LEGISLATIVE
AUDIT
COMMISSION

Review of
Department of Corrections
Two Years Ended June 30, 2010

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

REVIEW: 4372
DEPARTMENT OF CORRECTIONS
TWO YEARS ENDED JUNE 30, 2010

FINDINGS/RECOMMENDATIONS - 34

IMPLEMENTED - 20
ACCEPTED - 13
UNDER STUDY - 1

REPEATED RECOMMENDATIONS - 24

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 47

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, 2010 and compliance attestation examination of the Department for the two years ended June 30, 2010. The report was conducted in accordance with *Government Auditing Standards* and State law. The auditors stated the financial statements were fairly presented in all material respects. This audit report is the first to combine the Department's 27 facilities into one report with the General Office. (Thomson closed on 4/30/10 pending sale to the federal government.)

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 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.

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

Roger E. Walker Jr. was the Director during the first year of the audit period. He became Director effective June 1, 2003 and served until June 7, 2009. Beginning June 8, 2009, Michael P. Randle became Director. He resigned effective September 18, 2010 and Gladyse Taylor was appointed Acting Director until 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:

	2010	**2009**	**2008**
General Office	263	247	188
Education Services	193	199	-
Adult Education	-	-	190
Field Services	-	-	761
Public Safety Shared Svcs	-	-	60
Statewide and Field Services	710	735	-
Correctional Centers	9,857	9,882	na
TOTAL	**11,023**	**11,063**	**1,199**

Population and Average Cost Per Resident

Appendix A provides a summary of average populations and yearly cost per inmate for FY10 and FY09 at each of the adult institutions and community correctional centers. According to statistics provided by the Department, the average daily population of adult institutions (maximum, medium, and minimum security) increased from 44,298 in FY09 to

44,803 in FY10. The rated capacity of adult institutions at June 30, 2010 was 32,983 or 11,820 over capacity.

The average daily population at the seven Adult Transition Centers decreased slightly by nine persons from FY09 to FY10. According to the report, the rated capacity for all institutions at June 30, 2010 was 34,063 and the average number of residents was 45,905.

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

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

The average yearly cost per resident for adult institutions was approximately $26,661 in FY09 and $23,774 in FY10; and the average yearly cost per resident for Adult Transition Centers was $21,554 in FY09 and $20,121 in FY10. The total number of paid overtime hours and compensatory hours used in FY10 was almost 1.64 million at a cost of $63.7 million. In FY09, paid overtime/compensatory hours were 1.9 million at a cost of $71.8 million. Inmate assaults on staff numbered 420 in FY09 and 450 in FY10. There were 85 inmate assaults on staff at Pontiac in FY10.

Expenditures From Appropriations

The General Assembly appropriated a total of $1,261,772,700 to the Department of Corrections in FY10. Appendix B summarizes appropriations and expenditures for the period under review. Total expenditures were $1,334,040,675 in FY09 compared to $1,182,396,795 in FY10, a decrease of $151.6 million, or 11.4%. The decrease in expenditures from FY09 to FY10 was due almost entirely to a $154 million decrease in funding for retirement. In FY10, retirement was funded out of the statewide continuing appropriation through proceeds from the sale of bonds instead of GRF appropriated to the Department. Most expenditures for programs remained constant from FY09 to FY10. Awards and Grants expenditures decreased $7.8 million in FY10 due to hospitalization expenditures being less and a decrease in anti-violence expenditures. Lapse period expenditures totaled about $81.9 million for FY10, or 6.9% of total expenditures.

Cash Receipts

Appendix C contains a summary of cash receipts. Total cash receipts increased from about $26.9 million in FY09 to $30.1 million in FY10, principally due to a $4.5 million federal stimulus package.

Property and Equipment

Appendix D provides a summary of property and equipment for FY09-10. The balance at the end of FY10 for property and equipment was $1,807,099,548 compared to $1,808,613,285 at the beginning of FY10. As indicated in Finding No. 4, the Department could not provide transaction details for the amounts comprising its C-15 report forms for FY09 and FY10. Auditors utilized property reports generated by the Department's Automated Property Control System, but the Department did not maintain these property reports for every month of the audit period. Due to these weaknesses, the schedule is unaudited.

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

The auditors determined that the Department had made progress in implementing the recommendations; however they remain partially implemented.

Accountants' Findings and Recommendations

Condensed below are the 34 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 Brett Finley, Chief Internal Auditor, Department of Corrections and Department of Juvenile Justice, in a memo received on March 6, 2012 via electronic mail.

Accepted or Implemented

1. Implement procedures to ensure GAAP Reporting Packages are prepared in an accurate and complete manner. Allocate sufficient staff resources and implement formal procedures to ensure GAAP financial information is prepared and submitted to the Office of the Comptroller in an accurate manner, and that all supporting documentation is maintained in a contemporaneous manner. (Repeated-2008)

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

During the audit of the FY10 financial statements, the auditors noted an overall lack of a formalized methodology to accumulate information for GAAP reporting and a failure to formally document this information. Several of the issues noted where errors were identified in the GAAP Reporting forms and Department financial statements are as follows:

- Department liabilities were improperly calculated at June 30, 2009 and 2010.
- Weaknesses were identified in the financial accounting for, and reporting of capital assets.
- The Department failed to account for the elimination of interfund billings totaling $29,041,700 between the Department and Correctional Industries in the original submission of the financial statements.
- During testing of pay rates for compensated absences, the auditors noted 53% of the pay rates were incorrect. When projected out to the population, the compensated vacation and sick time liability is understated by $427,000.

During testing performed at Correctional Industries, auditors noted the following:

- The auditors tested the amount recorded as accounts payable as of June 30, 2010 and found 18 of 97 vouchers were not recorded in the proper fiscal year.
- In reviewing beginning balances of the balance sheet, it was determined that inventory was overstated by $144,779 at June 30, 2009 based upon the re-stated value due to errors identified during the testing of inventory.

Department management indicated the errors noted were due to a lack of resources and competing priorities for personnel. Department management indicated that implementation of the recommendation from the prior finding was not accomplished due to a lack of follow-up and the fact that no mechanism was in place to ensure adequate follow-up occurred.

Accepted or Implemented – continued

Response: Accepted. The Department will continue devoting the resources necessary within the limitations of the current technology and budget constraints to complete the GAAP reporting as required. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

Updated 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.

