

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Corrections
Two Years Ended June 30, 2012

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**REVIEW: 4410
DEPARTMENT OF CORRECTIONS
TWO YEARS ENDED JUNE 30, 2012**

FINDINGS/RECOMMENDATIONS - 39

**IMPLEMENTED - 25
ACCEPTED - 13
UNDER STUDY - 1**

REPEATED RECOMMENDATIONS - 25

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 34

This review summarizes the auditors' report on the Department of Corrections. The report presented the department-wide financial audit for the year ended June 30, 2012 and compliance examination of the Department for the two years ended June 30, 2012. The report was conducted in accordance with *Government Auditing Standards* and State law. The auditors expressed a qualified opinion on the financial statements based on the Working Capital Revolving Fund (Correctional Industries).

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

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

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

The function of the Adult Transition Centers is to provide basic needs, custody, and program opportunities for adults sentenced by the Illinois courts. The Centers provide academic and

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vocational programs, work experience, and participation in public service projects for residents who are making the transition from prison to free society.

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

Michael P. Randle was the Director of the Department during the first 11 weeks of the audit period, serving from June 8, 2009 through September 18, 2010. Gladyse Taylor was appointed Acting Director from September 19, 2010 through May 1, 2011. Salvador A. "Tony" Godinez was appointed Director effective May 2, 2011. He still serves in that position. For the past 37 years, he has held posts not only as executive director of the Cook County Sheriff's Department of Corrections, but also warden of Stateville Correctional Center, as well as chief of operations and chief of staff at IDOC.

The number of employees at the years indicated was as follows:

	2012	2011	2010
General Office	241	265	263
Education Services	214	237	193
Statewide and Field Services	657	688	710
Correctional Centers (non-officers)	2,301	2,333	
Correctional Centers (correctional officers)	7,689	7,839	9,857*
TOTAL	11,102	11,362	11,023

*Includes all employees of Correctional Centers

Population and Average Cost Per Resident

Appendix A provides a summary of average populations and yearly cost per inmate for FY12 and FY11 at each of the 27 adult institutions and community correctional centers. According to statistics provided by the Department, the average daily population of adult institutions (maximum, medium, and minimum security) increased from 47,212 in FY11 to 47,349 in FY12. The rated capacity of adult institutions at June 30, 2012 was 32,583, or 14,766 over rated capacity.

The average daily population at the seven Adult Transition Centers increased from 669 in FY11 to 699 in FY12. According to the report, the rated capacity for all institutions at June 30, 2012 was 33,663 and the average number of residents was 48,573.

On January 4, 2013, the Department closed Tamms Correctional Center, and the ATCs at Decatur, Southern Illinois and West Side. Dwight Correctional Center closed on March 26, 2013.

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

<u>Work Camps</u>	<u>Boot Camps</u>
East Moline	Vienna (Dixon Springs)
Jacksonville (Greene County & Pittsfield)	Pinckneyville (DuQuoin)
Shawnee (Hardin County)	
Southwestern	
Western Illinois (Clayton)	

The average yearly cost per resident for adult institutions was approximately \$21,596 in FY12 and \$21,375 in FY11; and the average yearly cost per resident for Adult Transition Centers was \$20,957 in FY12 and \$23,862 in FY11. The total number of paid overtime hours and compensatory hours used in FY12 was 1.47 million at a cost of \$57 million. In FY11, paid overtime/compensatory hours were 1.41 million at a cost of \$54.2 million. Inmate assaults on staff numbered 431 in FY12 and 517 in FY11. There were 98 inmate assaults on staff at Pontiac in FY12.

Expenditures From Appropriations

The General Assembly appropriated a total of \$1,255,424,700 to the Department of Corrections in FY12. Appendix B summarizes appropriations and expenditures for the period under review. Total expenditures were \$1,224,923,177 in FY12 compared to \$1,226,766,665 in FY11, a decrease of \$1.8 million, or 1.5%. Personal Services expenditures increased in FY11 from FY10 as a result of required bargaining agreement raises. Expenditures by the Correctional Centers were \$1.019 billion in FY12 compared to \$1.009 billion in FY11. Lapse period expenditures totaled about \$99.4 million for FY12, or 8.1% of total expenditures.

Cash Receipts

Appendix C contains a summary of cash receipts. Total cash receipts increased from about \$23.8 million in FY11 to \$28.7 million in FY12, principally due to the receipt of 2011 adult education grant funds in FY12 and an increase in inmate population resulted in more commissary sales.

Property and Equipment

Appendix D provides a summary of property and equipment for FY11-12. The balance at the end of FY12 for property and equipment was \$1,817,797,973 compared to \$1,808,466,648 at the beginning of FY12. More than 83%, \$1.5 billion, of the Department's property is comprised of buildings.

Status of a Management Audit

The Program Audit from 2007 on Funding Provided by or Through the State to the Chicago Project for the CeaseFire Program contained three recommendations for the Department of Corrections concerning the following:

- Document the Department's funding agreement with UIC and improve monitoring of the agreement and the distribution of funds. (Recommendation #2)
- Develop quantifiable performance measures and define measures that accurately depict the effect of CeaseFire activity. Ensure the Chicago Projects documents the selection criteria used when deciding how to utilize funding. (Recommendation #7)
- Provide documentation to show how funding is to be used and whether any discretionary uses are allowed as per the written funding agreement. (Recommendation #9)

The auditors determined that the Department had made progress in implementing the recommendations; however, Recommendations #2 and #7 remain partially implemented, while Recommendation #9 is implemented.

Accountants' Findings and Recommendations

Condensed below are the 39 findings and recommendations included in the audit report. Of these, 24 are repeated from prior audits. The following recommendations are classified on the basis of updated information provided by Ron Faith, Chief Internal Auditor, Department of Corrections, in a memo received on December 24, 2013 via electronic mail.

Accepted or Implemented

- 1. Outline and implement procedures to ensure GAAP Reporting Packages and financial statements are prepared in an accurate manner. Include internal reviews in those procedures as a method to identify and correct errors prior to the submission of financial information to the Illinois Office of the Comptroller and other external parties. Additionally, ensure compliance with quarterly reporting to the Illinois Office of the Comptroller as required by SAMS.**

Direct Correctional Industries to work with its customers to determine the accurate receivable balance. In addition, ensure that Correctional Industries posts all invoices and payments properly in a timely and accurate manner. Finally, direct Correctional Industries to work with DCMS regarding the administration of the farm leases and ensure all information is accurately reflected in the financial statements for the Working Capital Revolving Fund. (Repeated-2008)

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Finding: The Department of Correction's (Department's) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the Comptroller contained inaccuracies. These problems, if not detected and corrected, could materially misstate the Department's financial statements and negatively impact the financial statements prepared by the Illinois Office of the Comptroller.

