LEGISLATIVE
AUDIT
COMMISSION

Review of
Department of Corrections
Stateville Correctional Center
Two Years Ended June 30, 2006

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REVIEW: 4286
DEPARTMENT OF CORRECTIONS
STATEVILLE CORRECTIONAL CENTER
TWO YEARS ENDED JUNE 30, 2006

FINDINGS/RECOMMENDATIONS - 9

ACCEPTED - 7
IMPLEMENTED - 2

REPEATED RECOMMENDATIONS - 2

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 2

This review summarizes the report of the Stateville Correctional Center for the two years ended June 30, 2006, filed with the Legislative Audit Commission June 20, 2007. The auditors performed a limited scope compliance examination conducted in accordance with *Government Auditing* Standards and State law. The auditors also performed certain agreed upon procedures with respect to the accounting records of the Center to assist the audit of the entire Department.

Stateville, located near Joliet, is a maximum security facility which opened in 1925. As a maximum security facility, Stateville recognizes its obligation to prevent escapes, deter aggression and control contraband. Statevillle serves as one of three Reception and Classification Centers where inmates are given security and escape risk designations. These designation determine which correctional facility the inmate will be placed. The R and C processes approximately 2,500 inmates a month. There are eleven housing units inside the walls.

During the two-year period under review, Stateville had two wardens: Mr. Kenneth Briley, July 1, 2000 through March 15, 2005, and Ms. Deirdre Battaglia, March 16, 2005 through October 31, 2006. The current Warden is Mr. Terry L. McCann, and he became Warden on November 1, 2006.

Selected activity measures include the following:

Measure	FY06	FY05	FY04
Rated Capacity	3,187	3,187	2,000
Average Number of Inmates	3,301	3,081	2,854
Appx Square Foot per Inmate	44	48	38
Cost per Inmate	$28,269	$31,290	$32,305
Average Number of Employees	1,100	1,162	1,215
Ratio Correctional Officers to Inmates	1 to 3.9	1 to 3.3	1 to 2.8
Number of Correctional Officers	853	932	1,005
Hospital/Medical Costs	$10,470,702	$7,396,320	$7,581,679

Expenditures From Appropriations

The General Assembly appropriated a total of $93,435,000 to the Center for FY06. Appropriations and expenditures for the two years under review are shown in Appendix A. Expenditures were $96,425,919 in FY05 compared to $93,344,874 in FY06, a decrease of $3,081,045, or 3.2% in FY06. Personal services decreased about $2.1 million; State contributions to State Employees' Retirement decreased by about $5 million due to the percentage paid for contributions decreasing from 16.1% in FY05 to about 7.8% in FY06; and contractual services increased about $3.8 million due to additional utility costs incurred because of filming the Prison Break Series. Lapse period expenditures totaled almost $6.6 million, or 7.1% of total expenditures in FY06.

Property and Equipment

Appendix B summarizes the changes in property and equipment. The beginning balance as of July 1, 2004 was $186,610,894, compared to an ending balance of $188,241,888 as of June 30, 2006.

Locally Held Funds

The information in Appendix C summarizes the transactions of the Center's locally held funds for the year ended June 30, 2006. The beginning balance was $668,327 compared to an ending balance of $782,096.

Accountants' Findings and Recommendations

Condensed below are the nine findings and recommendations presented in the compliance examination. There were two repeated recommendations. The following recommendations were classified on the basis of information provided by Mary Ann Bohlen, Supervisor of Central Accounting, Department of Corrections, in a memo received via electronic mail on February 15, 2008.

Accepted or Implemented

1. **Apply proper year-end inventory procedures to reflect actual quantities on hand at the end of the fiscal year. Further, devote adequate resources to ensure that commodity records are maintained and updated timely and to ensure that commodities are stored in an organized manner to help more easily identify amounts on hand in excess of a 12-month supply. Additionally, maintain documentation to support the expenditures made for the Center's commodity inventory.**

<u>Findings:</u> The Stateville Correctional Center (Center) did not exercise adequate control over its commodities inventory. As a result of the Center's inadequate recordkeeping and the weaknesses noted in the Center's internal controls over commodities inventory, the auditors were unable to report on the commodities inventory balances at June 30, 2005 and June 30, 2006 in the Center's limited scope compliance examination report. The following exceptions and weaknesses were noted during testing of the Center's commodity inventory records:

- On the date of physical inventory 44 of 86 (51%) commodity counts did not agree to the Center's perpetual records.
- Six of 20 (30%) record of count documents did not agree to the Center's final inventory.
- Center personnel were unable to provide the supporting documentation for 12 of 20 (60%) items in the auditors' sample and as a result, the auditors could not recalculate the average unit costs.
- The Center maintained a stock of commodity inventory items in excess of a historically computed 12-month supply. Eleven of 25 (44%) items tested had a supply in excess of 12 months. The total dollar amount of the overstocked inventory was $230,957.
- The Center did not properly utilize pre-numbered receiving reports to control year-end cutoffs. Each supervisor in charge of major commodity areas kept separate receiving reports that were pulled from one initial set, no one summarized cutoff for the Center as a whole. This resulted in the numerical order not following date order, and auditors could not determine the last receiving report of fiscal year 2006 and the first receiving report of 2006.
- The Center's officer-clothing store was not arranged in an orderly manner.

Center management stated that deficiencies were caused by staff shortages, misfiling of documents, and input errors.

<u>Response:</u> Accepted. The facility has developed a plan to address the commodity inventory issues at the facility. The plan includes a 100% inventory with 50% test counts to ensure the inventory counts are correct. The facility will then utilize The Inventory Management System (TIMS) to maintain the commodity inventory records. TIMS is a real time FIFO accounting system which will allow the facility to better manage the inventory items, the associated records and reconciliations.

2. Adequately safeguard State equipment and adhere to procedures to ensure that property and equipment records are properly maintained. In addition, properly dispose of and remove from the records any assets that are obsolete, damaged or no longer used in operations.

Accepted or Implemented – continued

<u>Findings:</u> The Center did not maintain adequate control over equipment and related records. Some of the exceptions noted are as follows:

- Nine of 35 equipment items tested, totaling $7,047, could not be located. In addition, 16 of 35 equipment items, totaling $199,760, were located, but at a different location than what was recorded on the property records. Center personnel stated equipment items that could not be located or were located in different locations may be due to employees moving equipment without notifying the Property Control manager or Business Administrator.
- Four of 35 equipment items tested, totaling $20,250, did not contain proper State identification tags. Center personnel stated missing tags may have been removed from items due to weather conditions and heavy use of the items.
- The Center's property storage area was not arranged in an orderly manner and contained damaged and out-dated property items. Center personnel stated equipment items have been stored in the area for years, and the Center has not surplused or scrapped the obsolete inventory.
- Center personnel could not provide auditors with complete fixed asset reporting records; therefore, testing of the Center's population of disposals and transfers was limited to the reporting records that were provided. Center personnel stated property reports that could not be located may have been misfiled.

<u>Response:</u> Accepted. The facility will make every effort to ensure the property and the related accounting system is maintained accurately and completely. During the annual certification of inventory, the facility has performed a complete review of the items to ensure compliance with Departmental procedures.

3. Develop internal controls to adequately monitor employees' use of State time.

<u>Findings:</u> The Center did not adequately monitor its employees. During fieldwork, the auditors noted two employees were not in compliance with the Center's policies and procedures regarding breaks, work hours, and leave time.

- Both employees took lunch in excess of their allotted one half hour lunch break. Auditors observed other Center staff with work-related questions were unable to find employees during their extended lunch breaks.
- One employee was observed leaving work 2 hours early. Auditors verified with timekeeping that this employee took only 1.5 hours of sick time for the day.
- Both employees were observed participating in personal activities such as reading magazines, making and accepting personal phone calls, and discussing personal issues with other employees on the job for a total of 1 hour 45 minutes over the course of two days.

Center personnel stated employees are not to combine breaks with lunch to take one full hour for lunch and employees found violating this rule are disciplined.

Response: Accepted. The Center will require the business office supervisory staff to monitor staff use of time. Any suspected abuse will be documented and addressed. Random spot checks will be performed on staff.

4. Properly segregate duties in order to maintain an effective internal control over the recordkeeping and accounting function. (Repeated-2004)

Findings: The Center did not maintain adequate segregation of duties in the areas of receipt processing and check signing authority for its local funds. During testing, the auditors noted the following:

- Sixty-three of 106 cash receipts tested, totaling $422,701 and $255,987 for FY05 and FY06, respectively, were entered into the Fund Accounting and Commissary Trading System (FACTS) by the cashier who also received the physical checks.
- The Accountant Supervisor prepares monthly bank reconciliations for local funds and has check signing authority for local fund disbursements.

Center personnel stated the Business Office had a significant reduction in staff, which made it difficult to segregate local fund duties.