2. Establish a comprehensive, consistent methodology for determining liabilities and accumulating the information necessary for accurate financial reporting. (Repeated-2006)

Finding: The Department improperly calculated its liabilities at June 30, 2009 and 2010 which led to errors in its financial reporting.

The Department did not utilize a comprehensive, consistent methodology to analyze and calculate its liabilities at year end, resulting in errors in the Department's financial data as reported on their year end financial statements. The auditors recommended, and the Department made, adjustments to correct the June 30, 2010 financial statements. During testing, the auditors noted the following:

- The Department developed a methodology to analyze lapse period spending for appropriate inclusion in accounts payable, but this methodology incorrectly included warrants held by the Illinois Office of the Comptroller. As a result of this process, the Department overstated accounts payable and expenditures by approximately $37.330 million at June 30, 2010. Additionally, the Department overstated accounts payable and expenditures by approximately $3.904 million at June 30, 2009.

- During testing of liabilities reported for the General Revenue Fund, auditors noted amounts that were duplicated for FY09 and FY10, totaling $516,586 and $186,435, respectively.

- The Department incurred expenditures for statewide hospitalization services, which are processed on behalf of the Department by DHFS. During testing of these expenditures, the auditors noted liabilities associated with these expenditures had not been recorded as of June 30, 2009 or 2010. As such, fiscal year 2010 expenditures/expenses were incorrectly reported by a net understatement of $825,576, and liabilities at June 30, 2010 were understated $2,453,537.

Department management indicated the lack of reporting was due to lack of oversight and the error was due to new policies regarding the issue of held warrants being misunderstood.

<u>Response:</u> Accepted. The Department will revise the methodology that was developed to ensure it is comprehensive and consistent in determining liabilities and accumulating the information necessary for accurate financial reporting.

<u>Updated Response:</u> 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.

3. Devote sufficient resources to the financial accounting function such that the capital asset information is properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Office of the Comptroller. Research what capital asset systems other State agencies are utilizing to see if any can produce the type of data necessary for the Department to prepare detailed capital asset information and if any system would be available for Department use. (Repeated-2008)

<u>Finding:</u> The Department did not accurately record all capital asset information in their financial records. As a result, the Department presented inaccurate information on the Capital Asset Summary (SCO-538) submitted to the Illinois Office of the Comptroller and in their financial statements for fiscal year 2010.

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

- Auditors determined the ending cost of capital assets was understated by $282,000 and accumulated depreciation was understated by $17,991,000 as a result of input errors. Auditors recommended, and the Department made, adjustments to correct the misstatement in the June 30, 2010 financial statements.

- The Department's Automated Property Control System (APCS) does not provide information for the auditors to test depreciation by asset. For example, a specific facility may have thirty buildings in APCS with varying dates placed in service. Once the new asset is entered into APCS, it becomes a portion of the grand total, and the depreciation is theoretically calculated from that date, but a report by asset cannot be generated.

- The Department could not provide sufficient support for the additions, deletions, and net transfers they reported to the Comptroller. Due to the manual nature of how the property reports are analyzed, the Department does not maintain support for these amounts.

Department management indicated the exceptions and weaknesses noted were due to inherent limitations of the Department's APCS and miscommunication within the Department. The Department has implemented tracking mechanisms to ensure that appropriate capital asset transactions are captured and reported. Department management indicated that implementation of the recommendation from the prior finding was not accomplished due to a lack of follow-up and the fact that no mechanism was in place to ensure adequate follow-up occurred.

Response: Accepted. The Department will continue devoting the resources necessary within the limitations of the existing Automated Property Control System (APCS) to ensure that capital asset information is properly recorded and maintained. IDOC will also re-evaluate the capabilities of the existing APCS to determine whether it can produce the type of data necessary for IDOC to prepare detailed capital asset information. If necessary, IDOC will then research other capital asset systems and their availability. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

Updated 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.

4. Strengthen procedures over property and equipment to ensure accurate recordkeeping and accountability for all State assets. (Repeated-2008)

Finding: The Department did not maintain accurate and adequate property/fixed asset records. The auditors identified the following inadequacies in the Department's property/fixed asset recordkeeping process:

- The Department utilizes a summary worksheet to prepare its quarterly Agency Report of State Property Form (C-15) for submission to the Comptroller's Office. The worksheet does not provide individual transaction detail to support the summarized totals. The Department did not provide the auditors with the summary worksheets for the first three quarters of FY10 or any of the quarterly FY09 Form C-15 submissions. Furthermore, the Department was unable to provide detailed information supporting the summary worksheet for the fourth quarter of FY10 and, as such, auditors were unable to test the composition of the transactions reported on the Form C-15s in FY10.
- Due to the failure to provide summary worksheets and the lack of transaction detail noted above, a reconciliation of Department's Form C-15 submissions for fiscal years 2009 and 2010 to the property listings generated by the Department's Automated Property Control System (APCS) at the end of each month could not be performed.
- The Department indicated the APCS generates reports which detail the property transactions for the month. These reports are not cumulative. The Department

> could not provide these reports for the first seven months of the audit period. Due to missing reports and the lack of detail on the Department's summary worksheets, the Department could not support the activity reported on its quarterly Form C-15 submissions to the Comptroller's Office for the first three quarters of FY09.

The Department failed to timely file two of eight required quarterly Form C-15s with the Office of the Comptroller. The Form C-15 reports filed for FY10 were revised and submitted subsequent to year end.

In addition, the auditors tested a sample of equipment items (279 from 16 Department divisions, all seven Adult Transition Centers and nine Correctional Centers and 74 items at Correctional Industries) for FY09-10 to determine whether the equipment was in the correct location and/or was properly recorded in the Department's Automated Property Control System (APCS). Auditors found eight exceptions for the Department, four for Correctional Industries. They also identified that the Logan Correctional Center's Business Administrator had APCS access to at least four other Centers in addition to Logan. At Correctional Industries (ICI) a number of equipment items were removed from APCS records in anticipation of being sold at auction. These items remained the property of ICI, but were not re-entered into the APCS system. The error caused capital assets to be understated by $295,170 at June 30, 2010.