During the audit of the Department's June 30, 2012 financial statements, the auditors noted the following errors in the GAAP Reporting forms and financial statements:

- The Department filed a Quit Claim Deed with Carroll County to transfer the Thomson Correctional Center to the Department of Central Management Services (DCMS) effective August 1, 2010. As of the date of the transfer, the Department should have stopped depreciating the building and improvements and all related equipment and not report it in subsequent financial statements. After being brought to the Department's and DCMS attention by the auditors, the Department removed the activity of the Thomson Correctional Center from its financial statements for the year ended June 30, 2012, and revised its financial statements. The revisions to the financial statements and related GAAP Reporting forms totaled a decrease in \$120,313,000 to capital assets, and \$24,209,000 of accumulated depreciation. Depreciation expense decreased \$2,243,000.
- The Department understated the cash and liability balances by \$603,000 in the GAAP packages submitted for the DOC Resident's Trust Fund (1131) because it omitted the activity of the contractually administered Adult Transitional Centers (ATCs). However, the Department subsequently became aware of this error and amended its originally submitted report. The Department attempted to revise the GAAP packages for this fund, but management stated it was instructed not to do so by the Illinois Office of the Comptroller due to the materiality of the adjustment on a statewide basis. The Department included the \$603,000 cash and liability balances of these ATCs in its financial statements.
- Auditors of the Department's Correctional Industries noted the Department did not maintain adequate and accurate records related to the customer accounts receivable of the Working Capital Revolving Fund. Correctional Industries reported \$10,043,000 in customer accounts receivable for the Working Capital Revolving Fund at June 30, 2012.

The Department determined the Working Capital Revolving Fund customer accounts receivable system contained payment posting errors. Management also stated they did not have all of the supporting detail to ensure the posting of payments to the proper invoice. Concerning the failure to transfer the Thomson Correctional Center to DCMS, the Department stated the length of the sale process caused the transaction to initiate in one fiscal year and not to be completed until subsequent years. As a result, the accounting for the transaction did not occur as intended.

Accepted or Implemented – continued

Response: Accepted. The Department will continue devoting the resources necessary to complete the GAAP reporting as required. The Assistant Deputy Director position responsible for Fiscal Accounting Compliance was filled effective February 1, 2012.

Updated Response: Implemented. The Department's Fiscal Accounting Compliance has taken the necessary steps to make every effort to ensure that GAAP Reporting Packages and financial statements are prepared in an accurate manner.

- 2. Strengthen procedures over property and equipment to ensure accurate recordkeeping and accountability for all State assets. Incorporate internal review procedures within the financial accounting function that ensures the capital asset information is properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Illinois Office of the Comptroller. Continue to research mechanisms to prepare and utilize detailed capital asset information. (Repeated-2008)**

Finding: The Department did not maintain accurate and adequate property/fixed asset records and did not accurately record all capital asset information in its financial records. The auditors identified a number of inadequacies in the Department's property/fixed asset recordkeeping process:

- The Department's Automated Property Control System (APCS) does not provide information for the auditors to test depreciation by asset. APCS reports provide a total cost of all buildings combined, along with total depreciation combined at the end of the quarter. A report by asset cannot be generated. As a result of this inherent limitation of APCS, the auditors were unable to perform detailed testing by asset of the additions to accumulation depreciation and associated depreciation expense.
- During testing at the Department's General Office of equipment additions, deletions, transfers, location testing and voucher testing, auditors noted a number of exceptions including purchases without supporting documentation and purchases not recorded in the APCS.
- Auditors tested a sample of equipment items from all seven Adult Transition Centers and 10 Correctional Centers for FY11 and FY12. As a result, numerous exceptions were noted. Some of the exceptions included: 1) Items which could not be located at the listed location or at all; 2) employees separated from the Department still had access to APCS, and; 3) Computer items identified as obsolete in 2008 were still being stored at a Correctional Center.

The Department attributed the exceptions to human error, employee oversight, competing priorities and inherent limitations of the Department's APCS. Specifically concerning the obsolete items noted by the auditors, the Department stated the items were being maintained

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to be possibly utilized as replacement parts or for another automotive services class in the future at those specific Correctional Centers.

Response: Accepted. The Department will continue devoting the resources necessary, within the limitations of the current technology and budget constraints of the existing Automated Property Control System (APCS), to ensure that capital asset information is properly recorded and maintained. The Department will also re-evaluate the capabilities of the existing APCS to determine whether it can produce the type of data necessary for the Department to prepare detailed capital asset information.

Updated Response: Implemented. The Department has strengthened its control over accurate record keeping. Control is sufficient in safeguarding all State assets and has reviewed and implemented procedures within its accounting function to properly report capital asset information.

3. Improve centralized oversight function related to inventory to allow for improved controls. (Repeated-2008)

Finding: The Department failed to maintain adequate controls over its inventory. Auditors identified numerous exceptions and weaknesses related to the controls over commodity and commissary inventory operations. Some of the exceptions identified follow:

- Auditors noted at 5 Correctional Centers the inventory counts completed by Center personnel did not agree to accounting records in The Inventory Management System (TIMS) or the Fund Accounting and Commissary Trading System (FACTS).
- Auditors found Pinckneyville Correctional Center understated its end of year commissary inventory balances to the General Office by \$70,942. The Center did not record invoices in FACTS for inmate commissary goods totaling \$70,942 until FY13 although the items were received prior to June 30, 2012.
- Auditors noted stockpiling of inventory totaling \$120,650 at Stateville Correctional Center. Stockpiling is defined as maintaining a supply greater than the level needed for a twelve-month period.
- Auditors identified Stateville Correctional Center made a large quantity of adjustments to agree its records within TIMS to its year-end physical inventory counts. The adjustments amounted to decreases in TIMS of \$116,568 at June 30, 2011 and \$94,187 at June 30, 2012.

The Department attributed the exceptions noted in the current audit to human error, employee oversight, competing priorities, and/or shortages of staff. Furthermore, the Department stated it was unaware of the requirements to record the receipt of donated items in its inventory. Department management stated difficulties and confusion occurred at the Correctional Centers concerning processing receipts of inventory shipments close to the end of its fiscal year,

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Accepted or Implemented – continued

specifically once the inventory counts had begun. Finally, backorders and group purchases sometimes led to stockpiling of certain inventory items.

Response: Accepted. During an absence of sufficient resources, the Department contracted with an accounting firm to assist in meeting the necessary fiscal requirements. The Assistant Deputy Director position responsible for Fiscal Accounting Compliance was filled effective February 1, 2012. Adequate resources have been added, striving to continue making improvements in the Department's centralized oversight function and to the inventory accounting and maintenance within the facilities.

Updated Response: Implemented. The Department has made revisions in maintaining and accounting for inventory with the implementation of The Inventory Management System (TIMS) and Fund Accounting and Commissary Trading System (FACTS). The Department has also given guidance and oversight to those charged with maintaining inventory with proper inventory instruction.

- 4. Remind Center staff of the requirements set forth within the Administrative Directives and statutes related to the operation and maintenance of the locally held funds. Provide a training curriculum which includes how to apply the Administrative Directives specific to the locally held funds to assist in this endeavor. In addition, direct the Internal Audit Division to implement a plan to periodically perform internal audits of the locally held funds at the Centers. (Repeated-2008)**

Finding: The Department's Correctional Centers inadequately administered locally held (bank accounts) funds during the audit period. Some of the exceptions noted follow:

- Seven Correctional Centers did not exercise adequate controls over the Resident Benefit Fund or the Employee Benefit Fund.
- Four correctional Centers did not properly report accounts payable at June 30, 2011 and 2012. Auditors noted the Centers were unable to provide supporting documentation to determine whether the Center properly excluded the item or included the item in its accounts payable listing at June 30 of each respective fiscal year.
- Five Correctional Centers did not deposit locally held fund receipts timely.
- Three Correctional Centers did not maintain adequate segregation of duties over functions within their locally held funds.

