and vehicle liability coverage.

- During a review of 34 reported accidents involving State owned vehicles, auditors noted 14 (41%) instances in which accidents had not been reported to the Department of Central Management Services (DCMS) on a timely basis.

- During FY08, auditors examined maintenance records for 25 vehicles and noted that 15 (60%) vehicles did not receive required annual maintenance in the fiscal year tested. Also, 23 of the 25 (92%) did not have regular tire rotations performed in accordance with Department policies. Additionally, 15 vehicles did not have oil changes on a regular basis in accordance with Department policies.

  Additionally, 438 of the Department's 1,030 (43%) vehicles, which included 110 utilized by the Department of Juvenile Justice, were listed as being in poor, very poor, or inoperable condition during FY07. The FY08 report included only those vehicles belonging to the Department. Of the 1,018 vehicles listed, 451 (44%) were listed as being in poor, very poor, or inoperable condition. The auditors at Correctional Centers noted that facility personnel consider an additional 85 of the 1,018 vehicles to be inoperable.

- During testing of employees who were allowed the "personal use" of a State vehicle, the Department could not provide documentation for 22 of 35 (63%) employees tested. Therefore, auditors were unable to test the fringe benefits related to those 22 employees' assigned personal use of State vehicles. Additionally, the amount reported in the payroll system as other compensation subject to withholding for four of 35 employees did not agree to the value of the fringe benefits reported on Form DC 352, the Determination of Value of Personal Use of State Vehicle as a fringe benefit. The Department further failed to record the fringe benefits into the payroll system for two of 35 employees.

- The Department could not provide documentation for license and insurance certifications for 17 of 25 employees tested that were assigned a Department vehicle. Of the eight license and insurance certifications received and tested, one was not filed by the July 31st deadline.

Department management indicated that the vehicles were routinely maintained, but due to the laborious nature of the existing fleet management system, document input was delayed. Other errors noted were due to oversights.

Response: Accepted. The Agency is in the process of seeking a replacement fleet management system from another State agency. Drivers will be reminded of the importance of timely notifications and documentation.

Updated Response: Partially Implemented. The Agency has implemented the use of the automated system for tracking vehicle maintenance; has limited the use of personally assigned vehicles, and continues to look for ways for gain better efficiencies from its fleet.

34. Personnel preparing the reconciliations should sign and date them when completed so the Department can demonstrate timely reconciliations were performed.

Finding: The Department could not demonstrate the timely reconciliation of Department expenditure records to those of the Illinois Office of the Comptroller, as required by the Comptroller's Statewide Accounting Management System (SAMS).

During testing of 12 division reconciliations, auditors noted there were no date stamps or sign offs to indicate when the reconciliations were performed. As a result, it was not possible for the Department to demonstrate when the reconciliations were performed and whether they were performed in a timely manner.

Department personnel stated the reconciliations were performed each month, but agreed they could not document this because no dates were recorded on the reconciliation worksheets.

Response: Implemented. Effective with FY09, the reconciliations are dated and signed to prove to the auditors they were done timely.

35. Comply with the laws, regulations and rules to ensure adequate controls over voucher processing.

Finding: The Department did not have adequate controls over voucher processing for Correctional Centers. During testing of vouchers, auditors noted:

Accepted or Implemented – continued

- Thirty-nine of 210 (19%) vouchers tested which totaled $279,846 were not approved within 30 days after receipt of the vendor invoice.

During testing of travel vouchers (Form C-10):

- Five of 50 vouchers tested totaling $1,500 were not submitted on a timely basis for reimbursement by the employee.
- One of 50 vouchers tested reimbursed lodging in excess of the rates allowed by the Governor's Travel Control Board Travel Guide.
- One of 50 vouchers tested reimbursed the traveler for meals in excess of amounts allowed by the Department's Administrative Directives (A.D.s). The traveler received a dinner meal reimbursement in the amount of $17, but this traveler was not on travel status during a time period which would permit this reimbursement.

During testing of printing vouchers:

- One of 30 vouchers tested totaling $3,999 was not supported by an approved purchase order.

During testing of operation of automotive equipment vouchers:

- Two of 50 vouchers tested totaling $31,112 did not remit required prompt payment interest to vendors.
- One of 50 vouchers tested totaling $6,558 contained information which did not agree to the supporting purchase order.

Department management indicated the exceptions noted were due to staff oversights and timing errors.

Updated Response: Accepted. The facilities have been reminded of the importance of the review of vouchers. They are to verify any pending vouchers in the accounting system no less than weekly.