Department management indicated that the limitations inherent in a property control system in excess of 30 years old create difficulties in the recordkeeping related to the property items. Department management indicated that implementation of the recommendation from the prior finding was not accomplished due to a lack of follow-up and the fact that no mechanism was in place to ensure adequate follow-up occurred.

<u>Response:</u> Accepted. The Department (IDOC) will continue devoting the resources necessary within the limitations of the existing Automated Property Control System (APCS) to ensure that property and equipment information is properly recorded and maintained. IDOC will also re-evaluate the capabilities of the existing APCS to determine whether it can produce the type of data necessary for IDOC to ensure accurate recordkeeping and accountability for all State assets. If necessary, IDOC will then research other property control systems and their availability. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

<u>Updated Response:</u> 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.

Accepted or Implemented – continued

5. Implement formal procedures to ensure accounting and GAAP financial information is supported by appropriate documentation maintained in a contemporaneous manner, including documentation supporting expenditures made for grants and awards.

Finding: The Department did not formally organize and document the financial information utilized in the preparation of their financial statements and GAAP reporting to the Office of the Comptroller. Additionally, the Department was not able to provide documentation of expenditures made under awards and grants.

Auditors encountered numerous instances in which upon requesting information for testing the financial statements and GAAP reporting forms the information provided was disorganized and/or incomplete or did not agree to the information reported on the financial statements and GAAP reporting forms. For example:

- For compensated absences the Department provided the auditors a summary report which lacked sufficient detail to support the balances reported. To facilitate testing of the $79,687,000 compensated absence balance auditors had to subsequently request a complete report.

- Supporting documentation for the locally held funds omitted summary spreadsheets that agreed to amounts reported on the GAAP reporting forms.

- The Department is required to report grant activity on GAAP reporting forms. Supporting documentation provided to the auditors by the Department did not agree with amounts reported for receipts and expenditures on these forms.

- Support to test the amounts reported as due to/due from other funds was requested multiple times and when received required the auditors to ask multiple follow-up questions to clarify the detail of the amounts reported.

- The Department was unable to provide contracts, vouchers, or other supporting documentation for payments made to the grantees of two programs that DHS administers for the Department. The Department was unable to provide contact information for the DHS staff responsible for administering the program, contracts, vouchers or other support for the payments made during FY09 totaling $6,062,500.

Department management indicated the use of multiple manual procedures to accumulate information for GAAP preparation attributed to the issues noted. The Department also indicated documentation for the Road to Success Summer Youth Employment Program and Safety Networks Initiative was not maintained because they believed it was the responsibility of DHS and the program administrator through an inter-agency agreement.

Updated 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.

6. 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 several exceptions and weaknesses related to the controls over commodity and commissary inventory as follows:

- Exceptions were identified where physical inventory counts did not agree to accounting records in The Inventory Management System (TIMS) or the Fund Accounting and Commissary Trading System (FACTS) at seven of 27 Correctional Centers (Danville, Hill, Illinois River, Lawrence, Logan, Stateville, and Western Illinois).

- One Correctional Center (Stateville) inaccurately reported end of year commodity inventory balances to the Central Office via e-mail. The balances were $326,242 and $68,657 less than the TIMS reports, respectively.

- Three Correctional Centers (East Moline, Stateville and Western Illinois) had large year end adjustments to agree its records to the physical inventory without adequate explanation.

- Weaknesses in segregation of duties for inventory procedures were noted at five Correctional Centers (Danville, Dwight, East Moline, Southwestern, and Vienna).

- Seven Correctional Centers (Dixon, East Moline, Graham, Jacksonville, Shawnee, Stateville, and Tamms) had difficulties providing auditors with requested documentation for the inventory procedures.

- Stockpiling, which is defined as maintaining a supply on hand greater than the level needed for a twelve-month period, of inventory items was noted at four Correctional Centers (Robinson, Sheridan, Tamms, and Taylorville).

The Department attributed the exceptions noted in the current audit to human error, employee oversight, inmate theft, insufficient training and/or shortages of staff. In addition, Department management indicated implementation of the recommendation from the prior finding was not accomplished due to a lack of follow-up and the fact no mechanism was in place to ensure adequate follow-up occurred.

Accepted or Implemented - continued

Response: Accepted. Department of Corrections (IDOC) has made some revisions in maintaining and accounting for inventory with the implementation of The Inventory Management System (TIMS) and will strive to continue making improvements in the Department's centralized oversight function and the inventory accounting and maintenance within the facilities. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

Updated Response: Implemented. System improvements have been made to allow for inventory records to be located and reviewed at any given time.

7. Remind Center staff of the requirements set forth within the Administrative Directives, statutes and SAMS Manual related to the operation and maintenance of the locally held funds. In addition, 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. During testing of the Commissary Fund, Resident's Trust Fund, and the Resident and Employee Benefit Fund, auditors noted the following exceptions at the Correctional Centers:

- Ten Correctional Centers (Big Muddy River, Centralia, Dixon, Dwight, East Moline, Hill, Menard, Sheridan, Stateville, and Vienna) did not exercise adequate controls over the Resident Benefit Fund or the Employee Benefit Fund. Auditors noted instances where the Centers could not provide minutes from the benefit fund committee meetings; expenditures that exceeded the approved limits; Centers could not provide auditors with invoices to support disbursements from the funds; and improper expenditures were processed from the funds, such as to pay for non-emergency travel for released inmates.

- Testing performed at four facilities (East Moline, Hill, Taylorville, and Vienna) noted inadequate controls over Commissary Fund expenditures. Auditors noted disbursements were processed for payment prior to matching the receiving reports, purchase orders and/or invoices for agreement. At another Center, invoices could not be provided. No payments were made by one Center to the Employee Benefit Fund or to the Department for salaries due to 12 of 24 months of posting negative income.
- Five Correctional Centers (Dixon, Graham, Jacksonville, Stateville, and Tamms) did not properly perform monthly reconciliations of their locally held funds. Instances were identified where reconciliations were not performed at all, or the Centers failed to appropriately dispose of deposit errors in a timely manner.

- Eight Centers (Decatur, Dixon, East Moline, Graham, Jacksonville, Lincoln, Stateville, and Taylorville) prepared and submitted inaccurate Reports of Receipts and Disbursements for Locally Held Funds (C-17 Reports).