Department management indicated the exceptions noted during the current audit were due to employee oversight, human error, competing priorities, and staffing limitations at the correctional facilities.

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Response: The Assistant Deputy Director position responsible for Fiscal Accounting Compliance was filled effective February 1, 2012. Adequate resources have been added, striving to continue making improvements in the Department's centralized oversight function and by the training of facility staff.

Updated Response: Implemented. The Department has reminded staff in the form of guidance and oversight, at Business Administrator Regional Meetings, the importance of the requirements related to the administration and operation of locally held funds at the facilities.

5. Take the following actions to improve administration of locally held funds:

- **Comply with the statutory requirements of depositing receipts into the funds in which they belong.**
- **Follow the guidelines explained in the Administrative Directives for the uses of the Resident's and Employee's Benefit Fund and do not utilize the fund as a means to circumvent the appropriation for operating purposes, such as postage.**
- **If the use of purchasing (gift) cards is allowed at Correctional Centers as a method of disbursement in its locally held funds, develop official procedures for their use and formalize those in the Administrative Directives.**
- **Abide by the State Records Act and preserve the records necessary to document financial activities. In addition, abide by the guidelines of the State Comptroller Act and SAMS regarding the completeness of the information included on the Report of Receipts and Disbursements for Locally Held Funds (C-17). (Repeated-2008)**

Finding: Weaknesses were noted in the Department 's General Office administration of its locally held (bank accounts) funds during the audit period.

During the audit period, the Department's locally held funds were managed independently at each individual Correctional Center, Adult Transitional Center (ATC) or the General Office, with the exception of the resident benefit fund bank accounts in the DOC Resident's and Employee's Benefit Fund are managed at the Department's General Office by the Public Safety Shared Services Center (PSSSC). Some of the weaknesses noted by the auditors follow:

- \$11,981,510 related to the statutory transfers of profits from the Inmate Commissary Funds (1127) that should have been deposited into the Department of Corrections Reimbursement Fund (0523) was deposited into the residents portion of the DOC Resident's and Employee's Benefit Fund during all of fiscal year 2011 and for a portion of fiscal year 2012.

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Accepted or Implemented – continued

- \$10,000 was loaned, and subsequently repaid in fiscal year 2011, from the residents portion of the DOC Resident's and Employee's Benefit Fund to the Department's Field Services Division for postage at the Adult Field Services locations throughout the State.
- Auditors noted some Correctional Centers utilize gift cards that were purchased through locally held funds to make purchases from vendors as opposed to the vendors billing the Correctional Center. The Department has an informal process for handling gift cards but does not have a written administrative directive relating to the use, reporting, and safeguarding of purchasing (gift) cards.
- The Department could not provide requested copies of the Report of Receipts and Disbursements for Locally Held Funds (C-17) for the first three quarters of FY11. The C-17 due on July 31, 2012 for the fourth quarter of FY12 for the DOC Resident's Trust Fund was resubmitted on October 26, 2012. \$603,000 of cash balances and related liabilities for the contractually administered ATCs was omitted from the originally submitted C-17.

The Department attributed the above weaknesses to conflicting priorities and employee oversight.

Response: Accepted. The Department will ensure the following of Administrative Directives for the uses of locally held funds and also preserving and maintain records necessary to document its financial activity. The Assistant Deputy Director position responsible for Fiscal Accounting Compliance was filled effective February 1, 2012. Adequate resources have been added to improve its administration of locally held funds at the General Office.

Updated Response: Implemented. The Department has strengthened its control over the administration of locally held funds at General Office.

6. Direct Correctional Industries to maintain adequate controls over accounts receivable to ensure:

- **Monthly statements are sent out;**
- **Reasonable efforts are put forth related to the billing and collection of accounts;**
- **Catch up billings are sent out; and,**
- **Quarterly Summary of Accounts Receivable Reports are accurate and signed by an appropriate official.**

Finding: Correctional Industries did not maintain adequate internal controls over its accounts receivable. Some of the exceptions noted by the auditors follow:

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- Correctional Industries did not send out monthly statements to its customers.
- Correctional Industries did not take actions to bill and collect receivables within the fiscal year in which the debt was incurred. Correctional Industries, accounts receivable due over one year totaled \$1,135,000 at June 30, 2012.
- The Department did not issue catch up billings in the subsequent fiscal year for accounts with balances from the prior fiscal year.
- The Quarterly Summary of Accounts Receivable Reports (C-97) filed with the Illinois Office of the Comptroller for fiscal years 2011 and 2012 were not signed by management for 7 of the 8 (88%) filings.

Department management stated between 2006 and 2012 the payments were not always posted properly to the matching invoices. As a result, the customers' detailed statement became lengthy and was no longer sent. The Department also noted the responsibility for reviewing the receivable aging trial balance is the task of Correctional Industries' Chief Financial Officer. This position was not permanently filled during the engagement period.

Response: Accepted. The Department will ensure that the Illinois Correctional Industries fiscal staff takes all possible steps to work towards accurate and timely reconciliations, and ensure the recordings of all customers' accounts receivable are maintained at the invoice level. In addition the Department of Corrections will ensure the Illinois Correctional Industries fiscal staff sends out customer statements; efforts will be put forth to ensure proper invoicing and collection of accounts; Comptroller's Quarterly Summary of Accounts Receivable Report is accurate and approved by an appropriate official.

Updated Response: Implemented. The Department (ICI) has implemented controls over accounts receivable. Recommendations from the audit are currently being implemented.

7. Direct Correctional Industries to work with DCMS regarding the administration of the farm leases. In addition, ensure all information is accurately reflected in the financial statements.

Finding: The Correctional Industries failed to pursue collections of past due amounts owed from farm leases. During testing of the farm lease program, auditors noted:

- Per correspondence dated January 2, 2012, as the lessor on behalf of Illinois Correctional Industries, the Department of Central Management Services (DCMS) is responsible for the collection of any delinquent accounts. However the lease agreement states monthly payments are to be submitted to the Illinois Correctional Industries.

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- DCMS sent out two notices for collection. Both tenants paid; however, one tenant did not make payment of interest totaling \$9,000. Additionally, the Correctional Industries did not record the outstanding interest as an accounts receivable on its financial statements at June 30, 2012.
- Correctional Industries did not follow its internal procedures for accounts receivable, whereby monthly statements are required to be sent on all delinquent accounts.
- The lease agreements state monthly finance charges of 1.5% (18% annually) are to be assessed. However, interest was not assessed on past due accounts, totaling approximately \$90,000. In addition, Correctional Industries did not record the outstanding interest as an account receivable on its financial statements at June 30, 2012.
- The farm lease accounts receivable at June 30, 2012 included \$210,000 which had been outstanding over one year, and 90% past due for more than five years. However, the Correctional Industries had not reviewed the accounts for collectability and had not established an allowance for doubtful accounts.

Management from Correctional Industries stated, in prior years, the Department attempted to monitor and track farm leases. Upon a letter dated January 2, 2012 from the Department of Central Management Services' Bureau of Property Management, it was determined that the Department of Central Management Services has the role of administrator of these leases.

Response: Accepted. The Department will ensure that Correctional Industries works with the Department of Central Management Services regarding the administration and collection of farm leases.

Updated Response: Implemented. The Department (ICI) has implemented controls over farm leases and is taking the necessary steps to ensure farm lease financial information is properly reflected in the financial statements.