36. Implement controls to ensure cash receipts and refunds are deposited in a timely manner in accordance with State law and SAMS.

Finding: The Department did not pay into the State treasury the gross amount of the money received on a timely basis as required by State law. During receipts testing auditors noted the following exceptions:

- Ten of 35 General Office receipts tested totaling $506,431 were not deposited into the State treasury within the 15 day deposit extension.

- Four of 25 Correctional Center receipts tested totaling $2,929 were not deposited into the State treasury within the 15 day deposit extension.

During refund testing auditors noted the following exceptions:

- Five of 25 General Office refunds tested totaling $6,538 were not deposited into the State treasury within the 15 day deposit extension.

- Twelve of 25 General Office refunds tested were salary refunds.

- Thirteen of 25 Correctional Center refunds totaling $69,914 were not deposited into the State treasury within the 15 day deposit extension.

- One salary refund totaling $7,787 of 6 salary refunds was processed 39 days late.

Department management indicated the errors noted were due to staff errors and transitions of vacancies.

Updated Response: Implemented. Payroll refunds are posted timely and accurately.

37. Obtain all required admission documents before acceptance of the person to be incarcerated. If the documents are not available, a written statement should be prepared indicating why the required documents were not received. (Repeated-2006)

Finding: The Department did not receive all the required admission documents or specify why they were not received upon a person's incarceration as specified by the Uniform Code of Corrections. In testing two of the Department's four receiving stations, auditors noted the following exceptions:

- One of 25 inmate files tested did not contain a State's Attorney Statement of Facts.

- Four of 25 inmate files tested did not contain a report of the inmate's behavior while in custody.

- Eighteen of 25 (72%) inmate files tested did not contain the inmate's medical records.

Department management indicated that the documents come from the admitting counties and many times are not received.

Updated Response: Accepted. The Agency finding reflects 730 ILCS 5/2-8-1, however 730 ILCS 5/5-4-1 also discusses the documentation of inmates at reception. The two statutes conflict in responsibilities. 8-1 requires the sheriff to convey documentation at point of delivery to DOC, but 4-1 indicates the Clerk of the Court transmits the documents. 4-1 indicates that the lack of documents "shall not be cause for delay in conveying the person to the department, agency or institution to which he has been committed". The Agency would like to see clear guidance on the documents required and is seeking assistance on this.

38. Provide written notice of all correspondence restrictions or prohibitions to inmates. In addition, keep a copy of this written notice in the inmate's file. (Repeated-2006)

<u>Finding:</u> The Department did not provide sufficient documentation to indicate they provided inmates with written notice of outgoing mail restrictions or prohibitions.
Auditors selected a total of 25 inmates from three Correctional Centers to test if the Department was providing notices to inmates informing them that they were no longer to contact a victim or member of the victim's family by mail. During testing, auditors noted the Department did not provide sufficient documentation for three of the 25 inmates selected to determine if written notification had been provided. The remaining 22 inmates selected did not have any communication restrictions and, therefore, no written notice was necessary.

Department management indicated that the documents would only be applicable to inmates with mail restrictions. Department management stated the inmates in question either did not have a restriction or did not acknowledge the restriction in writing.

<u>Updated Response:</u> Implemented. The Department sent out a notification to the facilities reminding them of the requirement to document the notification. Additional procedures were put in place to have the notification signed by the inmate, witnessed by staff, and filed in the inmate master file.

39. Provide written notification to the appropriate Public Housing Agency that a felon in the custody of the Department of Corrections on parole or mandatory release resided, resides or will reside there as required by statute. (Repeated-2004)

<u>Finding:</u> The Department could not provide documentation that the required notification was sent to the appropriate Public Housing Agencies addressing where individuals reside or resided.

Auditors selected a sample of 25 inmates who were in the custody of the Department or on parole or mandatory supervised release to determine if proper notification was sent for those residing in public housing. For two of the 25 inmates tested that lived in public housing, the Department did not provide documentation to show that proper notification was sent to the appropriate Public Housing Agencies. Of the remaining 23 inmates, 20 inmates tested did not reside in public housing and 3 had proper documentation to show that public housing agencies were notified.

Department management indicated the exceptions noted were oversights.

Updated Response: Implemented. The Department sent out a notification to the facilities reminding them of the requirement to update the Offender Tracking System for potential public housing occupants.

40. Submit annual Bilingual Needs and Bilingual Pay Survey to DCMS in a timely manner.

Finding: The Department failed to submit the Bilingual Needs and Pay Survey for FY07 to the Department of Central Management Services (DCMS) which was necessary for DCMS to accurately prepare the State's 2008 Hispanic Employment Plan.