- Six of 27 (22%) Centers (Graham, Jacksonville, Lincoln, Menard, Shawnee, and Southwestern) did not deposit locally held fund receipts timely. A.D. 02.40.110 requires the Center to deposit cash accumulated in the amount of $1,000 or more on any Business Office working day no later than 12:00 am the next working day. The A.D. also requires deposits to be made at least once a week.

- Seven Centers (Dixon, Graham, Jacksonville, East Moline, Pinckneyville, Stateville, and Vienna) did not maintain an adequate segregation of duties over functions within their locally held funds.

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

Updated Response: Implemented. Department staff has been reminded of the requirements and the Office of Internal Audits performed an audit of locally held funds at the Centers. Recommendations from the audit are currently being implemented.

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

- **Separate the adult facility resident portion and the juvenile facility resident portion of the DOC Resident's and Employee's Benefit Fund into two separate bank accounts.**
- **Maintain sufficient source documentation to support the receipts deposited. Handwritten notes are not sufficient. (Repeated – 2008)**

Finding: During the audit period, the following weaknesses were noted in the Department's General Office administration of its locally held (bank accounts) funds which is managed by the Public Safety Shared Service Center:

- The Department maintains separate accounts for the adult facility resident portion and the juvenile facility resident portion of the benefit fund at a local financial institution. All disbursements are made from one operating account. At any point in time, funds from an adult facility and a juvenile facility could be transferred into this operating account for disbursement.

- The Department did not maintain copies of external documentation to support receipts in the resident's portion of the DOC Resident's and Employee's Benefit Fund.

In response to the current exceptions, Department management indicated the failure to appropriately separate the operating bank account at the central office and maintain source documentation was due to conflicting priorities and employee oversight.

Updated Response: Implemented. IDOC and IDJJ funds were separated and all source documentation is being maintained.

9. Work with the Office of the Comptroller to determine the appropriate means to document the establishment of the "cash box" imprest funds, and what reporting is required. Also, discontinue using the Inmates' Trust Fund or Inmates' Benefit Fund as means to provide cash to pay for travel allowances for committed, paroled and discharged prisoners while waiting for reimbursement from the General Revenue Fund. In addition, remind Correctional Center staff the need to maintain good internal controls over the "cash box" function. (Repeated-2008)

Finding: Each Correctional Center maintains a "cash box" imprest fund. The "cash box" consists of cash 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" imprest funds at the Correctional Centers as follows:

- The Department has never officially requested to establish the "cash box" imprest funds for the Correctional Centers with the Office of the Comptroller.
- The Correctional Centers are inappropriately using the Inmates' Trust Fund and Inmates' Benefit Fund to supply the "cash box" imprest funds pending reimbursement from the General Revenue Fund for gate and transportation money.
- Auditors noted seven Correctional Centers (Vienna, Graham, East Moline, Centralia, Lincoln, Hill and Stateville) at which a lack of segregation of duties existed 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 is mandated by law to provide funds to inmates upon their release.

Updated Response: Implemented. The Department consulted with the Office of the Comptroller and it was determined that the Department did not have true imprest funds, but did establish another locally held fund to pay for travel and allowance. Trust funds are no longer used to pay for travel and allowance and Correctional Center staff has been trained on internal control over the cash box function.

10. Consult with the Office of the Treasurer's Unclaimed Property Division as to how the Department should handle prior year's outstanding checks that have been added back to the locally held bank accounts. In addition, change the Administrative Directive to comply with the Uniform Disposition of Unclaimed Property Act and inform those charged with administering locally held bank accounts of the requirements. (Repeated-2008)

Finding: The Department has an established Administrative Directive to add back to locally held bank accounts outstanding checks as opposed to sending the outstanding amounts and information to the Treasurer's Unclaimed Property Division, in violation of the Uniform Disposition of Unclaimed Property Act. The Department Administrative Directive requires that after checks written from a locally held bank account have been open (outstanding) for a period of 14 months they be voided and the payable related to the check deleted.

The Unified Code of Corrections notes the Department shall transfer any unclaimed money held in the account of a committed person separated from the Department and unclaimed for a period of 1 year to the State Treasurer for deposit into the General Revenue Fund. This would only apply to inmate account balances in the Inmates' Trust Fund, not to outstanding checks.

The Uniform Disposition of Unclaimed Property Act 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. Debts owed would consist of checks written from the Department's locally held bank accounts.

As of the time of the auditors' testing, the Department stated it had not yet had the opportunity to consult with the Treasurer's Office due to insufficient personnel resources, which was attributed to the continuation of the current Department practices.

Updated Response: Accepted. The Department's Legal Counsel has reviewed the issue and is scheduling a meeting with the Office of the Treasurer's Legal Counsel to discuss the appropriate action.

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.

Finding: The Department improperly offset 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, dormant accounts totaling approximately $16,929 were not transferred to the General Revenue Fund during the two fiscal years ended June 30, 2010.

In relation to the exceptions noted in the current audit, Department management indicated its internal policy for dormant accounts is to only transfer positive balances which exceed negative balances in total for all inmate accounts.

Various causes account for a negative balance, such as restitution for damages and charges for requested legal copies or postage, which could not, according to Department rules, be denied even if the inmate's trust account had an insufficient balance. The majority of negative balances did not involve cash distributions from the Inmate Trust Fund, but represented amounts the Center paid from the GRF and other funds on behalf of an inmate and can only be recouped if cash is available in an inmate's account.

However, there are instances where cash payments are made to inmates in excess of their balance, which creates a negative balance and requires other inmates' accounts to temporarily bear the costs of those deficits in the violation of the Department's fiduciary responsibility and the Unified Code of Corrections.

Updated Response: Accepted. The Department's Legal Counsel has reviewed the issue and is scheduling a meeting with the Office of the Treasurer's Legal Counsel to discuss the appropriate action.

12. Revise the methodology for computing cost of goods to ensure included costs are not duplicative and comply with the statute and only mark-up the goods for resale in the inmate commissary the allowable amounts. (Repeated-2006)

Finding: The Department is adding 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 of 25%-35% to arrive at the sales price to charge inmates.

The Department phased in the application of the charge. Effective November 1, 2005 the charge was set at 3%. The Department raised the charge on January 1, 2006 to 7% and has continued to assess the 7% charge since then. The Department collected $2,525,888 and $2,421,179 respectively for FY10 and FY09, from the charge.