8. Implement and document the controls over the computing environment and ensure the controls provide sufficient protection.

Finding: The Department had not implemented or documented the controls over its computing environment to ensure the controls provide sufficient protection.

The Department utilizes a myriad of computer systems to track offender's location, information, and maintain accounting of offender's finances. As part of the auditors standard audit procedures, policies, procedures, recovery plans, and various logs are requested from

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the Department in order to determine the controls over the computing environment. However, the Department was either unable to provide or did not maintain such information. In addition, as the auditors performed other testing procedures it was noted Department employees and former employees had inappropriate access to the various systems.

The Department's inability to provide detailed information prevented the auditors from performing required tests to determine the adequacy of the control environment.

Department management stated that changes in staffing levels and the retirements of IS management was the cause for such information to be overlooked and not maintained.

Updated Response: Accepted. The Department is currently in the process of reviewing and evaluating IT internal controls over its computing environment.

- 9. Discontinue using the Inmates' Trust Fund or Inmates' Benefit Fund as a means to provide cash to pay for travel allowances for committed, paroled and discharged prisoners while waiting for reimbursement from the General Revenue Fund. Utilize the newly established Travel and Allowance Revolving Fund at the Correctional Centers to pay for inmate travel allowances and remind Correctional Center staff of the need to maintain good internal controls over any cash function. (Repeated-2008)**

Finding: Each of the Correctional Centers maintains a "cash box" which consists of cash from two sources. Cash is maintained in the cash box from the Inmates' Trust Fund to pay either all or a portion of an inmate's trust account upon their parole or release. In addition, cash is provided through a General Revenue Fund appropriation to provide gate money and to purchase the inmate's transportation upon parole or release from a Correctional Center.

Auditors noted numerous exceptions with the operation of the Department "cash box" funds at the Correctional Centers, specifically:

- The Correctional Centers are inappropriately using the Inmates' Trust Fund and Inmates' Benefit Fund to supply the "cash box" funds pending reimbursement from the General Revenue Fund for gate and transportation money.
- Auditors noted seven out of 27 Correctional Centers tested where there was either a lack of segregation of duties while reconciling the "cash box" and/or the "cash box" was not counted or reconciled to supporting documents timely.

Department management indicated the continued exceptions noted at the facilities in the current finding were due to insufficient resources and conflicting priorities. The Department officially requested to establish the Travel and Allowance Revolving Fund (Fund) with the Comptroller on December 8, 2011. However, the Fund was not operational at any of the Department's Correctional Centers as of June 30, 2012.

Accepted or Implemented – continued

Updated Response: Implemented. The Department has established and is using a locally held fund which has been named the Travel and Allowance Revolving Fund.

- 10. Resolve treatment of prior years' outstanding checks in locally held bank accounts based upon consultation with the Office of the Treasurer's Unclaimed Property Division. In addition, change Administrative Directive to comply with the Uniform Disposition of Unclaimed Property Act and inform those charged with administering locally held bank accounts of the requirements. (Repeated-2008)**

Finding: The Department has an established Administrative Directive to add back to locally held bank accounts outstanding checks as opposed to sending outstanding amounts and information to the Treasurer's Unclaimed Property Division, in violation of the Uniform Disposition of Unclaimed Property Act, which states all debts owed that are held by the State or by a State agency shall be presumed abandoned if the property (debt owed) has remained unclaimed for 7 years.

In response to this finding from the previous audit, the Department stated it would consult with the Office of the Treasurer and Legal Counsel to determine the applicability of the Uniform Disposition of Unclaimed Property Act in this process and would revise the Administrative Directive and implement as appropriate.

Response: Accepted. The Department's Legal Counsel consulted with the Office of the Treasurer and it was the opinion of those in the Treasurer's Office that the Department needs to be remitting the amounts of the outstanding checks to the Unclaimed Property Division, rather than adding them back to our accounts after a period of time. The Department will also revise the Administrative Directive and implement as appropriate.

Updated Response: Accepted. The Department is establishing controls and procedures and is now awaiting response from Treasurer's Office or Legal Counsel on remitting the amounts of the outstanding checks to the Treasurer's Unclaimed Property Division.

- 11. Revise internal policy for dormant accounts and thereby ensure dormant cash accounts are timely transferred to the General Revenue Fund as required by statute. Also, develop procedures to administer inmate cash balances in accordance with State statute and Department Administrative Directives. (Repeated-2010)**

Finding: The Department improperly offset DOC Resident's Trust Fund (Inmate Trust Fund) accounts with positive cash balances against accounts with negative balances prior to the transfer of unclaimed cash balances to the General Revenue Fund (GRF). As a result,

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dormant accounts totaling approximately \$86,527 were not transferred to the General Revenue Fund during the two years ended June 30, 2012. In addition, during the audit period, the Department transferred \$22,056 in dormant accounts that should have included \$33,908 due to offsetting, or netting, balances.

In addition, the following are of the some of the exceptions auditors noted while testing inmate cash balances:

- Offenders on the dormant account listing were identified as transferred to another Correctional Center at 8 of 27; however, the remaining balance within the trust fund account was not forwarded to the receiving institution.
- At 11 of 27, auditors were unable to determine the date the inmates' account balances were added to the dormant account listing because the accounts had a status date of 1/1/1900.
- Two of 7 (29%) Adult Transition Centers (ATC) (Peoria and Westside) did not maintain proper documentation for dormant accounts.

Department management indicated on-going issues are the result of human errors, lack of resources, inadequate communication and central level oversight within the Department to review internal policies and statutory requirements to determine the appropriate process to follow.

Updated Response: Implemented. The Department has established oversight controls and procedures to stop allowing negative balances to be transferred. Dormant inmate accounts are handled timely.

12. Ensure computation of cost of goods sold does not include duplicative costs and complies with statute. Mark up goods for resale in the inmate commissary only to the allowable amounts. (Repeated-2006)

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

The Department phased in the application of the charge. Effective November 1, 2005 the charge was set at 3%. The Department raised the charge on January 1, 2006 to 7% and continued to assess the charge until September 10, 2012. The amount the Department collected for the additional charge from 2006 through 2012 was \$16.8 million.

The Unified Code of Corrections (730 ILCS 5/3-7-2a) states, "...the selling prices for all goods shall be sufficient to cover the costs of the goods and an additional charge of up to 35% for tobacco products and up to 25% for non-tobacco products. The amount of the additional charges for goods sold at commissaries serving inmates shall be based upon the

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Accepted or Implemented – continued

amount necessary to pay for the wages and benefits of the commissary employees who are employed in any commissary facilities of the Department.”

In the June 30, 2006, 2008 and 2010 reports it was recommended the Department revise its methodology for computing cost of goods to ensure included costs are not duplicative and comply with the statute and only mark-up the goods for resale in the inmate commissary with allowable amounts. In addition, previous reports recommended the Department seek a formal written Attorney General opinion on this matter. The Department did submit a request to the Attorney General on February 1, 2010 seeking an interpretation. The Attorney General’s Office responded on February 25, 2010 indicating they cannot issue an opinion in response to the Department’s request since the matter requested was now scheduled for determination by the courts.

