

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Corrections
General Office
Year Ended June 30, 2006
and Department of Juvenile Justice
Month Ended June 30, 2006

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW: 4285
DEPARTMENT OF CORRECTIONS
GENERAL OFFICE AND RELATED DIVISIONS
TWO YEARS ENDED JUNE 30, 2006

FINDINGS/RECOMMENDATIONS - 21

IMPLEMENTED - 5
ACCEPTED - 16

REPEATED RECOMMENDATIONS - 10

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 21

This review summarizes the auditors' reports of the Department of Corrections, General Office, including School District #428, and the Field Services Division, for the two years ended June 30, 2006, filed with the Legislative Audit Commission June 20, 2007. The auditors conducted a department-wide financial audit and compliance examination in accordance with *Government Auditing Standards* and State law. The auditors stated the Department's financial statements were fairly presented.

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. For the ease of reporting and accounting, information related to the Department of Juvenile Justice was included in this report.

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.

The function of the School District is to provide academic and vocational training programs in adult and juvenile Correctional Institutions.

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.

REVIEW: 4285

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

During FY02, The Department took possession of the newly constructed 1,800-bed maximum-security prison at Thomson. The Department received an appropriation of \$362,700 for FY05 and FY06 for a grant to the City of Thomson for the reimbursement of costs incurred in relation the construction of the Thomson Correctional Center. In FY06 the Department received a lump sum appropriation of \$1.2 million to be used for costs and expenses related to the opening of the Thomson Correctional Center's Minimum Security Unit. The Center's minimum security unit began receiving inmates in August 2006. Construction of the Illinois Youth Center (IYC) – Rushville was completed during the summer of 2003. The Department has not housed any juveniles at the IYC-Rushville facility since it was completed. Effective July 1, 2006, DHS began utilizing Rushville as its Treatment and Detention Facility for sex offenders. Two Meth Units, one at Southwestern Illinois Correctional Center and one at Sheridan Correctional center will open in 2007 and 2008, respectively. The recidivism rate for IDOC was 51.8% in FY06, down from 54.6% in FY04.

Roger E. Walker Jr. was the Director during the audit period. He became Director effective June 1, 2003 and still serves as the Director. Mr. Walker previously served as the Macon County Sheriff and had no previous employment with the Department. The number of employees at the years indicated was as follows:

	2006	2005	2004
General Office	261	265	257
School District #428	274	275	359
Field Services	794	774	733
TOTAL	1,329	1,314	1,349

Population and Average Cost Per Resident

Appendix A provides a summary of average populations and yearly cost per inmate for FY06 and FY05 at each of the adult institutions, juvenile centers, and community correctional centers. According to statistics provided by the Department, the average daily population of adult institutions (maximum, medium, and minimum security) increased 41,430 in FY04 to 43,036 in FY05 to 43,800 in FY06. The rated capacity of adult institutions at June 30, 2006 was 32,478, or 10,052 over capacity.

The average daily population at the eight juvenile centers and the eight Adult Transition Centers decreased slightly from 2,774 persons in FY05 to 2,772 persons in FY06. According to the report, the rated capacity for all institutions at June 30, 2006 was 35,512 and the average number of residents was 46,572.

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

REVIEW: 4285

<u>Work Camps</u>		<u>Boot Camps</u>
Clayton	East Moline (2)	Dixon Springs
Hardin County	Kankakee	DuQuoin
Pittsfield	Springfield	
Stateville (Farm)	Tamms	
Vandalia		

The average yearly cost per resident for adult institutions was \$21,636 in FY05 and \$20,593 in FY06; and the average yearly cost per resident for Adult Transition Centers was \$21,126 in FY05 and \$22,629 in FY06. The average yearly cost for juvenile centers was \$66,923 in FY06.

Expenditures From Appropriations

The General Assembly appropriated a total of \$230,227,800 to the Department of Corrections in FY06. Appendix B summarizes appropriations and expenditures for the period under review. Total expenditures were \$208,360,627 in FY05 compared to \$205,794,558 in FY06, a decrease of almost \$2.6 million, or 1.2%. Examples of some of the variations in expenditures for the General Office and other areas from FY05 to FY06 included:

- Personal services in all areas increased \$8.5 million;
- Contribution to SERS decreased about \$4.5 million due to a decrease in the rate for FY06;
- Contractual services in the general office increased \$2.5 million due to increasing utility costs;
- Electronic data processing decreased \$3 million;
- Telecommunications decreased \$1.6 million;
- Awards and Grants increased almost \$2.4 million due to the CeaseFire Program; and
- Reimbursements decreased \$7.8 million.