Upon testing the Department's collection of the 3%-7% additional charge, it was determined the Department used sales revenue instead of cost of goods sold to compute the additional charge to be collected. Using the sales revenue instead of the cost of goods sold in computing the additional charge, the Department collected more money as a result of the statutorily allowed mark-up of 25%-35% being added to the additional charge. Ultimately, the 3%-7% charge equates to a markup on the cost of goods sold of 9%.

Department management stated the additional charge was to help cover the costs of State employees who work in the inmate commissary, inmate labor for the commissary and utilities to operate the commissary. Department management indicated they felt the definition of cost of goods in the Department's enabling legislation allowed for the additional charge.

The Department submitted a request to the Attorney General on February 1, 2010 seeking an interpretation of the Unified Code of Corrections and application of the additional charge. 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.

Updated Response: Accepted. The Department has revised the methodology to comply with the statute and is in the process of updating the computer system to accommodate the changes.

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

Finding: 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 $31 million in FY09 and $34 million in FY10. The commissaries commodity purchases are made through non-appropriated locally held funds. As a result of their testing, the auditors noted:

- Purchases were not made by competitive sealed bidding or competitive sealed proposals as required by the Code. The Correctional Centers receive catalogs from various vendors and select products from the catalogs for resale in the commissary. In addition, the commissaries contact multiple vendors by telephone and request bids.

- Terms and conditions for the purchases of goods from vendors for the commissaries were not documented in the form of a contract as required by the Code. Upon selection of a vendor an Order For Delivery (OFD) is prepared to document the purchase.

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

- The Department's Administrative Directive which provides guidance to employees on commissary purchases does not include all the requirements as set forth in the Code.

Accepted or Implemented - continued

In response to the current exceptions, Department management stated they have requested guidance and direction from DCMS on commissary purchasing. Due to the security needs and specialized products, DCMS and the Department are working together to determine the proper way to complete these purchases.

Updated Response: Accepted. The Department is working with the Department of Central Management Services on a commissary purchases contract.

14. Improve accounting procedures and controls at the Adult Transition Centers (ATCs) and ensure:

- **ATC Accountants follow the Department 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.**
- **Benefit Fund Committees authorize purchases for the respective funds as required by the A.D.s.**
- **Property and equipment records are properly recorded and maintained.**
- **All required forms are included within the resident's file. (Repeated-1994)**

Finding: The Department did not properly maintain records at the Adult Transition Centers (ATCs). Testing of the seven ATCs produced the following exceptions:

- At four ATCs, cash balances were misstated due to outstanding checks not being removed from the listing in a timely manner.
- At one ATC, the auditors noted deficiencies related to disbursements from the Employee Benefit Fund portion of the DOC Resident's and Employee's Benefit Fund.
- At two 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 one ATC, the auditors noted a deficiency related to the personal property listing.
- At one ATC, the auditors noted a deficiency related to property and equipment.

Department management indicated on-going issues are the result of human errors, lack of resources, and inadequate communication within the Department

<u>Updated Response:</u> Implemented. The Adult Transition Centers have improved their accounting procedures and controls by following the Administrative Directives, properly authorizing and processing purchases and disbursements, maintaining accurate property and equipment records and maintaining all required forms.

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

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

<u>Finding:</u> The Department is not fully utilizing the meals purchased under a food services contract.

During testing at the Peoria ATC, auditors noted the Department has a contract with a vendor to provide approximately 651 meals per day. Based on available data, the average meal consumption was 292 meals per day and the ATC was billed for an average of 590 meals per day, resulting in 49% utilization. It appears the ATC is receiving fewer meals than they are being billed by the vendor. The cost per meal billed was approximately $1.35 to $1.41 during the engagement period.

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

Department management indicated the current exceptions noted were due to employee oversight, staffing constraints and conflicting priorities. In addition, Department management indicated the implementation of the recommendation from the prior finding was not accomplished due to a lack of follow-up and the fact no mechanism was in place to ensure adequate follow-up.

<u>Updated Response:</u> Accepted. The Department is in the process of performing the required analysis of its food service at the Adult Transition Centers.

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

Accepted or Implemented - continued

Finding: The Department did not conduct performance evaluations in a timely manner. During testing of a sample of 60 employee performance evaluations, 49 were not performed on a timely basis. Thirty-nine of 49 were performed one to 262 days late and ten were never performed. In addition, other auditors performing testing at Illinois Correctional Industries (ICI) noted seven evaluations were completed by the supervisors, but the evaluation was not documented in the personnel files.

Department management indicated that performance evaluations were not conducted in a timely manner due to staffing constraints, vacancies, retirements, oversight and lack of adequate follow-up. Management also indicated, for 2 of the employee evaluations which were completed by the supervisors but were not in the personnel files, the evaluation had been performed by the supervisors and forwarded to the Springfield office for filing.

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

18. 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 that all employees complete their minimum required number of training hours. During testing of training records for FY09 and FY10, the Department was unable to provide documentation that 23 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 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.

19. Implement the necessary controls to adequately administer contractual agreements and ensure compliance with applicable statutes and Administrative Directives. (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 71 contractual agreements, auditors noted numerous weaknesses:

- Eight contracts totaling $19,908,647 did not include all required certifications, disclosures, and clauses.

- Two contracts totaling $5,111,577 did not contain the signatures of the director, chief legal counsel and chief fiscal officer of the Department.

- The Department could not demonstrate adequate contract monitoring for 22 contracts totaling $107,370,749. Specifically, the auditors noted:

  - The Department could not provide the deliverables specified in the contract for 18 of these 22 contracts totaling $105,416,560 to verify the contractor performed in accordance with the contract terms.
  - The Department failed to sufficiently explain what type of monitoring occurred for three contracts totaling $194,189, despite repeated requests by the auditors for an explanation of any monitoring performed.
  - The Department insufficiently monitored one of its contracts for $1,760,000. The Department did not demonstrate performed monitoring of the contractor's efforts any further than reviewing programmatic reports and did not perform any other type of reviews or site visits of the performance of the contractor.

- The submissions for payment of $6,996,941 from one vendor did not contain the support required for payment as specified in the contract. The submissions for payment for another vendor for $3,321,800 were repeatedly submitted late based on contract terms.