During engagement fieldwork Department personnel indicated that effective September 10, 2012 Correctional Centers ceased adding the additional charge to inmate commissary purchases. However, since this was subsequent to the current audit period, auditors did not perform any testing on the Department’s actions. The amount collected in excess of the allowable additional charges on the cost of goods sold from 2006 through 2012 was \$3.7 million.

Response: Accepted. The Department will make every effort to ensure that computation of cost of goods sold does not include duplicate costs; goods for resale will only be marked up to the allowable amounts and complies with the statute.

Updated Response: Implemented. The Department has changed procedures and software programs which do not allow a change in mark-up to more than what is allowed by statute.

13. Continue efforts to work with DCMS for direction on commissary purchasing to ensure it complies with the requirements of the Illinois Procurement Code. (Repeated-2004)

Finding: The Department is not complying with the requirements of the Illinois Procurement Code (Code) with regard to purchases of items for resale in the Department’s commissaries at Correctional Centers.

The Department maintains numerous commissary operations at Correctional Centers for inmates and employees. Purchases are made from vendors for commodities to be resold in the commissaries. Total purchases made from vendors for resale in the commissaries were approximately \$39 million in fiscal year 2011 and \$41 million in fiscal year 2012. The commissaries commodity purchases are made through non-appropriated locally held funds. As a result of testing, auditors noted:

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- Purchases were not made by competitive sealed bidding or competitive sealed proposals as required by the Code.
- Terms and conditions for the purchases of goods from vendors for the commissaries were not documented in the form of a contract as required by the Code.
- None of the required procurement notices were published in the Illinois Procurement Bulletin as required by the Code.

During the audit period, the Department stated it continued to work with DCMS for direction on the commissary purchasing and several discussions have taken place.

Updated Response: Implemented. The Department is working in conjunction with the Department of Central Management Services in soliciting commissary goods with the goal of having a commissary purchasing contract in place.

14. **Improve accounting procedures and controls at the ATCs. Specifically, ensure:**

- **ATC Accountants follow the Administrative Directive (A.D.) relating to the handling of outstanding checks written from the Inmate Trust Fund.**
- **Benefit Fund disbursements are properly processed and authorized and ATC personnel retain all supporting documentation.**
- **Receipts are deposited on a timely basis as outlined in the A.D.**
- **Benefit Fund Committees authorize purchases for the respective funds as required by the A.D.'s and the funds be utilized for purposes outlined in the A.D.s.**
- **All required forms are included within the resident's files. (Repeated-1994)**

Finding: The Department did not properly maintain records at the Adult Transition Centers (ATCs). Testing of the seven ATCs for the two years ended June 30 2012, produced the following exceptions:

- Cash balances were misstated at two of seven ATCs.
- At three ATCs, the auditors noted deficiencies related to disbursements from the Employee Benefit Fund portion of the DOC Resident's and Employee's Benefit Fund.
- At four 7 ATCs, the auditors noted deficiencies related to disbursements from the Inmate Benefit Fund portion of the DOC Resident's and Employee's Benefit Fund.
- At 3 ATCs, the auditors noted deficiencies related to the personal property listings of residents.

Similar weaknesses were noted at the ATCs in the previous ten audits.

Accepted or Implemented – continued

Updated Response: Implemented. The Adult Transition Centers are improving their accounting procedures and controls by following the Administrative Directives to properly authorize and process purchases and disbursements, maintain accurate property and equipment records and maintain all required forms.

15. Perform an analysis of food service at all ATCs to ensure the following:

- **Establish a system to determine in advance how many residents will be present for a meal as a means to base the number of meals the contractor should prepare and provide;**
- **Sufficient, but not excessive food is served at each meal;**
- **Controls are established to ensure the State pays only for the meals served by the contractor, and does not pay for meals not provided. (Repeated-2008)**

Finding: The Department is not fully utilizing the meals purchased under a food services contract. During testing at five ATCs, auditors noted the food service contract allows the vendor to bill the Department for three meals per day, per resident head count for the day, regardless of how many meals are actually prepared and served. This resulted in the ATCs being billed for 531,579 more meals than were actually prepared and served at a cost of \$854,905 to the Department.

Department management indicated the exceptions noted during the current audit period were due to employee oversight, staffing constraints and conflicting priorities. The monitoring does not involve any comparison of actual meals served to what is being billed.

Updated Response: Accepted. The Department is working on an analysis of the food service contracts at the remaining Adult Transition Centers.

16. Implement the necessary controls to adequately administer contractual, lease, and grant agreements and ensure compliance with applicable statutes and Administrative Directives. In addition, seek reimbursement for the unexpended grant funds not yet returned to the Department. (Repeated-2006)

Finding: The Department failed to ensure proper controls were established in the administration of its contracts during the audit period. During testing of contractual agreements, grants and emergency purchases, some of the exceptions noted by auditors were as follows:

- The Department could not demonstrate adequate contract monitoring for eight of 70 contracts totaling \$1,697,359. Specifically, the auditors noted the Department

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failed to explain, or sufficiently explain what type of monitoring occurred for 7 contracts, and insufficiently monitored another contract.

- Twelve of 64 emergency purchase affidavits for purchases totaling \$3,113,910 were not published at all in the Procurement Bulletin as required by statute.
- Two of 64 emergency purchase affidavits for purchases totaling \$182,720 were not filed with the Auditor General timely within the timelines established by statute, ranging from 14 to 80 days late.
- One of two grants was revised and a budget revision was not submitted by the grantee. The grantee did not submit the required final report correctly for one of the grants tested. The grantee did not return the unexpended funds to the Department at the end of the grant terms. The grantee owed the Department \$159,454 of unexpended funds at the end of the fiscal year 2011 grant and \$371,885 of unexpended funds at the conclusion of the fiscal year 2012 grant.

For the exceptions noted during the current audit, Department management indicated the failure to ensure proper controls were established in the administration of contracts was due to employee oversight, human error, lack of resources, and inadequate communication within the Department.

Updated Response: Accepted. The Department is working on the necessary controls to adequately administer its contract, lease and grant agreements and to ensure compliance with applicable statutes and Administrative Directives.

17. Ensure that audits of all major systems of internal accounting and administrative control are conducted at least once every two years as required by the Fiscal Control and Internal Auditing Act. Further, develop an effective process to identify new major computer systems or major modifications of existing computer systems.

Finding: The Department's Office of Internal Audit did not comply with the Fiscal Control and Internal Auditing Act. During FY11 and FY12, the Office of Internal Audit did not complete audits of all the Department's major systems of internal accounting and administrative control. Additionally, an effective process to identify new major computer systems or major modifications of existing computer systems was not in place.

Department officials acknowledge they did not comply fully with the Act. In addition, there was limited allocation of internal audit resources and considerable time was spent coordinating the external financial and compliance audit. Department management stated the Department did develop a comprehensive plan for the audits to provide adequate coverage under the Act.

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Accepted or Implemented – continued

Updated Response: Accepted. The Department is working toward acquiring sufficient resources within the Office of Internal Audit and to comply with all applicable statutes.

18. Develop and implement a project management framework and systems development standards to ensure projects are adequately monitored and documented.

Finding: The Department had not effectively managed the development process of the Offender 360 application to ensure it was properly controlled and documented.

In June 2010, the Department embarked on the development of the Offender 360 application as a replacement for the Offender Tracking and Juvenile Tracking Systems. The Phase 1 scope (June 14, 2010) stated an in-scope new system will be delivered within six months of the start date. As of October 2012, the system was still in development and had not been placed into production.

