LEGISLATIVE
AUDIT
COMMISSION

Review of
Department of Corrections
Vienna Correctional Center
Two Years Ended June 30, 2008

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

REVIEW: 4327
DEPARTMENT OF CORRECTIONS
VIENNA CORRECTIONAL CENTER
TWO YEARS ENDED JUNE 30, 2008

FINDINGS/RECOMMENDATIONS - 19

IMPLEMENTED - 17
ACCEPTED - 1
NOT ACCEPTED - 1

REPEATED RECOMMENDATIONS - 6

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 13

This review summarizes the audit of the Vienna Correctional Center for the two years ended June 30, 2008, filed with the Legislative Audit Commission August 6, 2009. The auditors performed a limited scope compliance examination in accordance with *Government Auditing Standards* and State law.

Vienna Correctional Center is a minimum security institution located seven miles east of Vienna, Illinois in Johnson County, adjacent to the Shawnee Correctional Center. The Center's administration is committed toward the instilling of responsibility and mature decision making in its inmates through increasing levels of reasonable freedom. By providing extensive and high quality educational programs, work assignment opportunities, public service, leisure time activities and religious avenues, the Center is expected to go far beyond the provision of the minimum necessities. The Center receives appropriations for both the Center and the Illinois Impact Incarceration Program. The Dixon Springs Impact Incarceration Program is to promote lawful behavior in youthful offenders who are incarcerated for the first time.

For the two-year period under review, Mr. Jody Hathaway was the Warden from July 1, 2006 through September 14, 2007, and then Ms. Yolande Johnson served as Warden from September 15, 2007 through October 31, 2008. The current Warden, Mr. John Cox, became Warden on November 1, 2008. He had previously served as the Assistant Warden for Operations at the Center.

Selected activity measures include the following:

Measure	FY08	FY06	FY05
Rated Capacity	925	925	925
Average Number of Inmates	1,526	1,602	1,564
Appx Square Foot per Inmate	42	37	38
Cost per Inmate	$ 20,676	$ 17,432	$ 18,341
Average Number of Employees	349	358	363
Ratio Correctional Officers to Inmates	1 to 5.9	1 to 6.2	1 to 5.9
Number of Correctional Officers	260	260	263
Hospital/Medical Costs	$1,566,170	$ 1,950,819	$1,810,326

Expenditures From Appropriations

The General Assembly appropriated a total of $31,635,800 to the Center for FY08. Appropriations and expenditures for the two years under review are shown in Appendix A. Expenditures were $28,855,852 in FY07 compared to $31,630,868 in FY08, an increase of almost $2.8 million, or 9.6%. The increase was due primarily to increases in the cost of personal services and retirement. Lapse period expenditures totaled almost $1.7 million, or 5.25% of total expenditures in FY08.

Inventories and Property and Equipment

The Center's inventories at June 30, 2008 and 2007 appear in Appendix B. The inventory decreased from $246,307 as of June 30, 2007 to $196,580 as of June 30, 2008.

Appendix C summarizes the changes in property and equipment. The beginning balance as of July 1, 2006 was $56,702,915, compared to an ending balance of $63,239,415 as of June 30, 2008.

Locally Held Funds

The information in Appendix D summarizes the transactions of the Center's locally held funds for the year ended June 30, 2008. The beginning balance was $95,881 compared to an ending balance of $83,517.

Accountants' Findings and Recommendations

Condensed below are the 19 findings and recommendations presented in the audit report. There were six repeated recommendations. The following recommendations were classified on the basis of updated information provided by Mary Ann Bohlen, Supervisor of Central Accounting, Department of Corrections, in a memo received via electronic mail on January 18, 2010.

Not Accepted

8. Take appropriate action to ensure the dormant balances are transferred to the GRF.

Finding: The Vienna Correctional Center (Center) did not take appropriate action to ensure dormant account balances in the Resident Trust Fund were properly transferred to the General Revenue Fund.

REVIEW: 4327

The Center had a list of 1,105 dormant accounts. According to the ledger of dormant accounts, 241 Resident Trust Fund accounts had cash balances of $3,218, while 815 accounts had $0 balances but owed outstanding debts, and 49 accounts had negative cash balances totaling $(274). The Center did not maintain documentation it notified the Department's Central Office during the examination period of its dormant accounts and had not requested the dormant accounts be transferred to the GRF when applicable.