- The Department did not receive the annual audit from the vendors as required in eight contracts.

During testing of emergency purchases, auditors identified the following weaknesses:

- 30 out of 63 emergency purchase affidavits for purchases totaling $6,945,788 were not published at all in the Procurement Bulletin as required by the Illinois Procurement Code.

- 10 out of 63 emergency purchase affidavits for purchases totaling $1,706,060 were not filed with the Auditor General timely. The emergency purchase affidavits were filed five to 63 days late.

In response to the exceptions noted during the current audit, Department management indicated that the failure to ensure proper controls were established in the administration of contracts was due to employee oversight, lack of resources and inadequate communication within the Department. Specifically related to the ICI emergency purchase, Department management stated it was not published because it was below the reporting threshold established in the Emergency Procurement Section of the Administrative Code which at the time of the purchase was $32,600.

Accepted or Implemented - continued

<u>Updated Response:</u> Accepted. The Department is working on the necessary controls to adequately administer its contractual agreements and ensure compliance with applicable statutes and Administrative Directives.

20. Remind employees reviewing travel vouchers of the need to perform stringent reviews and of their responsibility to enforce the regulations issued by the Governor's Travel Control Board. Collect any overpayments previously made to employees or vendors. Develop a mechanism to enforce the requirement of having employees submit travel vouchers in a timely manner in compliance with Administrative Directives. (Repeated-2008)

<u>Finding:</u> The Department's procedures over the submission, review and approval of travel expenditures are not sufficient to ensure travel costs are in compliance with Travel Regulations and Department Administrative Directives (A.D.). Auditors noted numerous instances of weaknesses during testing of travel vouchers:

- Department employees failed to properly complete the travel vouchers.
- Auditors also identified 2 instances where the Department made duplicate payments for direct billed lodging to hotels totaling $609.
- Employees failed to timely submit their travel vouchers.
- Travelers requested reimbursement in excess of the rates allowed.

<u>Updated Response:</u> Implemented. The Department has implemented more stringent reviews and requires more timely submittals of travel vouchers. The Department has also collected or is in the process of collecting any identified overpayments.

21. Implement the following travel procedures:

- **Send a formal notice to those employees whose jobs involve travel to remind them of the requirement and importance of filing accident reports in a timely manner. Consider disciplinary action for those employees who do not file reports in a timely manner.**
- **Monitor the submission of accident reports to ensure the requirements are being met as required by the 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 the "personal use' of a State vehicle to ensure proper records for the reporting of fringe benefits.**
- **Review procedures over timely filing of the required annual certification of license and liability insurance. (Repeated-2000)**

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

Auditors noted that accidents involving State / Department vehicles were not reported in a timely manner, and Department employees were not ensuring vehicles personally assigned to them were adequately maintained. 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. Specific problems noted were as follows:

- During testing of 60 reported accidents involving State / Department-owned vehicles, auditors noted 35 (58%) instances in which the accidents had not been reported to the Department of Central Management Services (DCMS) on a timely basis.

- For fiscal years 2009 and 2010, auditors requested to examine 60 vehicle maintenance records and noted 14 did not receive annual maintenance in the fiscal year tested. Additionally, 24 did not receive either or both adequate tire rotations and oil changes for the year tested. The Department could not provide any maintenance records for 15 of the 60 vehicles selected for testing.

- The Department uses Form DC 710-1241 to document the determination of whether employees are exempt from taxation related to the fringe benefits derived from the personal use of a State vehicle. The Department was unable to provide forms for 33 of 60 employees tested, but provided exemption statuses for employees for whom it could not provide a Form DC 710-1241. During testing of 60 employees who were allowed the "personal use" of a State vehicle, three were not exempt from fringe benefit taxation. For these employees, the Department failed to record the fringe benefits into the payroll system for two of three employees tested and recorded an incorrect amount for one of the three employees.

- The Department could not provide documentation for license and insurance certifications for 45 of 60 employees tested that were assigned a Department vehicle. Of the 15 license and insurance certifications received and tested, 12 were not filed by the July 31st deadline. These 12 certifications ranged from 130 to 250 days late.

In response to the exceptions in the current audit, Department management indicated the current fleet management system had not yet been replaced as planned due to budgetary constraints and the exceptions were due to conflicting priorities and employee oversight.

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

22. Properly complete and maintain documentation pertinent to the personal assignment of State-owned vehicles and submit accurate lists of all personally assigned vehicles to DCMS in accordance with the Code.

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

The Department did not provide the auditors with the FY10 listing submitted to DCMS of the State vehicles personally assigned to Department employees in a timely manner. Therefore the auditors were unable to test 30 of 60 employees selected. The Department provided the FY09 listing submitted to DCMS of the State vehicles personally assigned to Department employees; however, 28 of the 30 employees selected for testing were not included on the submitted report.

Of the 60 employees to which vehicles had been personally assigned during the audit period, the Department was unable to provide completed Monthly Mileage Reports (DC 710-1287) for 19 employees. Of the 41 sets of mileage reports received, three were found to be inadequately completed.

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.

23. Comply with all statutes and other applicable rules and regulations in place pertaining to the separation of the Department of Juvenile Justice from the Department of Corrections and operate each Department within the fiscal restraints of each appropriation. In addition, track the postage usage specific to the Department of Corrections for the postage meter at Concordia Court and ensure it is not paying for the postage expenditures of the Department of Juvenile Justice.

Finding: The Department inappropriately paid for permanent improvements and failed to allocate postage expenditures between itself and the Department of Juvenile Justice.

During the audit period, the Department paid for $8,292 of permanent improvements for the Illinois Youth Center (IYC) at Warrenville.

In addition, during the audit period, the Department and the Department of Juvenile Justice utilized one postage meter at the Concordia Court campus, where the General Office division of each Department is located. No allocation between the two distinct State agencies was made for postage usage. The postage balances provided to the auditors during fieldwork for the Concordia Court postage meter for the fiscal years ended June 30, 2009 and 2010, respectively, were $6,260 and $3,238. The identical postage balances were provided when requested by the auditors during the compliance examination of the Department of Juvenile Justice.