As outlined in the scope document signed by the Department's Director, the Department would partner with the Illinois Department of Transportation, and software developers to commence with Phase 1. Phase 1 was to include planning, requirements gathering, and prototype development. Six deliverables were also delineated in the Phase 1 scope document; however, the Department was unable to readily provide copies of specific deliverables. In addition, the documentation ultimately provided appeared to be in draft form and were generally not finalized, dated, or approved.

The Department could not provide the development methodology that had been utilized or an overall cost of the project.

Offender 360 was initially projected to be run on the Department's midrange platform and the Department purchased 5,500 software licenses for \$3,009,435 in July 2010. Although 5,500 licenses were purchased, Department documentation indicated that there would be 600 to 2,500 users in Phase 1. Additionally, per Department staff, the actual number of licenses utilized up to October 2012 was less than 60.

After receiving a Production Environment Assessment Report from one of the software developers, the Department changed its course in June 2012 and decided to run Offender 360 on a cloud computing platform. As a result, in June and July 2012, the Department upgraded the software licenses to on-line licenses to be used on the cloud computing platform for \$2,860,000.

Based on testing of the documentation provided, it appeared the project's timeline, scope, goals, and project managers had been subject to frequent undocumented changes.

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Updated Response: Accepted. The Department is in the process of developing and implementing a project management framework, and system development standards that will adequately monitor and document the process.

19. Develop formal change management procedures to control all changes made to computer systems. At a minimum include the following:

- **A mechanism to log and track changes,**
- **Documentation related to the identification, prioritization and initiation,**
- **Documentation of the authorization of change by management,**
- **Testing and documentation requirements,**
- **User acceptance testing and approval, and**
- **A mechanism to ensure changes are approved prior to being moved into production.**

In addition, restrict programmer (system analyst) access to production programs and data.

Finding: The Department did not have an effective process to control and manage changes to computer systems. The Department was unable to produce formal change management procedures upon auditor's request. Department management stated that users request changes to computer systems via Form DC622; however, the completed forms were not retained. In addition, the Department did not maintain a log or list to control and track changes.

On July 15, 2011, the Fund Accounting and Commissary Trading System (FACTS) crashed and was unavailable for approximately two weeks. The Department was unable to determine the reason for the system crash. The Department hired a contractor to assist with the restoration of FACTS; however, documentation to support the system's changes, test results, verification of complete data restoration did not exist.

Additionally, auditors at the correctional centers found a common error in the dormant account field within FACTS which resulted in inaccurate reporting of dormant accounts. According to the Department, the date error was the result of a change made by a programmer (system analyst). In addition, the detailed information associated with the change could not be traced to formal change control documentation.

Department officials stated that with the change in staffing levels, and retirement of IS management, the continuity of the change management procedures was overlooked.

Updated Response: Accepted. The Department is in the process of developing and implementing a formal change-management procedure that will control all changes made to computer systems.

Accepted or Implemented – continued

- 20. Update disaster recovery plan to reflect the current environment. In addition, continuously update the plan to reflect environmental changes and improvements identified from tests. Test the plan on an annual basis at a minimum, and make any necessary modifications to the plan as a result of those tests. Maintain documentation of recovery procedures for the plan.**

Finding: The Department had not updated its disaster recovery plan since June 2006. Additionally, comprehensive disaster recovery testing had not been conducted in the audit period.

Department officials stated that with the change in staffing levels, and retirement of IS management, continuity of the disaster recovery process was overlooked.

Updated Response: Accepted. The Department is in the process of updating the disaster recovery plan to reflect the current computing environment and to test the plan on at least an annual basis.

- 21. Develop and approve an identity protection policy as required in the Identity Protection Act.**

Finding: The Department failed to implement the provisions of the Identity Protection Act as required by June 1, 2011.

Department officials stated that due to the change in staffing levels, and retirement of IS personnel there is no evidence that the Department has addressed the issue.

Updated Response: Implemented. The Department has developed and approved an identity protection policy as required by the Identity Protection Act.

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

Finding: The Department did not conduct performance evaluations in a timely manner. Auditors tested 60 employee personnel files containing 115 evaluations performed during the audit period. Auditors noted 33 of the 115 evaluations were performed three to 224 days late. Auditors also noted four evaluations were not performed as required during the audit period for four of the employees tested. In addition, other auditors performing testing at Illinois Correctional Industries (ICI) noted 41 evaluations were not properly performed. Of the 41 exceptions, 28 evaluations were not on file and 13 were performed late.

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Department management indicated the performance evaluations related to the current audit period were not conducted in a timely manner due to staffing constraints, vacancies, retirements, oversight, and lack of adequate follow-up.

Updated Response: Implemented. The Department has reminded management staff and emphasized the importance of completing and documenting employee performance evaluations on a timely basis.

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

Finding: The Department payroll timekeeping system was not automated. During the 2008 audit period, the Department's human resources responsibilities were consolidated with a number of other State agencies as part of the Public Safety Shared Services Center (PSSSC). The PSSSC was scheduled to create/implement an automated timekeeping system, but it was not created.

In response to this finding, the Department stated it does not have the resources to purchase a new timekeeping system. The Department would, however, participate in a new Statewide system should one be purchased.

Updated Response: Accepted/Under Study. The Department would participate in a new statewide system should one be purchased.

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

Finding: The Department is not properly documenting the completion of all employees minimum required number of training hours. During testing of the Department's training records for FY11-12, the Department was unable to provide documentation that seven of 60 employees selected had met the mandatory training hour requirements.

Department management indicated the lack of adequate documentation for training at various facilities for the current engagement was due to a failure to appropriately document training hours (such as on the job training) and follow-up to ensure adequate hours are provided and attended during the year.

Updated Response: Implemented. The Department is complying and documenting required training for all employees.

25. Immediately perform a detailed inventory of computer equipment.

- **Contact DCMS in an effort to reconcile any missing items that may have been transferred to DCMS, but lacked appropriate paperwork.**

Accepted or Implemented – continued

- **Perform a detailed assessment to determine if any of the missing computers contained confidential information.**
- **Review current practices to determine if enhancements can be implemented to prevent the theft or loss of computers.**
- **Establish procedures to immediately assess if a computer may have contained confidential information whenever it is reported lost or stolen, and document the results of the assessment.**

Finding: The Department was not able to locate 156 computers during FY11-12. Upon further inquiry with Department personnel auditors noted that the missing computer equipment consisted of 51 desktop computers and 105 laptop computers. The Department considers these computers to be lost. Department personnel were not able to provide property transfer forms or any other documentation showing what happened to the computers and had not performed an assessment, and was unsure how much, if any, confidential information was on the missing computers.

Inventory reports submitted to DCMS for FY11 reported the Department was unable to locate \$37,785 of computer inventory. In the FY12 report, the Department reported \$150,127 of missing computer inventory.

Department management indicated that the exceptions noted could be attributable to human error, employee oversight, insufficient training and/or shortages of staff.

Response: Accepted. The Department is in the process of working with the Department of Central Management Services in an effort to reconcile the missing computers as paperwork and computers are located.

26. Deploy equipment purchases upon receipt in a timely manner so the maximum value of the purchases can be obtained.

Finding: The Department ordered and received computer equipment that was not installed or placed in service for over a year.