Lapse period expenditures totaled about \$19.3 million for FY06, or 9.47% of total expenditures. Examples of lapse period expenditures in FY06 for the General Office, and other divisions as noted included:

- \$2.7 million for the final contractual payment to the college contractors; and
- \$1.5 million for the CeaseFire Program.

Cash Receipts

Appendix C contains a summary of cash receipts. Total cash receipts increased from \$32 million in FY04 to \$38.2 million in FY05 and increased again to about \$43.5 million in FY06, principally due to increases in the Reimbursement Fund. The Corrections Reimbursement Fund receives money from grants, both federal and state, inmate

REVIEW: 4285

reimbursement, school district programs, federal programs and other miscellaneous sources as allowed by statute.

Property and Equipment

Appendix D provides a summary of property and equipment for FY06. The balance at the end of FY06 for property and equipment was \$64,882,131 compared to \$64,182,601 at the beginning of FY06.

Accountants' Findings and Recommendations

Condensed below are the 21 findings and recommendations included in the audit report. Of these, 10 are repeated from prior audits. The following recommendations are classified on the basis of updated information provided by Mary Ann Bohlen, Supervisor of Central Accounting, Department of Corrections, in a memo received on February 15, 2008 via electronic mail.

Accepted or Implemented

1. **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, and monitor the submission of accident reports to ensure the requirements are being met as required by the Department's Administrative Directive. Further, enforce vehicle maintenance schedules to reduce future year expenditures for repairs and to extend the useful lives of vehicles. Also, establish controls to ensure employees report the value of personal use of Department vehicles. Finally, review procedures over timely filing of the required annual certification of license and liability insurance. (Repeated-2000)**

Findings: 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 25 reported accidents involving State-owned vehicles, the auditors noted 14 instances in which accidents had not been reported to CMS timely. Reports were submitted from one to 49 days late.
- During FY06, the auditors examined maintenance records for 25 vehicles and were unable to determine that proper maintenance records were maintained for 21 vehicles.

REVIEW: 4285

- The Department has adopted the U.S. Department of the Treasury Rule and developed Form DC 352, Determination of Value of Personal Use of State Vehicle, to report the value of “personal use” of a State vehicle as a fringe benefit. During testing of employees who were allowed the “personal use” of a State vehicle, the auditors noted that for 14 out of 18 employees tested, the Form DC 352 was not on file with the Department for the correct calendar year.
- During testing, it was noted that four of 50 employees chosen for testing did not file their required annual certifications of license and vehicle liability coverage by the July 31st deadline. The certifications were from 11 to 39 days late. In addition, the Department could not provide copies or support that three of 50 employees had filed the required annual certification of license and vehicle liability coverage.

Department personnel stated all employees who travel are required to follow the Administrative Directive regarding vehicle accidents. Employees are encouraged to submit vehicle accident reports in a timely manner. The maintenance of personally assigned State vehicles is the responsibility of the employee to whom the vehicle is assigned. Department personnel further stated the oil changes are being performed; however, the paperwork is not reaching the responsible input operator. Department personnel also stated the issues relating to reporting the “personal use” of State vehicles and late or missing certifications were due to human error and oversight. The reasons as given by Department management for the exceptions are exactly the same as were provided in the audit for the two years ending June 30, 2004.

Response: Accepted. The Department continues to work to achieve the highest level of internal controls regarding assets and vehicles. During the coming period, the Department will:

- Issue a memorandum from the Director mandating employee compliance with Department Administrative Directives on all vehicle procedures, specifically:
 - Timely reporting of accidents;
 - Following prescribed maintenance guidelines for personally assigned vehicles; and
 - Timely submission of licensure, insurance and tax forms for personally assigned vehicles.
- Insure that a dedicated staff person is assigned to monitor compliance with Department’s Administrative Directives governing use of state vehicles; and
- Report all non compliance issues to the Director.

2. Improve accounting procedures and controls at the Centers and ensure the following:

- Year-end reconciliations using correct year-end balances are prepared, and accurate cash balances are reported to the General Office.
- Disbursements are properly processed and authorized, and all supporting documentation is retained.