Department management indicated the exception was due to resource limitations and competing priorities.

According to the State's 2008 Plan, the Department employed 299 (15%) of the 2,007 total Hispanic employees statewide in coded positions. The 2008 Plan identified 1,185 of the 2,007 Hispanic employees as those who received bilingual pay. The Department employed 41 (3%) of those 1,185 employees.

Updated Response: Implemented. The Agency reports the information as required.

41. Prepare the required reports/plans on a timely basis and submit them to the required parties in accordance with State statutes. (Repeated-2004)

Finding: The Department either did not submit or did not submit timely certain required reports to the Governor and/or the General Assembly. The first four bullets below were also identified as exceptions in the report for the two years ended June 30, 2006.

- The Department did not prepare a 2008 annual report.
- The 5-year long-range planning document for adult female offenders was not submitted during the audit period.
- The Early Release Credit Report was not submitted during the audit period.
- The Pilot Residential and Treatment Program for Women Report was not submitted during the audit period.

Accepted or Implemented – continued

- The report of the Interstate Sex Offender Task Force was not submitted during the audit period.

- The Department failed to submit its FY07 "Agency Workforce Report" to the Governor's Office. Department management stated they believed the "Agency Workforce Report" was filed as required during the audit period. However, the Governor's Office stated it was never received and the Department could not provide evidence of the filing.

Department staff indicated the reports were not completed due to timing constraints and conflicting priorities.

<u>Updated Response:</u> Partially Implemented. The Agency has completed the Annual Report which is posted on the Agency's web site. Other reports remain outstanding.

42. Prepare and submit required reports in accordance with the established requirements. (Repeated-2004)

<u>Finding:</u> The Department failed to timely prepare and submit required reports as follows:

- The Department did not make available on a timely basis a report to trial and appellate court judges for their use in imposing or reviewing sentences. The Department did not prepare and publish the report during the audit period.

- The Department did not complete the final submission of information for the Service Efforts and Accomplishments (SEA) Report as required by the Office of the State Comptroller for the year ended June 30, 2007. The SEA Report for the year ended June 30, 2008 was not filed until November 19, 2008, 35 days late.

- The Department did not file the annual Real Property Utilization Report by October 30^{th} in compliance with the State Property Control Act. During the audit period, the Department filed a combined report with the Department of Juvenile Justice (DJJ) on December 5, 2007, for fiscal year 2007, and filed a Department-only report on December 12, 2008, for fiscal year 2008.

- The Department did not file its Travel Headquarter Reports (TA-2 Report) with the Legislative Audit Commission in a timely manner. The TA-2 Report due January 15, 2007 was filed 16 days late and the TA-2 Report due January 15, 2008 was filed 2 days late. Auditors also noted one of 14 employee travel vouchers tested listed a headquarter on the travel voucher that was different than the employee's headquarter as listed on the TA-2 Report. Further investigation noted the TA-2 Report was incorrect.

Department management indicated the reports were not completed due to timing constraints and conflicting priorities.

Updated Response: Implemented. The Agency has submitted the SEA, Real Property Utilization, TA2 Reports, and Financial Impact Reports timely and accurately.

43. Consult with the Office of the Treasurer's Unclaimed Property Division as to how the Department should handle prior year's outstanding checks that have been added back to the locally held bank accounts. In addition, change the Administrative Directive to comply with the Uniform Disposition of Unclaimed Property Act and inform those charged with administering locally held bank accounts of the requirements.

Finding: The Department has an established Administrative Directive to add back to locally held bank accounts outstanding checks as opposed to sending the outstanding amounts and information to the Treasurer's Unclaimed Property Division, in violation of the Uniform Disposition of Unclaimed Property Act.

Department management indicated they were not aware the Uniform Disposition of Unclaimed Property Act applied to checks written from the locally held fund accounts.

Updated Response: Under study. The Chief Legal Counsel will work with the legal staff at the Treasurer's Office to obtain clear guidance on this issue.

44. Perform a comprehensive review of Administrative Directives and update them as necessary to ensure they represent the most current, standardized practices of the Department. Additionally, review and modify as necessary the Administrative Directive to specifically define the maintenance procedures so that necessary updates are assigned the appropriate level of priority.

Finding: The Department needs to update its Administrative Directives (A.D.) to reflect the creation of the Department of Juvenile Justice and operational changes that have occurred in recent years.