On June 22, 2011, the Department purchased 400 laptop computers and carrying cases for \$226,000, only days prior to the end of FY11. Once received, the items were logged into the Property Control System (PCS) in July 2011 and placed in temporary stock in the State's warehouse in Lincoln, Illinois. Auditors noted, according to a review of PCS, 377 (94%) of the laptop computers remained idle in the Lincoln warehouse at June 30, 2012 and 372 (93%) at December 31, 2012. According to the DCMS negotiated products listing, the vendor from which the laptop computers were purchased has since discontinued those models.

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Department management indicated the 400 laptop computers and carrying cases purchased at the end of FY11 were necessary for the Offender 360 refresh and modernization project. These laptop computers were to replace outdated equipment that was not compatible with the upgrades the Department was making for the project. In addition, Department management indicated that the computers were stored in order to have the appropriate software installed prior to deployment.

Updated Response: Implemented. The Department has deployed all purchased laptop computers and, when applicable, will ensure future computer equipment purchases are deployed as received.

27. Regarding vehicle use:

- **Send a formal notice to those employees whose jobs involve travel to remind them of the requirement and importance of filing accident reports in a timely manner. Consider disciplinary action for those employees who do not file reports in a timely manner.**
- **Monitor the submission of accident reports to ensure the requirements are being met as required by Administrative Directive.**
- **Enforce vehicle maintenance schedules to reduce future year expenditures for repairs and to extend the useful lives of vehicles.**
- **Establish controls to ensure compliance with the Treasury Rule related to personal use of a State/Department assigned vehicle.**
- **Establish a procedure to receive the proper form from each employee allowed “personal use” of a State vehicle to ensure proper records for the reporting of fringe benefits. (Repeated-2000)**

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

Auditors noted 11 of 60 accidents tested involving State/Department vehicles were not properly reported, and Department employees were not ensuring vehicles personally assigned to them were adequately maintained. Thirty-eight of 60 vehicles tested did not receive tire rotations and/or oil changes. In addition, the Department did not maintain adequate controls over the reporting of the value of the “personal use” of a State vehicle as a fringe benefit. As a result, taxable fringe benefits related to the personal use of State vehicles may not be properly recorded. Finally, the annual certification of license and vehicle liability coverage was not completed timely.

Department management indicated the exceptions were due to conflicting priorities, employee oversight, and lack of resources to replace the fleet management system.

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Accepted or Implemented – continued

Updated Response: Implemented. The Department reminded employees of all the requirements regarding operation of State vehicles and has increased the oversight to ensure compliance.

28. Maintain documentation pertinent to the personal assignment of State-owned vehicles in accordance with the Illinois Administrative Code and Administrative Directive. (Repeated-2010)

Finding: The Department failed to maintain documentation regarding personally assigned State vehicles.

Of the 60 employees to whom vehicles had been personally assigned during the audit period, the Department was unable to provide completed Monthly Mileage Reports for six employees. Of the 54 sets of mileage reports received, eight reports were missing various months and could not be thoroughly tested by the auditors.

Department management indicated the weaknesses regarding personally assigned State vehicles were due to conflicting priorities, human error and employee oversight.

Updated Response: Implemented. The Department has completed, maintained and submitted the pertinent documentation regarding personal use of State-owned vehicles in accordance with the appropriate rules and regulations.

29. Maintain an up-to-date inventory of all telecommunication devices and document the assignments and timely cancellations.

Finding: The Department did not maintain a separate, up-to-date inventory of wireless Internet air cards and failed to cancel cellular phones, calling cards, and pagers in a timely manner after employees ceased working for the Department.

Based upon Telecommunication Service Request forms, approximately 890 cellular phones and air cards were issued or replaced during the audit period. The Department maintains a listing of State cellular phones and wireless Internet air cards that is combined in the Expense Management System (EMS). Auditors noted the Department does not maintain a separate, up-to-date inventory of active wireless Internet air cards. As such, the Department was unable to provide information as to whom the air cards were assigned. The Department is charged \$42 per month for service associated with each active wireless Internet air cards.

Auditors also identified that the Department failed to timely cancel cellular phone and pagers in a timely manner after employees ceased working for the Department. Testing noted the following weaknesses:

- Five of 60 cellular phones tested were not cancelled timely, ranging from 57 to 578 days

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after the employees separated from the Department. In addition, 10 of 60 devices selected for cellular phone testing were determined to be cancelled wireless Internet air cards. The Department was not able to determine to whom the air cards were originally assigned as the parole agent numbers within EMS were incorrect.

- One of two calling cards tested was not cancelled timely.
- Six of 60 pagers tested were not cancelled timely, ranging from 361 to 7,015 days after the employees separated from the Department.

Department management indicated the failure to maintain control over telecommunication devices was due to employee oversight, competing priorities and unresolved coordination issues with the Department of Central Management Services regarding cancelling cellular phones and pagers.

Updated Response: Accepted. The Department is currently working on an inventory process that will properly maintain and update inventory of all telecommunication devices.

30. Implement controls to ensure cash receipts and refunds are deposited in a timely manner in accordance with State law and SAMS. Additionally, implement controls to ensure source documentation is maintained related to cash receipts and Receipt Deposit Transmittals are submitted to the Comptroller in a timely manner upon receipt of the completed draft from the Treasurer. (Repeated-2008)

Finding: The Department did not deposit into the State Treasury the gross amount of the money received on a timely basis as required by State law.

- The Department could not provide copies of the deposited check or any other date related information for 12 of 60 receipts tested.
- The Department could not provide copies of all the refunded checks or any other date related information for 21 of 60 refunds tested.
- Six of 60 refunds totaling \$54,095 were not deposited into the State Treasury within the 15-day deposit extension, ranging between six and 107 days late. Additionally, the Department could not provide adequate support for 42 of 60 deposits into the State Treasury.
- Twenty-eight of 60 refunds tested were salary refunds. Seventeen of 28 of the salary refunds tested totaling \$293,575 were processed two to 165 days after the 60-day period allotted to process the refunds.

Regarding the exceptions noted in the current audit, Department management indicated the failure to maintain adequate documentation, deposit receipts and refunds timely, and submit RDTs to the Illinois Office of the Comptroller in a timely manner was due to human error and employee oversight.

Accepted or Implemented – continued

Updated Response: Implemented. The Department has reminded management staff, and emphasized the importance of, ensuring receipts and refunds are processed timely and accurately and that source documentation is properly maintained and submitted.

- 31. Establish a continuous fraud prevention, deterrence and detection program to include evaluating whether appropriate internal controls have been implemented in any areas identified as posing a higher risk of fraudulent activity, as well as controls over the financial reporting process. In addition, direct executive staff to evaluate management’s identification of fraud risks and the implementation of anti-fraud measures.**

Finding: The Department did not have a formal fraud risk assessment program in place during the audit period.

Department management stated it considered the Department’s presently established administrative directives and internal controls to be sufficient and was not aware of the need to create a formal fraud risk assessment program.

Updated Response: Accepted. The Department is analyzing a process to ensure a formal fraud risk assessment is completed and appropriately acted upon.

- 32. Perform a comprehensive review of Administrative Directives (A.D.s) and update as necessary to ensure they represent the most current, standardized practices of the Department. Additionally, review the definition of A.D. and modify it as necessary to specifically define the maintenance procedures so necessary updates are assigned the appropriate level of priority. (Repeated-2008)**

Finding: The Department needs to update its Administrative Directives to reflect the creation of the Department of Juvenile Justice and operational changes that have occurred in recent years. During testing auditors noted the Department had not consistently updated its own Administrative Directives (A.D.) to reflect the change for the creation of the Department of Juvenile Justice (DJJ).