Accepted or Implemented – continued

- **All required documentation is maintained, including deposit slips, bank statements and required supporting documentation.**
- **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. (Repeated-1994)**

Findings: The Department did not properly maintain records at the Adult Transition Centers. Testing of the eight Adult Transition Centers for the two years ended June 30, 2006, produced the following exceptions:

- At six of the eight Centers, year-end cash balances were misstated due to outstanding checks not being removed from the listing in a timely manner.
- At two of the eight Centers, there were deficiencies related to disbursements from the Residents' Trust Fund. Four checks were signed by only one authorized signatory instead of the two signatories required.
- At one of the eight Centers, there were internal control deficiencies related to the Residents' Trust Fund. Department employees were not able to provide deposit slips, cancelled checks or bank statements for the months of June 2005 through January 2006. In addition, the request for payment form was not completed for seven of the 20 disbursements reviewed.
- At two of the eight Centers, documents related to resident loans were not accurate and properly supported. At one Center, the total outstanding loans as of June 30, 2006, on the residents' file amounted to \$950. However, per the General Ledger, loans receivable amounted to \$915.
- At three of the eight Centers, there were multiple exceptions in which there was inadequate control over property and equipment records. For one of these Centers, two of the five items listed in the PCS could not be physically located. At one Center, one of five items had two tag numbers attached to the equipment. At two Centers, 12 of the 20 items physically tested had no tag number attached to the equipment. In addition, at these Centers, discrepancies were noted regarding location in four of the 10 items tested. Two items were not in the location that was listed on the Property Control System (PCS) report and the other two items did not have an asset location included on the PCS report. At another Center, the PCS report was not available at year-end.
- At one of the eight Centers, all required documents were not included within the resident's files. Six of 20 files were missing required documents such as maintenance agreements, trust signature authorization, aid notification form, or termination statement.

Department personnel stated that the on-going issues are the result of human errors. The reason given by Department management for the exceptions is the same as was provided in the audit for the two years ending June 30, 2004

Response: Accepted. The Department has made significant improvements in the maintenance in the records of the transitional centers during the past years. Increased

REVIEW: 4285

utilization of the automated accounting systems will address several of the exceptions noted. All centers have been reminded of the importance of timely and accurate record maintenance and there will be zero toleration of failures to comply.

3. Allocate sufficient resources to comply with Department Directives and ensure employees receive the required training. (Repeated-2000)

Findings: The Department is not properly documenting that all employees complete their minimum required number of training hours. In addition, no Training Coordinators were designated.

During a review of training records for the two years ending June 30, 2006 the Department was unable to document that any of the 30 employees tested had the minimum number of training hours required. Fifteen employees were from the General Office, five were from the School District and ten were from Field Services. There were no designated Training Coordinators for the General Office, School District or Field Services.

Clerical and Support staff (primarily those who have little or no inmate contact) are required to complete a minimum of 16 hours of training each year after their first year on the job. All other employees are required to complete a minimum of 40 hours each year. To ensure all employees receive training, the Directive further instructs that Training Coordinators shall be designated. The Training Coordinator shall maintain an "Employee Training Record," (Form DOC 0220) or a computer printout with the same information, for each employee that has been assigned to him or her. Since the Department failed to maintain the required documentation, we were unable to determine if employees met the minimum training requirements.

Department personnel indicated that the lack of training documents was a result of untimely review and monitoring. The reason given by Department management for the exceptions is the same as was provided in the audits for the two years ending June 30, 2004, 2002 and 2000.

Response: Implemented. The Department of Corrections has named a training coordinator for the General Office and related complex. The coordinator will be responsible to ensure the proper tracking of training received and work with the supervisors to ensure training records are maintained.

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

Findings: The Department-wide payroll timekeeping system was not automated. During the engagement period, the Department implemented additional functions of the payroll system they use to further automate the processing; however, it did not include all
Accepted or Implemented - continued

REVIEW: 4285

employees. Each Correctional Center still maintained a manual timekeeping system for several hundred employees. Correctional Center employees sign in and out, and sign-in sheets were 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 there were insufficient funds available to develop a statewide system to replace the outdated manual system used for approximately 13,500 employees. The Department, as a part of the Shared Services initiative, is participating in the design sessions for an integrated financial system, which will include timekeeping and payroll applications.