Response: Implemented. The cashier will not input the cash receipts into the automated system. The check signing authority has been removed for the employee that performs bank reconciliations.

5. Ensure employees receive the required training every fiscal year. (Repeated-2004)

Findings: The Center did not comply with the Illinois Department of Corrections' (DOC) Administrative Directive regarding employee training. Twelve of 25 employees tested in FY05 did not receive the required training hours. In addition, 11 of 25 employees tested did not receive the required hours in FY06. Employees were deficient anywhere from 2 to 40 hours of training in FY05 and 7.5 to 29.5 hours in FY06.

Center personnel stated that due to staff shortages, required training was deferred because employees were needed at their work locations.

Response: Accepted. The Center will make every effort to ensure the employees attend training as required by Departmental Directives.

Accepted or Implemented – concluded

6. Investigate all reconciling items and adjust general ledgers to agree to the bank reconciliations at month-end.

<u>Findings:</u> The Center did not exercise adequate control over its locally held Employee Benefit, Inmate Benefit, and Inmate Trust Fund general ledgers. During testing, the auditors noted the following:

- The ending cash balance of the Inmate Trust Fund savings account per the bank statement reconciliation as of June 30, 2005 and June 30, 2006 was $826 and $771, respectively, lower than the Center's general ledger as of June 30, 2005 and 2006. In addition, the Center did not properly reconcile its checking account in fiscal year 2005 and 2006.
- The ending cash balance of the Employee Benefit Fund savings account per the bank statement reconciliations as of June 30, 2005 and June 30, 2006 was $49 lower than the Center's general ledger as of June 30, 2005 and 2006.
- The ending cash balance of the Inmate Benefit Fund savings account per the bank statement reconciliation as of June 30, 2005 was $82 higher than the Center's general ledger.

Center personnel stated differences noted in bank reconciliations for Benefit funds are due to the closing of certificate of deposits. Journal entries are needed to account for accrued interest and fees when funds were transferred to savings. In addition, the Center could not determine the reason for differences in both the checking and savings accounts for the Trust fund.

<u>Response:</u> Accepted. The Center will make every effort to ensure the general ledger reconciliations are completed accurately and timely.

7. Comply with the DOC Administrative Directive when depositing receipts.

<u>Findings:</u> The Center did not deposit local fund receipts in a timely manner. The auditors noted 17 of 106 receipts selected for testing were not deposited in accordance with the time frame set forth by DOC Administrative Directives. These receipts, totaling $197,807, were deposited from 1 to 6 days late.

Center personnel stated staff shortages contributed to the untimely deposit of receipts.

<u>Response:</u> Accepted. The Center will make every effort to ensure timely deposit of locally held funds. The errors noted were oversights.

8. Comply with the DOC Administrative Directive when collecting repayment of employee loans.

Findings: The Center did not comply with DOC Administrative Directive for following up on employee loans that were not repaid on a timely basis. During testing of Employee Benefit Fund disbursements the auditors noted that five of six employee loans, totaling $3,435, were repaid one to 21 days after the required due date. No additional action was taken by the Center to recover the funds on the specified due dates.

In the event of a timekeeping error in payroll the Center issues a temporary supplemental payment from the Employee Benefit Fund to account for the amount due to the employee. The employee signs a memorandum agreeing to repay the amount to the Center by a specified due date.

Response: Implemented. The Center has discontinued the loan program from the Employee Benefit Fund.

Updated Response: The Center now only allows loans by the approval of the warden and the employee must sign a direct authorization from their paycheck to the EBF.

9. Ensure payment is only made for items that are ordered. In addition, attain all cost information before ordering goods.

Findings: The Center did not maintain adequate control over inmate commissary disbursements. The auditors noted five of 25 inmate commissary disbursements tested, totaling $29,559, did not agree to the invoice's order for delivery. The Center accepted items from vendors that were not ordered. As a result the Center incurred additional costs of $4,925 for the additional goods. Further, orders for delivery included with 2 of 25 disbursements tested, totaling $940, were approved with missing cost information.

Center personnel stated items were accepted with the intent of selling the additional items. Additionally, items ordered with missing cost information were new items and cost information was not available at the time of ordering.

Response: Accepted. The Center will only pay for items ordered. The exceptions noted were errors and oversights.

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 or to insure the integrity of State records. 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.

For FY05 and FY06, the Stateville Correctional Center filed one emergency purchase affidavit for $695,067.20 to replace the elevator in the administration building because it was the only way to transport the disabled within the four-story building.