Administrative Directive 02.42.106 states upon determination of dormant accounts, the Business Administrator shall prepare a list which includes the account numbers, residents' names, identification numbers, and account balances and a memorandum requesting permission to transfer the balances to the General Revenue Fund.

Center management indicated the Resident Trust Fund overall contains dormant accounts with restricted (debit) balances (deficit balances due to accounts payable) in excess of dormant accounts with credit balances (positive balances), that these funds can not be submitted to the GRF.

Response: Not accepted. The Department has implemented policies and procedures that it feels are appropriate to the Statue and Administrative Directives. These policies and procedures are:

- The Inmate Trust Fund maintains individual accounts by inmate.
- The accounts are reviewed when designated dormant.
- The appropriate account balances are transferred to the General Revenue Fund as required.
- The statute is silent on the Department's ability to offset negative account balances with positive account balances.

The end result of the policy is not a loss of revenue to the State as all funds are deposited into a legislatively appropriated fund on deposit at the Treasurer.

Auditor Comment: The Unified Code of Corrections requires the transfer of dormant accounts to the GRF. The Center did not transfer accounts totaling $2,944 to the GRF. The net negative balances are caused by improper off-setting of one inmate's positive cash balance against another inmate's negative balance in the Inmate Trust Fund.

Further, the Department's administrative rule (20 Ill. Adm. Code 535.140(a)) states unclaimed money held for a period of one year may be transferred to the Inmate Benefit Fund and be expended for the special benefit of committed persons, which is consistent with the Unified Code of Corrections.

The Center has fiduciary responsibility for inmate accounts and should be evaluating each account within the Inmate Trust individually for potential transfer to the GRF.

Accepted or Implemented

1. Appropriately segregate the duties of receiving cash, preparing checks, custodian of cash, receiving resident checks, etc., recording transactions, reconciling transactions and approving transactions. (Repeated-2006)

Finding: The Center did not maintain adequate segregation of duties over locally held funds. During testing, auditors noted the following:

- The Accountant recorded disbursement transactions, prepared checks, received signed checks prior to mailing and reconciled transactions for the Resident Commissary Fund, Employee Commissary Fund and Employee Benefit Fund.
- An Account Technician I was permitted to receive cash and sign checks for the period May 26, 2007 to July 15, 2007 and August 15, 2007 to June 30, 2008 for all locally held funds.
- An Account Technician I recorded transactions for the Resident Trust Fund during the period July 1, 2006 to June 30, 2008. Additionally, the Account Technician I received signed checks prior to checks being mailed; received checks, money orders, etc. for residents; and was Custodian of the Resident Travel and Allowance imprest cash box.

Center personnel indicated the Center did not have sufficient staff to ensure locally held fund duties were segregated.

The locally held funds received and disbursed the following during the period July 1, 2006 to June 30, 2008:

Locally Held Fund	Total Received	Total Disbursed
Resident Trust Fund	$3,096,987	$3,103,095
Employee Commissary Fund	$256,567	$260,666
Employee Benefit Fund	$17,101	$17,989
Resident Commissary Fund	$2,408,694	$2,423,672

Response: Implemented. The exceptions noted were errors due to staff limitations and reassignment.

2. Perform reconciliations over all general ledger accounts. (Repeated-2006)

Finding: General ledger accounts in the locally held funds were not reconciled. During testing, auditors noted the following:

- The change fund general ledger account in the Employee Commissary Fund was not reconciled to actual cash on hand. This account had a balance of $400 at June 30, 2008. This account was not being reconciled due to the fact that the amount of vending machine change fund was not known.

- Fund Reimbursements in the Resident Trust Fund could not be reconciled to its supporting documentation. The account had a balance of $16,832 at June 30, 2008. Center personnel indicated they were unaware that supporting documentation for this payable should be retained in an accessible file.

- Net Worth Transferred general ledger account for the Employee Commissary Fund and Resident Commissary Fund was not being reconciled to net income on the Employee Commissary Fund or the Resident Commissary Fund. The account on the Employee Commissary Fund was understated by $343 at June 30, 2008. The account on the Resident Commissary Fund was understated by $140 at June 30, 2008. Center personnel indicated that general ledger entries were posted to main control accounts (net worth) in error.

Response: Implemented. The exceptions noted were due to staff turnover and reassignment of duties.