Response: Accepted. As part of the Shared Services Program statewide effort to improve processes, the Department is scheduled to be one of the pilot agencies for the implementation of an automated timekeeping solution.

5. Follow the Personnel Rules and Department Directives and hold management accountable for completing employee performance evaluations on a timely basis.

Findings: The Department did not conduct performance evaluations in a timely manner. During testing of 50 employee performance evaluations, 10 were not performed on a timely basis. The performance evaluations were 3 months to 2 years late in being performed.

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.

Response: Accepted. The Department will make every effort to ensure evaluations are completed in a timely manner. Pre-notifications and deadline reminders will be sent to managers and supervisors to ensure evaluations are completed.

6. Prior to paying efficiency billings seek an explanation from CMS on how savings levels were calculated, or otherwise arrived at, and how savings achieved or anticipated impact the Department's budget. (Repeated-2004)

Findings: The Department made payments for efficiency initiative billings without adequate documentation to support how the amounts were calculated or determined. During FY05, the Department received two billings totaling \$4,733,445 from CMS for savings from efficiency initiatives. The Department received documentation with the billings from CMS detailing from which line item appropriations savings were anticipated to occur. However, the Department did not obtain or request additional supporting documentation on how the amounts were calculated or determined.

Response: Accepted. The Department will work with CMS on future initiative billings to determine appropriate expenditure information and benefits to be derived from the payments.

7. Establish the Subcommittee on Women Offenders and hold the required quarterly meetings.

Findings: The Department did not establish a Subcommittee on Women Offenders to the Adult Advisory Board. The Subcommittee shall be composed of three members of the Advisory Board appointed by the Chairman who shall designate one member as the chairman of the Subcommittee. The Subcommittee shall meet no less often than quarterly and at other times at the call of its chair.

Department officials stated that the subcommittee has not yet been formed as a result of oversight.

Response: Partially Implemented. The Adult Advisory Board has met to make recommendations on members to sit on the Women offenders subcommittee. The recommendations were reviewed by the Chairperson and the potential members notified. The Board is waiting for responses from the potential members.

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

Findings: 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 Code. In testing two of the Department's four receiving stations, auditors found they did not receive all the required admission information and noted the following exceptions:

- At one receiving station 1) Information was not always received from the counties to document the offender's sentence or time served with the county. 2) Very few counties actually provided a jail credit sheet or details of the inmate's behavior while in custody at the county. 3) Documents verifying the identity of the person being incarcerated were not always received as required.
- Inmates transferred from Cook County did not have any of the required information.

Department officials stated the information received during the transfer is dependent on what the County transferring the person provides.

Response: Accepted. The Department will implement a procedure to record any documents not received and the reason why if known.

Accepted or Implemented - continued

Updated Response: Implemented. Lack of admission documents are notated in the inmate master files.

9. Timely provide information requested to test compliance with State statutes.

Findings: The Department did not provide requested documentation to the auditors timely. Thus, the auditors were unable to complete the compliance testing of a State statute that requires the Department to perform specific duties or responsibilities.

As part of our testing of the Department, the auditors selected 39 State statutes that require the Department to perform specific duties and responsibilities. The auditors were unable to complete the testing of one State statute because the Department failed to timely provide documentation to perform the testing. Information was first requested from the Department to test the statute on May 30, 2006. Six subsequent requests were also made for the information to complete the testing. The State statute that could not be tested was:

- 730 ILCS 5/3-8-2 – Provides for social evaluation, physical evaluation and HIV testing upon admission. Information on the Department's administrative directives was provided on May 31, 2007. Fieldwork end date was February 26, 2007. The auditors will follow-up on statutory compliance during the next engagement of the Department.

Department management indicated they were unable to provide the requested information timely because of timing constraints and oversights.

Response: Implemented. The Department will comply timely and accurately with all requests and be vigilant in the follow up to determine the auditor's questions and needs are met in regards to mandate testing.

10. Provide written notice of all correspondence restrictions or prohibitions to inmates, and retain a copy of the notice in the inmate's file.

Findings: The Department did not provide all inmates with written notice of outgoing mail restrictions or prohibitions. Through testing, the auditors noted two of the three centers were not providing written notices to the inmates prohibiting correspondence with a victim or members of a victim's family.

Department officials indicated they had informed the inmates verbally of the restriction or prohibition and believed the verbal notification was sufficient.