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

Updated Response: Accepted. The Department is working towards a process to review and update Administrative Directives as necessary.

- 33. Properly notify the appropriate parties of impending release of inmates in accordance with State statute. (Repeated-2010)**

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Finding: The Department failed to properly notify State's Attorneys and public housing agencies of impending release of inmates.

Auditors noted the Department was not able to comply with the 14-day notification requirement to the State's Attorney in the counties where the prosecution took place and where the inmate was to be released at 10 Correctional Centers. The notices ranged from one to 14 days after the 14-day notification deadline. The Department also did not provide written notification to public housing agencies where felons in the custody of the Department resided, resides, or will reside at an address owned, managed, operated, or leased by a public housing agency at four Correctional Centers.

Auditors further noted two Correctional Centers were either unable to locate the notice of impending release in the inmates' file, or failed to submit the notice, for 5 of 50 inmates tested.

Response: Accepted. The Department does not always have knowledge or notice of a pending release 14 days in advance because of special hearings, good credit earned or a judge's ruling and cannot legally hold an inmate beyond his/her release date. The Department does, when possible, supply the notification at least 14 days before release of the person from custody, or supply notification as soon thereafter as possible.

Updated Response: Implemented. The Department has reminded management staff of the importance of ensuring each facility is properly notifying the appropriate parties of impending release of and inmate in accordance of State statute.

34. Comply with the requirements as outlined in the Code or seek legislative modification to permit the maintenance of other legal documentation as substitution for such record of access to the inmates' master record file. (Repeated-2010)

Finding: The Department failed to establish a mechanism to track access to inmate master files in the manner required by the Unified Code of Corrections.

Updated Response: Implemented. The Department has reminded Record Office staff to use and maintain a record at each facility which tracks the access to inmate master files as required.

35. Maintain adequate records indicating each inmate understands the grievance procedures as well as adequate grievance records in compliance with statute.

Finding: The Department could not demonstrate consistent compliance with the inmate grievance requirements as outlined in the Unified Code of Corrections. The Department must maintain documentation of inmate grievances and any decision thereto for a period of

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Accepted or Implemented – continued

one year. All committed persons are to be informed of the grievance procedures established by the Department and the procedures must be made obtainable to all committed persons.

Auditors noted 5 Correctional Centers could not provide documentation of compliance with inmate grievance procedures.

Department management stated exceptions were the result of human errors, lack of resources, inadequate communication and oversight within the Department.

Updated Response: Implemented. The Department has reminded management staff to maintain adequate inmate grievance records as well as appropriate documentation indicating each inmate understands the Department's grievance procedures.

36. Develop a mechanism to ensure identification cards are only provided to inmates who meet the established criteria and provide the \$1 fee.

Finding: The Department did not comply with requirements for issuing temporary identification cards, which may be presented to the Office of the Secretary of State upon application for a standard Illinois Identification Card. Auditors noted the following weaknesses in the Department's compliance with this statute:

- Thirteen of 27 Correctional Centers provided identification cards to 54 of 65 inmates tested who were on parole, mandatory supervised release, final discharge, or pardon that did not meet the criteria established by the Department for receipt of an identification card.
- Eight of 27 Correctional Centers did not collect the \$1 fee from 14 of 38 inmates tested who were issued temporary identification cards.

Department management indicated the exceptions were due in part to conflicting priorities, employee oversight and understanding of what documents were to be copied and kept in the inmate master file.

Updated Response: Implemented. The Department has reminded staff of the necessity to copy and file the required inmate's documents; and to require payment of \$1 for each temporary identification card.

37. Ensure addiction recovery services are provided at all Correctional Centers as defined within the Code. (Repeated-2010)

Finding: The Department failed to properly provide addiction recovery services as required by the Unified Code of Corrections. The Code requires the Department to make a

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room in the institution or facility available for addiction recovery services to be provided to committed individuals on a voluntary basis for one hour once a week. The number of persons attending an addiction recovery meeting may not exceed 40 during any session held at the correctional institution or facility. In addition, addiction recovery services are to be provided by volunteers of recovery support services recognized by the Department of Human Services.

Auditor testing identified the following deficiencies the addiction recovery services provided under the Code:

- Tamms did not provide any addiction recovery services during the audit period due to a lack of volunteers to administer this program. The addiction recovery services provided at Robinson were administered by inmates and supervised by counselors.
- Dixon, Lincoln, and Vienna Correctional Centers did not maintain documentation of the attendees for all meetings.
- Meetings held at East Moline, Shawnee, Stateville, and Vandalia exceeded the statutory limit of 40 attendees per meeting to attend addiction recovery meetings. The attendees exceeding the statutory limit ranged from 1 to 43.

Related to the current audit period, the Department stated exceptions were due to a lack of volunteers, employee oversight and communication.

Updated Response: Implemented. The Department has reminded staff that addiction recovery services are to be provided as required.

38. Develop a mechanism to ensure required reports/plans are prepared on a timely basis and submit them to the required parties in accordance with statute. (Repeated-2004)

Finding: The Department either did not submit or did not submit timely certain required reports to the Governor, Judiciary and/or the General Assembly.

- Five-year long-range planning document for adult female offenders under the Department's supervision submitted every two years.
- An annual 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.
- An annual report on the pilot residential and treatment program for women.
- An annual report to trial and appellate court judges for their use in imposing or reviewing sentences.

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Accepted or Implemented – concluded

- A quarterly report describing, among several required items, the population at every facility.

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

Updated Response: Implemented. The Department is making every effort to file the required reports/plans timely and as indicated. Also, legislation has been enacted to eliminate specific reports/plans that are no longer applicable and/or relevant.

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

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

Department personnel informed auditors it had not established policies and procedures to inform released and/or discharged offenders of their arson registration obligation as it was the Department's belief I-CLEAR was not fully functional or accessible throughout the State.

Per inquiry of the Illinois State Police as of the end of the engagement testing, I-CLEAR is being deployed across the State; however, the Illinois State Police does not consider I-CLEAR to be established/implemented throughout the entire State.

Department management stated the exception noted was due to ISP's I-CLEAR system not being implemented across the State and ISP had not supplied an ISP form nor direction on the implementation process.

Updated Response: Accepted. The Department is analyzing what the policy and procedures responsibilities are to comply with the Arsonist Registration Act.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles 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 when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State

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services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit 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.

Thirty-five emergency purchase affidavits were filed during FY11 totaling \$4,722,680.24 as follows:

- \$2,938,683.44 for various services;
- \$1,005,417.14 for equipment, repairs, and supplies;
- \$ 519,805.00 for ammunition;
- \$ 112,027.14 for fuel;
- \$ 62,066.37 for food;
- \$ 51,806.35 for software; and
- \$ 32,874.80 for security.

Twenty-four emergency purchase affidavits were filed during FY12 totaling \$2,257,657.89 as follows:

- \$ 1,422,284.33 for various services;
- \$ 784,023.56 for equipment, repairs and supplies; and
- \$ 51,350.00 for food.

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 13, 2012, the Department had 481 employees assigned to locations other than official headquarters.