3. Revoke computer access of recording transactions and invoice vouchers from those individuals approving transactions and invoice vouchers. Also, revoke full access rights to the property control system from the individual responsible for preparation and reconciliation of property control records. Additionally, revoke computer access rights from those employees whose responsibilities do not require access. (Repeated-2006)

Finding: Inadequate computer access rights were noted on the payroll system, property control system, the Inventory Management System (TIMS) and Accounting Information System (AIS). Auditors noted the following:

- The Business Manager's computer access rights allowed entering of transactions into the computerized payroll system. This employee was also responsible for approving the accuracy of the payroll voucher.

- The Accountant had full computer access rights to the property control system. This employee reconciles and prepares the Center's property control reports, which are submitted to the Department’s Central Office. Center personnel indicated they were unaware this employee had full access to the property control system.

- Executive Secretary I and Account Technician I - Procurement had full computer access rights to the property control system. Their job responsibilities did not require access to the property control system.

Accepted or Implemented – continued

- Stores personnel had full computer access rights to TIMS. Center personnel indicated stores personnel job responsibilities required access to TIMS so store receiving reports could be changed when items are received, if necessary.

- The Business Administrator's computer access rights on AIS allowed entering and approval of invoice vouchers.

- Two employees on loan from Shawnee Correctional Center had full computer access rights to AIS after they were no longer on loan from the Shawnee CC.

- The Accountant had full computer access rights to AIS. Their job responsibilities did not require access to AIS. Center personnel indicated the Accountant had access due to being located in the Business Office.

In most instances, Center personnel were either unaware that the employee had access or did not recognize the access as improper segregation of duties.

Response: Implemented. The exceptions noted were due to a transitional period of staffing. The access rights have been adjusted as appropriate.

4. Comply with the administrative directive and update signature cards immediately when a person leaves the Center's employment and notify the bank in writing that two signatures are required on all checks. Provide copies to the Center's Business Office. (Repeated-2006)

Finding: The Center did not maintain adequate controls over locally held fund cash disbursements. During testing, auditors noted the following:

- The bank signature card indicated only one signature was required on checks for the Resident Commissary Fund.

- Five former employees were listed as an authorized signer on the signature card at the bank for the Employee Commissary Fund, Employee Benefit Fund, Resident Commissary Fund and Resident Trust Fund.

- Seventeen of 90 (19%) cash disbursements tested had been signed by an individual not authorized.

Center personnel indicated the employees in the positions authorized to sign checks changed rapidly. By the time all appropriate signatures were obtained on the signature card, different individuals were assigned to these positions so the process had to be repeated. Additionally, Center personnel thought their Institutional Directive 02.40.901 had been amended early in FY07 to reflect the positions for employees designated on the signature card. The Institutional Directive 02.40.901 was last amended December 14, 2006.

Response: Implemented. The signature cards have been updated and will remain updated as staff change. The Center has rescinded the Institutional Directive and will follow the Administrative Directive requirements.

5. Direct check signers to review supporting documentation when signing checks.

Finding: Check signers do not review supporting documentation when signing checks. Individuals authorized to sign checks are provided prepared checks along with a copy of the Cash Requirements Report generated from FACTS. Vendor invoices are not provided, but are available for review in the Accountant's office upon request.

Center personnel indicated that supporting documentation was not attached as a past practice.

Response: Implemented. The facility now provides documentation to the check signers when forwarding checks for signatures.

6. Direct Center personnel to prepare the Report of Receipts and Disbursements Locally Held Funds (C-17) in compliance with the related SAMS Procedure and Administrative Directive.

Finding: The Report of Receipts and Disbursements Locally Held Funds (C-17) for the Employee Commissary Fund and Employee Benefit Fund were inaccurate. During testing, auditors noted several deficiencies such as:

- Income of $1,614 was recorded as “Miscellaneous” receipts instead of “Auxiliary Enterprises” receipts on the June 30, 2008 Employee Benefit Fund C-17.

- “Equipment over $100” of $1,714 was reported as “Awards or Grants” disbursements instead of “Equipment” disbursements on the Employee Benefit Fund June 30, 2008 C-17.

- Income of $1,774 was reported as “Miscellaneous” receipts instead of “Auxiliary Enterprises” receipts on the June 30, 2007 Employee Benefit Fund C-17.

- Expenses of $1,452 were reported as “Cost of Sales” disbursements instead of “Commodities” disbursements on the June 30, 2007 Employee Benefit Fund C-17.

Accepted or Implemented – continued

Center personnel indicated they were unaware the Administrative Directive existed.

<u>Updated Response:</u> Implemented. The facility is following the Agency's guidelines for reporting.