Response: Accepted. The Department will issue a reminder memo to all wardens regarding the requirement to provide written notice of correspondence restrictions to the inmates and to file one copy in the inmate's master file.

Updated Response: Implemented. Reminders were sent out to the facilities of the Department's policy.

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

Findings: The Department either did not submit or did not submit timely certain required reports to the Governor and/or the General Assembly. All of the reports noted as either not being filed or not being filed timely were also identified as exceptions in the 2004 report.

- The Illinois Welfare and Rehabilitation Services Planning Act requires several agencies, including the Department of Corrections, to prepare a comprehensive plan and submit it to the General Assembly. The human services plan was not submitted during the audit period.
- Pupillometer technology is the measurement of the pupils reaction to light as an alternative to urine testing for purposes of drug screening committed persons who have alcohol and drug problems. The pupillometer report was submitted in February 2005, more than two years past its due date of January 1, 2003.
- The Code requires the Director to submit a report concerning the state and condition of all persons committed to the Department, its institutions, facilities and programs, of all money expended and received, and on what accounts expended and received. The Code also requires the Director to submit a report to the Governor and State Legislature on any inadequacies in the institutions, facilities or programs of the Department and also such amendments to the laws of the State which in the Director's judgment are necessary in order to best advance the purposes of the Unified Code of Corrections. This report is to be submitted on an annual basis to the Governor and State Legislature. The annual report will be submitted during June/July 2007 for fiscal years 2004 through 2007.
- The Code requires the Department to submit to the Governor and the General Assembly a 5-year long-range planning document for adult female offenders under the Department's supervision. The 5-year Female Plan was not submitted during the audit period.
- The Code requires the Department to submit to the Governor and General Assembly a report on the results of evaluations on educational, vocational, substance abuse and correctional industry programs under which good conduct credit may be increased by September 30th of each year. The Early Release Credit Report was not submitted during the audit period.

Accepted or Implemented - continued

REVIEW: 4285

- The Code requires the Department to provide to the Governor and the General Assembly a report on the pilot residential and treatment program for women. The Pilot Women Program Report was not submitted during the audit period.

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

Response: Accepted. The Department continues to work to meet the reporting requirements. The annual reports for the audit period will be issued during June/July of 2007.

Updated Response: The annual report was issued by the Department as indicated. The other reports remain outstanding.

12. Prepare and submit the annual reports to mandated entities as required. (Repeated-2004)

Findings: The Department did not timely prepare and submit required annual 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 Unified Code of Corrections states that the Department of Corrections shall publish the report on an annual basis no later than April 30. 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, 2006 as part of the year-end agency GAAP reporting process. It is due to the Comptroller's Office by October 15th.

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

Response: Accepted. The Department continues to work to meet the reporting requirements. The future SEA reports will be submitted per the Comptroller's requirements.

13. Provide written notification to the appropriate Public Housing Agency that a felon in the custody of the Department, on parole, or mandatory release, resided, resides or will reside in a housing facility associated with a public housing agency. (Repeated-2004)

Findings: The Department could not provide documentation that the statutorily required notification was sent to the appropriate Public Housing Agencies addressing where individuals reside or resided.

REVIEW: 4285

The auditors selected a sample of 11 individuals who were in the custody of the Department or on parole or mandatory supervised release and who were currently residing in public housing to determine if the proper notification was sent. For three of 11 individuals tested, the Department did not have documentation that the proper notification was sent to the appropriate Public Housing Agencies.

The Department indicated the errors noted were due to oversights.

Response: Accepted. The Department will make every effort to retain documentation of notifications sent to the Public Housing Agencies.

- 14. 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 as allowed. In addition, if the Department believes it is statutorily allowed to impose an additional charge, seek an opinion from the Attorney General on the matter.**

Findings: The Department added a charge to the purchase price of the goods to be resold in the 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%.

Fiscal Year 2006			
Cost of the goods purchased for sale in the Inmate Commissaries	Dollars collected as a result of the 3%-7% charge	Statutorily allowed 25%-35% mark-up on the cost of goods	Total cost of the goods sold in the Inmate Commissaries
\$25,122,165	\$1,266,911	\$7,486,762	\$33,875,838

The Code sets forth “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 commissary facilities of the Department.” Based on the above statute and SAMS procedure, the maximum amount to charge inmates for items sold in the inmate commissary would be the purchase price of the item plus any transportation costs the total of which would then be marked up to a maximum of 25%-35%.