Department management stated the total amounts charged to the General Office of the Department of Corrections for postage in fiscal years 2009 and 2010 were $72,859 and $75,174, respectively. No amounts were charged to the General Office of the Department of Juvenile Justice. Auditors inferred from this information that the Department of Corrections incurred the postage expenditures of the Department of Juvenile Justice's General Office division.

Department management indicated the exceptions noted were due to employee oversight. This oversight was attributable to the fact that both agencies' expenditures are processed by the same staff at the Public Safety Shared Services Center and the Department of Juvenile Justice is a newly created agency that was previously a part of the Department of Corrections.

Updated Response: Implemented. The fiscal records and expenditures of IDOC and IDJJ have been separated and maintained independent of each other in accordance with all statutes, rules and regulations.

24. Implement controls to ensure cash receipts and refunds are deposited in a timely manner. 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 pay into the State treasury the gross amount of the money received on a timely basis as required by State law.

During receipts testing the auditors identified the following exceptions:

- Eighteen of 60 receipts totaling $15,347 were not deposited into the State treasury within the 15-day deposit extension. The receipts were deposited between one and 434 days late.

Accepted or Implemented - continued

- The Department could not provide copies of the deposited check or any other date-related information for seven of 60 receipts tested. As a result, it was not possible to determine whether the receipt was deposited on a timely basis.
- Two of 60 Receipt Deposit Transmittal (RDT) forms totaling $11,454 were not remitted to the Illinois Office of the Comptroller in a timely manner. The RDTs were submitted 78 and 113 days after being deposited within the State Treasury.

During testing of refunds the auditors noted the following exceptions:

- Six of 50 refunds totaling $3,554 were not deposited into the State treasury within the 15-day deposit extension. The refunds were deposited between two and 54 days late.

- Thirty-four of 50 refunds tested were salary refunds. Nine of 34 of the salary refunds tested totaling $88,382 were processed one to 206 days late.

Department management indicated that the failure to deposit receipts and refunds and submit RDTs to the Illinois Office of the Comptroller in a timely manner during the current audit was due to human error, employee oversight, competing priorities, and inadequate communication within the Department. The Department attributed the lack of source documentation related to receipts to the decentralization of the Department because, for various reasons, it was not available.

Updated Response: Implemented. Processes were revised to ensure cash receipts and refunds are deposited timely and all source documentation is properly maintained.

25. Prepare the required reports/plans on a timely basis and submit them to the required parties in accordance with State statutes. (Repeated – 2008)

Finding: The Department either did not submit or did not submit timely certain required reports to the Governor, Judiciary and/or the General Assembly. The first six bullets below were also identified as exceptions in the report for the two years ended June 30, 2008. Auditors identified the following exceptions during their testing:

- The Unified Code of Corrections requires the Department to submit to the Governor and the General Assembly a 5-year long-range planning document for adult female offenders under the Department's supervision. The 5-year Female Plan was not submitted during the audit period.

- The Unified Code of Corrections requires the Department to submit to the Governor and General Assembly a report on the results of evaluations on educational, vocational, substance abuse and correctional industry programs under which good conduct credit may be increased by September 30th of each year. The Early Release Credit Report was not submitted during the audit period.

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

- The Interstate Sex Offender Task Force Act creates the Interstate Sex Offender Task Force and assigns the staff and administrative support services to the Department. The Act requires the Interstate Sex Offender Task Force to report its findings and recommendations to the Governor, Attorney General, and the General Assembly. This report was not submitted until January 21, 2010.

- The Unified Code of Corrections states the Department shall publish a report to trial and appellate court judges for their use in imposing or reviewing sentences. The Department did not prepare and publish the report during the audit period.

- The State Employment Records Act requires State agencies to annually report to the Office of the Secretary of State and the Governor's Office the number of minorities, women, and physically disabled persons along with the related salary and statistical information. The Department failed to submit its fiscal year 2008 "Agency Workforce Report" to the Governor's Office by the January 1, 2009 deadline. The report was submitted on May 18, 2010.

- The Unified Code of Corrections requires the Department to submit a report to the General Assembly by January 1st, April 1st, July 1st, and October 1st of each year. Auditors noted each report was received by the General Assembly after the required due date and ranged from 1 to 148 days late. The reports failed to include required information on the projections for exits and admissions for the succeeding twelve months following each reporting date.

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

Updated Response: Accepted. The Department is making every effort to file the required reports/plans timely and as required. Also, legislation has been developed to be introduced to eliminate certain of these reports/plans that are no longer applicable and/or relevant.

26. Submit annual Bilingual Needs and Bilingual Pay Survey to DCMS in a timely manner. (Repeated-2008)

Finding: The Department failed to submit the Bilingual Needs and Pay Survey for FY08 to the Department of Central Management Services (DCMS) which was necessary for DCMS to accurately prepare the State's 2009 Hispanic Employment Plan.

Accepted or Implemented - continued

During the current audit period, Department management indicated the exception was due to resource limitations and competing priorities.

According to the State's 2009 Plan, the Department employed 219 (10%) of the 2,114 total Hispanic employees statewide in coded positions. The 2009 Plan identified 1,251 of the 2,114 Hispanic employees as those who received bilingual pay. The Department employed 38 (3%) of those 1,251 employees.

Updated Response: Implemented. The report has been filed as required.

27. Give adequate notice of impending release no later than 14 days prior to the inmate release date or seek legislative modification to the current statutory requirement to accommodate parole hearings held less than 14 days from the release date and/or notification of release received within the 14 day notification window.

Finding: The Department failed to properly notify State's Attorneys of impending early release of inmates.

Auditors noted the Department did not provide timely notice to the State's Attorneys of impending release of inmates at 12 of 27 Correctional Centers (Centralia, Danville, Dwight, East Moline, Decatur, Graham, Hill, Logan, Menard, Shawnee, Stateville, Southwestern) for 37 of 60 (62%) inmates tested. The notices ranged from 1 to 14 days late.

Auditors further noted three of 27 Correctional Centers (Danville, Dixon, and Stateville) were either unable to locate the notice of impending release in the inmates' file, or failed to submit the notice, for five of 60 inmates tested.

Department management indicated the failure to give the State's Attorneys the required 14 days notice of impending early release of inmates was because the Department does not always have knowledge or notice of the pending release 14 days in advance and the Department cannot legally hold an inmate beyond his/her release date.