7. Expense invoices as incurred, deposit money into the correct fund, record transactions timely and in the correct period, and correctly identify inventory items in the commissary accounts.

<u>Finding</u>: The Center did not record assets, liabilities, revenues and expenses correctly on the Employee Commissary Fund, Employee Benefit Fund, Resident Commissary Fund and Resident Trust Fund. During testing, auditors noted the following:

- Accounts payable and cost of sales were understated by $586 on the Employee Commissary Fund at June 30, 2008 due to receiving reports being late.
- "Due from Resident Trust Fund" was overstated by $15,822 on the Resident Commissary Fund at June 30, 2008, due to transfers not being recorded properly.
- Accounts payable and expenses were overstated by $1,050 on the Employee Benefit Fund at June 30, 2007 due to improper recording of expenses.
- "Due to Resident Benefit Fund" was understated and "523-Salaries Fund" was overstated by $8,018 on the Resident Commissary Fund at June 30, 2007 due to projected profit not being met.
- Accounts payable and Resident Trust Fund Imprest Box was understated by $3,928 on the Resident Trust Fund at June 30, 2007 due to inadvertent oversight.

<u>Updated Response:</u> Implemented. The facility is following the Agency's guidelines for reporting.

9. Comply with Administrative Directive and forward the Inventory Count Sheet to the Business Administrator.

<u>Finding</u>: The Inventory Count Sheet for the June 30, 2007 Resident Commissary physical inventory count could not be located.

Center personnel indicated the Supply Supervisor, who retired June 30, 2008, filed these count sheets in the stores instead of forwarding them to the Business Office.

<u>Updated Response:</u> Implemented. The facility ensures the documents are retained.

10. Comply with the Administrative Code by processing vouchers prior to the expiration of the thirty-day time period. (Repeated-2006)

<u>Finding</u>: The Center did not exercise adequate control over voucher processing. During testing, auditors noted seven of 54 (15%) vouchers tested, totaling $48,244, were approved for payment from 2 to 101 days late. The Center paid $656 in interest charges during the two-year period ended June 30, 2008.

Center personnel indicated the delays in processing vouchers were a result of a limitation in resources.

<u>Response</u>: Accepted. The facility will make every effort to ensure vouchers are processed in accordance with the Prompt Payment Act.

11. Direct the Employee Benefit Fund committee to approve all expenditures of the Fund prior to purchase.

<u>Finding</u>: The Center failed to obtain approval from the Employee Benefit Fund committee for expenditures. During testing, auditors noted the following:

- Nine of 26 (35%) expenditures tested from the Employee Benefit Fund, totaling $2,444, lacked proof of the Employee Benefit Fund committee approval.

- Three of 26 (12%) expenditures tested from the Employee Benefit Fund, totaling $910, were approved by the Employee Benefit Fund committee after the items had been purchased.

Center personnel indicated the Employee Benefit Fund committee failed to approve these purchases due to inadvertent oversight and priorities of staffing.

<u>Response</u>: Implemented. The facility has established a process to ensure approvals are received prior to the purchase.

12. Comply with Administrative Directives by performing an independent inventory test count. (Repeated-2006)

<u>Finding</u>: The Center did not perform an independent test count on the Resident Commissary and general stores physical inventory. Center personnel indicated that

Accepted or Implemented – continued

recounting items with discrepancies between the physical inventory count and the computerized perpetual inventory was considered test counts.

Response: Implemented. The facility performs test counts as part of the inventory process.

13. Monitor retail prices in the Employee Commissary to ensure the correct retail price is being charged.

Finding: Incorrect retail prices were charged in the Employee Commissary. During testing of 30 items, auditors noted several items were incorrectly priced. Center personnel indicated that they were either unaware that the retail price had to be changed whenever the unit priced changed, or that the Employee Commissary supervisor did not have time to change the prices.

The Unified Code of Corrections (730 ILCS 5/3-7-2a) states "the selling price of all goods shall be sufficient to cover the costs of the goods and an additional charge of up to 10%."

Updated Response: Implemented. Staff review prices as items are received to ensure markup is correct.

14. Ensure property control records are maintained in an efficient and timely manner. Comply with the Administrative Code by making all adjustments to property records within 30 days of acquisition, change, or deletion of the equipment items. In addition, properly tag equipment items as prescribed by Administrative Directive. Also, properly dispose of and remove from records any assets that are obsolete, damaged, or no longer used in operations.