Accepted or Implemented - continued

REVIEW: 4285

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. Items included in State employee costs were payroll, benefits and mandated uniforms. A cost of utilities per square foot was determined and applied to the area of the commissaries. Inmate labor included only inmate payroll. The Department indicated the amounts were compiled based on FY05 actual information. Department management also noted that based on their interpretation of the statute and SAMS procedures they were allowed to apply this charge.

Response: Accepted. Historically, the Department has reflected a cost based upon the items only. The Department intends to work with the other authoritative State agencies regarding a more refined interpretation of cost of goods.

15. Amend policies to require employees to maintain time sheets as required by law.

Findings: The Department is not requiring all employees to submit timesheets as required by the State Officials and Employees Ethics Act.

Per a memo from the Director, certain Department “management” employees are required to complete timesheets that designate hours spent on official State business. Those employees not designated as “management” employees, which is a majority of the Department’s employees, do not maintain time sheets.

Department management stated they are working within the limits of the current system.

Response: Accepted. As part of the Shared Services Program statewide effort to improve processes, the Department is scheduled to be one of the pilot agencies for the implementation of an automated timekeeping solution.

16. Implement a process to inform and document individuals being discharged, paroled or released that they must register in accordance with the Arsonist Registration Act.

Findings: The Department had not implemented a process to inform convicted arsonists of their duty to register upon their discharge, parole or release in accordance with the Arsonist Registration Act. The process must be documented as well.

The Department identified two individuals who were discharged, paroled or released that met the criteria and who were not informed of their duty to register with the City of Chicago.

Department management indicated the City of Chicago has not specified any requirements for the registration process. The Department sends an automated file daily to the Chicago

REVIEW: 4285

Police Department which clearly outlines the information regarding all persons being released in the City of Chicago.

Response: Accepted. The Department sends Chicago PD a computer file on a daily basis in accordance with the requirements. An automated form will be created to inform the individuals being released of their requirement to potentially register with the City of Chicago.

17. Follow CMS Rules and do not transfer funds from line items while obligations remain to be paid from the line items.

Findings: The Department purchases various goods and services from CMS and is billed for these through revolving funds. The Department transferred funds from the appropriations of four classifications that should have been used to pay billings from the CMS revolving funds, the majority of these transfers occurred during the FY06 lapse period.

In testing the auditors found the Department still owed the CMS revolving funds the following amounts after available funds had been used to pay FY06 charges.

Statistical Services Revolving Fund	\$ 2,718,044
Telecommunications Revolving Fund	1,746,226
State Garage Revolving Fund	1,148,920
Paper and Printing Revolving Fund	<u>4,243</u>
Fiscal year 2006 charges owed DCMS	<u><u>\$5,617,433</u></u>

During testing the auditors identified that the Department transferred funds out of appropriations which were used to pay DCMS revolving fund billings. The net amount of transfers (out) / in, for FY06 for the noted appropriations is as follows:

Telecommunication expenditures	\$(3,328,100)
Electronic Data Processing expenditures	(885,800)
Printing expenditures	(158,400)
Operation of Automotive expenditures	<u>326,600</u>
Net Transfers out	<u><u>\$(4,045,700)</u></u>

If the Department had not transferred the funds and used the original amounts appropriated to pay CMS revolving fund billings they would have owed CMS approximately \$1.57 million as opposed to \$5.6 million.

Department management indicated they felt the statutory allowance for 2% fund transfers was applicable in this instance. The appropriation transfers were needed to meet the other mandated obligations of the Department at the end of FY06.

Accepted or Implemented - continued

Response: Accepted. The Department used the statutorily allowed ability to make 2% appropriation transfers as stated within the State Finance Act. Internal Service Funds through CMS have the authority under Title 74 Part 1000 of the Administrative Code to issue catch up billings to State agencies for any open invoices at the end of a fiscal year. Specifically CMS "... shall issue catch-up billings in the subsequent fiscal year for those user agency accounts which show an accounts receivable debit balance for the prior fiscal year." The Department relied on the Code provision that requires agencies to make reasonable efforts to review, approve, and pay all Internal Service Fund bills in the fiscal year in which the liability was incurred or within the fiscal year that the Department issues a catch-up billing. The Department elected to use the flexibility provided by catch-up billings to free up funds for other mandated obligations.