Additionally, during testing of the Adult Transition Centers (ATCs), auditors noted several instances where the ATC had an internal policy concerning operations which either was not addressed or differed from the Administrative Directives. Examples of these instances include:

- When residents were released and paroled from the ATC, the DOC Resident's Trust Fund (trust fund) account is closed and a check is issued to the resident for the balance. ATC procedure detailed that a Termination Statement and a signed receipt must be completed to acknowledge the resident's receipt of the remaining account balance; however, the Department A.D. does not require that the termination statement be completed and maintained on file.

- ATC procedures varied in terms of the level of allowance permitted to a resident based upon employment status and time served at the ATC. Any amounts requested and disbursed from the resident's trust fund in excess of the approved allowance was to be supported by additional explanation and approval. One ATC requires the resident to provide receipts once the additional funds requested are expended to support the purchases. The A.D. addresses disbursements from the trust fund, but it does not address the resident's maximum allowance or disbursements exceeding this amount. It also does not address documentation to be provided by residents when additional funds are requested.

- ATC policy requires a resident to sign an authorization to withdraw the loan form and to maintain this form in the resident's file. However, this is not specifically addressed in an A.D.

- ATC guidelines require a resident's signature on the personal property listings maintained by the ATC. However, the A.D. does not specifically address the requirement of a resident signature.

Finally, the General Office took over the administration of the locally held bank account of the resident portion of the DOC Resident's and Employee's Benefit Fund during the previous audit period. This change has not been addressed in the A.D.s.

Department management stated competing priorities and the level of effort to achieve consensus in the drafting of A.D.s prohibited it from maintaining current A.D.s during the audit period.

Updated Response: Partially Implemented. The Agency has been working on reviewing and updating the fiscal Administrative Directives.

45. Implement a process to inform and document individuals being discharged, paroled or released that have been convicted of their duty to register in accordance with the Arsonist Registration Act. (Repeated-2006)

Finding: The Department had not implemented a process to inform and document convicted arsonists of their duty to register upon their discharge, parole or release in accordance with the Arsonist Registration Act.

The Department provided a list of 965 adult offenders that were released from July 1, 2006 through June 30, 2008, during the audit period, that had an offense which would require registry under the Act. The list was comprehensive across the entire Department and not limited to those who intend to reside, are employed, or attend school within the City of Chicago as stated in the Act. The Department identifies these individuals and offenses at release in the Chicago Police Department daily data transfer file; however, no formal registration process has been established by ISP for the Department's use in notification of offenders.

During 2008 fieldwork, Department management stated the Department continued to send the Chicago Police Department a computer file on a daily basis during the audit period to notify the Chicago Police Department of all releases and admissions. Department management stated an automated form was not created to inform the individuals being released of their requirement to potentially register with the City of the Chicago because the Department is waiting for the ISP to formalize and direct this process. Department management stated that the Offender Notification is only a small piece of a larger complex problem and cannot be expected to exist isolated from the other critical components of the program.

Updated Response: Implemented. The Agency still has not received detailed registration instructions from the lead agency, Illinois State Police. In the interim, the Agency will be proactive and establish a process to notify the inmates applicable upon release to register at the City of Chicago Police Headquarters main office.

46. Establish the subcommittee on Women Offenders and hold the required quarterly meetings as set forth in the statute. (Repeated-2006)

Finding: The Department did not establish a subcommittee on Women Offenders to the Adult Advisory Board.

Department management indicated the committee members had not accepted the board position during the reporting period.

Updated Response: Implemented. The Agency has reformed the Adult Advisory Board and established a subcommittee on women.

47. Have the Director or his appointee be an active representative to the Illinois Public Agency Network Board.

Finding: The Department failed to provide the Illinois Public Safety Agency Network (ISPAN) Board with an active representative during the audit period. The Department's Director was listed as a board member in 2008 and a designee was assigned to attend in place of the Director. However, the board minutes for 2008 indicated that the designee was not present for any of the board meetings.

Department management indicated the meetings were not attended due to conflicts in scheduling.

<u>Updated Response:</u> Implemented. The Agency has designated staff to serve on the board in case of the Director's absence.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services, to insure the integrity of State records, or to avoid lapsing or loss of federal or donated funds. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

No emergency purchase affidavits were filed during FY07. During FY08, the Department's General Office, filed eleven affidavits for $1,567,680.95 as follows:

$1,398,731.51	for repairs;
$ 88,179.07	for software; and
$ 80,770.37	for food and supplies.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

The Department of Corrections indicated as of July 15, 2008, the Department had 522 employees assigned to locations other than official headquarters.