Finding: The Center's property control records were inaccurate. During testing of property, auditors noted the following:

- All sixteen equipment purchases tested were recorded on the property listing from 6 to 32 months after the item had been received by the Center. Property was understated by $23,000 at June 30, 2007. Center personnel indicated the Property Control Officer had several tasks to perform and property control was assessed a low priority.

- Ninety-eight of 112 (87%) property deletions tested did not have documentation indicating the date the Center received the "Request for Change of Status of Equipment" from the Department's Central Office. Center personnel indicated that they were unaware the date received should be indicated on the "Request for Change of Status of Equipment."

- Thirty-eight of 112 (34%) property items tested did not have documentation the Director of the Department had approved the “Request for Change of Equipment Status.” Center personnel indicated the approved "Request for Change of Equipment Status" was inadvertently misplaced.

- Two of 25 equipment items selected for testing could not be located at the Center. Center personnel indicated the tag had fallen off these pieces of property and personnel had failed to write the tag number on the pieces of equipment.

- Five of 25 equipment items tested were no longer being utilized. Property was overstated by $3,256 at June 30, 2008. Center personnel indicated employees have several tasks to perform so determining if an item of property needs to be scrapped or surplused had been given a low priority.

- A cooling tower totaling $30,831 was not recorded on the Center's property control system during the first quarter FY08. Center personnel indicated this was an inadvertent oversight.

Updated Response: Implemented. The facility has updated their property control system and review entries to ensure accuracy.

15. Prepare the Treasurer's Transmittal and C-64 for all receipts and forward to the Division of Finance and Administration Fiscal Services Unit: Cash Receipts.

Finding: The Center sent cash receipts to the Department’s Central Office without the Receipts Deposit Transmittal, C-64, and the State Treasurer's Office Transmittal, DC 276.

During testing, auditors noted cash receipts during the period November 1, 2006 to approximately March 2008 were sent to the Department’s Central Office without proper transmittals. As of June 30, 2008, $126.50 of cash receipts received in fiscal year 2007 had not been deposited by the Comptroller’s Office.

Center personnel indicated that when the cashier retired, the process was transferred to the Central Office to provide the functions in the interim. The checks were mailed to be processed.

Response: Implemented. The facility has replaced the cashier and that person has been trained.

Accepted or Implemented – concluded

16. Comply with Administrative Directive by forwarding receiving reports to the Business Office within five working days.

Finding: The Center did not prepare Store Receiving Reports for Employees' and Residents' Commissaries timely.

Store Receiving Reports were not prepared during the period June 11, 2007 to June 22, 2007 and June 9, 2008 to June 20, 2008. Twelve receiving reports were forwarded to the Business Office between 1 to 17 days late.

Center personnel indicated that during the time period of the exceptions noted, personnel had retired and the remaining personnel were in transition. Personnel were in the process of being trained, and duties delegated.

Response: Implemented. The errors were due to staff turnover. The staff has since been trained and cross trained.

17. Direct two people to be present when cash is removed from a vending machine.

Finding: Appropriate control over vending machine cash at Dixon Springs Impact Incarceration Program was not maintained. Two of 26 cash receipts examined indicated that only one person removed the cash from the vending machine at Dixon Springs IIP.

Vienna Correctional Center (Center) personnel indicated that due to staffing limitations, only one staff had been assigned, and were unaware of the mandate to have two staff assigned to this function.

Response: Implemented. Two staff have been assigned to perform the function.

18. Ensure that all "Offender Authorization for Payment" forms be signed by a witness.

Finding: "Offender Authorization for Payment" forms did not contain signatures of an employee as witness. Six of 94 "Offender Authorization for Payment" forms were not signed by a Center employee as witness. Center personnel indicated that this was an inadvertent oversight by the employee.

Response: Implemented. The errors noted were due to staff oversights.

19. Verify cash receipts to supporting documentation and investigate any discrepancies and note the outcome of the investigation on the supporting documentation.

Finding: Cash receipts lacked adequate supporting documentation. During testing, auditors noted the following:

- Seven out of 86 locally held fund cash receipts tested, totaling $4,012, lacked supporting documentation.

- One out of 86 cash receipts tested, totaling $190, did not agree to supporting documentation.

Center personnel indicated that these were inadvertent oversights.

Response: Accepted. The facility will make every effort to ensure documentation is retained.

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 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.

During FY07, the Vienna Correctional Center filed an emergency purchase for roof replacement on ten buildings totaling $2,467,000.00. There were no emergency purchase affidavits filed in FY08.