18. Remind employees of their responsibility to timely submit Statements of Economic Interest. Further, review and update the list of those employees required to file the Statements to ensure an accurate and complete listing is submitted to the Secretary of State.

Findings: Seven of the Department's employees did not file their Statements of Economic Interest by the required date. In addition, the Department did not notify the Secretary of State of all employees whose positions subjected them to the requirements to file Statements of Economic Interest. During testing, the auditors noted the following:

- Seven of 73 Statements of Economic Interest examined were filed and received by the Secretary of State Index Department 1 to 14 days late.
- Four of 73 employees were not notified they were required to file a Statement of Economic Interest in FY05. As a result, these four employees did not file in FY05. These employees were subsequently notified and included in the list of filers in fiscal year 2006.

Department management stated they did not include the above referenced employees in the listing submitted to the Index Department due to oversight.

Response: Implemented. The Department has implemented a process during FY07 to remind the applicable employees of their obligation to submit the Statements in a timely manner. Additionally, on an annual basis, the Ethics officer, in coordination with the personnel department, will review the Department's employees and ensure appropriate staff are submitted to the Index Office timely, in order to receive Statements.

19. Implement procedures to ensure contracts are signed before the start date.

Findings: In testing contractual services expenditures at Department's correctional centers, the auditors noted certain centers did not obtain all the required signatures on contracts before their starting date. During contract testing, center auditors identified exceptions at seven out of 35 of the centers. For the seven centers with identified

REVIEW: 4285

exceptions, they noted 14 of 68 contract agreements tested were not signed by all parties prior to the beginning date as set forth in the contract agreements. The average length of time between the beginning date of the contract agreements and their final required signature was 18 days, with a range of 2 days to 41 days. The total of the contract exceptions identified was approximately \$11 million.

Department management stated the contract lag was a result of several factors, including the decentralized contract function during the early part of the audit period, the changes in the procurement rules and oversights.

Response: Accepted. The Department has made significant improvements to ensure contracts are processed in accordance with the applicable contract rules and regulations.

20. Follow established policies and procedures to ensure that all issues affecting separated employees are addressed including the return of State property. (Repeated-2004)

Findings: The Department did not follow the established standardized procedures when employees leave employment with the Department.

During the examination period, the auditors noted the Department had established a formal checklist to ensure all issues affecting separated employees had been addressed. The auditors tested 10 employees who had separated, noting the checklist was not completed for four employees and the Business Administrator did not sign and date the checklist for two employees. During FY05 and FY06, 737 and 553 employees, respectively, left employment with the Department.

Department officials stated the checklist was not completed or signed due to oversights and errors.

Response: Accepted. The Department will make every effort to ensure the procedures for separated employees are followed. A reminder memo will be issued to staff to reinforce the Department's policy.

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

Findings: 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.

Accepted or Implemented – concluded

REVIEW: 4285

- Purchases were not made by competitive sealed bidding or competitive sealed proposals as required by the Code. The Correctional Centers receive catalogs from various vendors and select products from the catalogs for resale in the commissary. In addition, the commissary can contact multiple vendors by telephone and request bids.
- 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. Upon selection of a vendor, an Order For Delivery (OFD) is prepared to document the purchase. OFD's are not utilized if the selected vendor uses pre-printed order forms or replenishes stock at the commissary on a regular basis.
- None of the required procurement notices was published in the Illinois Procurement Bulletin as required by the Code.
- The Department's Administrative Directive, which provides guidance to employees on commissary purchase does not include all the requirements as set forth in the Code. The Directive, effective November 1, 2000 notes that, "Whenever possible, bids shall be requested in writing or by telephone from a minimum of three vendors. The bids shall be documented and maintained on file in the commissary."

The Code sets forth that all State contracts, unless exempted, shall be awarded by competitive sealed bidding or competitive sealed proposals.

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

Response: Accepted. The Department will continue to work with DCMS to define competitive purchasing processes for the commissary operations that are consistent with the State's procurement policy while meeting the security and safety needs of the Department.

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

REVIEW: 4285

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.

During FY06, the Department of Corrections, General Office, filed one affidavit for emergency purchases for \$44,411,423.33 for medical services for inmates. The contract with the previous vendor was cancelled.

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 11, 2006, the Department had 564 employees assigned to locations other than official headquarters.