Updated Response: Implemented. The early release program to which this applies was terminated December 2009.

28. Specify a uniform reporting deadline to adult institutions and facilities and report this data to the Director concerning the GED program. Maintain documentation of the original source data and the information provided to the Director in the event modifications need to be made to the source data provided. Maintain a valid picture of compliance with GED program performance. Additionally, ensure the GED program is provided at all

Correctional Centers as required by statute. Should an assigned employee be unavailable, make other temporary or contractual assignments in the interim.

<u>Finding:</u> The Department failed to adequately administer the General Educational Development (GED) program at all of the Correctional Centers and produce accurate internal reporting of its GED program results.

At the conclusion of each fiscal year, each adult institution and facility reports to the Chief of Program and Support Services, who prepares a report internally to submit to the Director of the Department with the statistics of the GED program for that fiscal year. For fiscal years 2009 and 2010, the GED statistics pursuant to the reporting requirements were as follows:

Statistic	FY09	FY10
Number of committed persons enrolled in GED programs	6,930	6,443
Number of committed persons who passed the GED test and received GED certificates	1,662	1,600
Number of committed persons who are on waiting lists for participation in the GED programs as of August 1, 2009 and 2010, respectively	856	982

Auditors noted one Correctional Center (Stateville) did not provide the mandatory GED education for approximately five months of the audit period (July through November 2008). Furthermore, auditors detected discrepancies between the data provided by seven other Correctional Centers (Big Muddy River, Lincoln, Shawnee, Southwestern, Taylorville, Vandalia, and Vienna) and the data reported about those Correctional Centers to the Department's Director as part of the before mentioned statistics. The specific discrepancies noted by the auditors included:

Fiscal Year Statistic	Sent by Correctional Center to Department	Internally Reported to Director	Difference
Fiscal Year 2009			
Number of committed persons enrolled in GED programs	2,102	1,972	130
Number of committed persons who passed the GED test and received GED certificates	110	101	9
Number of committed persons who are on waiting lists for participation in the GED programs as of August 1, 2009	224	244	(20)
Fiscal Year 2010			
Number of committed persons who passed the GED test and received GED certificates	179	220	(41)
Total	2,615	2,537	78

Accepted or Implemented - continued

Department management indicated the difference in numbers reported could be explained by when the numbers were gathered and subsequently reported. A one day difference could impact the numbers as waiting lists and enrollments continually change due to releases, transfers or assignment drops. Also, the only educator at the Stateville Correctional Center did not return from a leave of absence until December 1, 2008.

Updated Response: Implemented. The General Education Development program is being offered as required and the program is coordinating what is reported.

29. Comply with the instructions outlined by the Department of State Police and ensure each offender understands and initials the individual requirements of the Sex Offender Requirements Form. Furthermore, require the completion of the form for each discharged sex offender and maintains the documentation to support the completion thereof.

Finding: The Department failed to comply with the discharge requirements of the Sex Offender Registration Act. The Act requires the Department, prior to discharging a sex offender, to direct a sex offender to read and sign such form as may be required by the Department of State Police stating the duty to register and the procedure for registration as a sex offender within 3 days of release from the Department.

Auditors noted three Centers (Dixon, Hill, and Logan) failed to properly ensure completion of the Sex Offender Requirements Form for three of 15 inmates selected for testing at those Centers. Additionally, one Center (Lawrence) was unable to provide the completed Sex Offender Requirement Form for one of five inmates selected for testing.

Department management indicated the reason the Sex Offender Requirements Form was not properly completed could be attributed to misfiling, misunderstanding, and/or miscommunication.

Updated Response: Implemented. The Correctional Centers have been instructed and are complying with the requirements of the Sex Offender Registration Act and maintain the appropriate documentation.

30. Either comply with the requirements as outlined within the Code or seek legislative modification to permit the maintenance of the court order, writ, subpoena or similar legal documentation as substitution for such record of access to the inmates' master record file.

Finding: The Department failed to track access to inmate master files as required by the Unified Code of Corrections.

Auditors noted six Correctional Centers (Centralia, Graham, Lawrence, Pinckneyville, Pontiac, and Tamms) did not maintain a record of outside persons who accessed inmate files, the files reviewed, file material copied or the purpose of the access as required by the Code.

Department management indicated records were not maintained because inmate master files are not accessible to personnel outside the facility unless there is a court order, writ, subpoena or similar legal documentation and those documents are maintained.

Updated Response: Implemented. All Correctional Centers are maintaining an access log to inmate master files.

31. Ensure addiction recovery services are provided at all Correctional Centers as defined within the Code.

Finding: The Department failed to provide addiction recovery services required by the Unified Code of Corrections.

Auditors noted two Correctional Centers (Menard and Lawrence) were not providing addiction recovery services as outlined in the Code. Lawrence did not have any meetings during the audit period. Auditors further noted Menard had not established an internal addiction recovery service program as defined by the Code.

Department management indicated the Correctional Centers were not providing addiction recovery services as required by the Code due to a shortage of Clinical Services staff and/or volunteers and a lack of inmate participation.

Updated Response: Implemented. Addiction recovery services are being provided as required.

32. Implement a process to inform and document 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.

During the current audit period, the Department informed auditors it had not established policies and procedures to inform released and/or discharged offenders of their arson registration obligation. The Department also did not believe I-CLEAR was fully functional or accessible throughout the state and directed the auditors to verify this with the Chicago Police Department or the ISP.

Department management stated the Department is waiting for the ISP to formalize and direct this process. The Department will fully comply with any direction issued by the ISP.

Updated Response: Implemented. The Department is complying with their notification responsibilities regarding the Arsonist Registration Act.

33. Perform a comprehensive review of Administrative Directives and update them as necessary to ensure they represent the most current, standardized practices of the Department. Additionally, review A.D. 01.01.101 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 where 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). In addition, the Department has 459 A.D.s that have effective dates ranging from February 15, 1984 to April 1, 2010.

In the previous audit, instances were identified where Adult Transition Centers (ATCs), had an internal policy concerning operations which either was not addressed or differed from the Administrative Directives, and the A.D.s were not modified during the current period.

The General Office took over the administration of the locally held bank account of the resident portion of the DOC Resident's and Employee's Benefit Fund in 2006. This change has not been addressed in the A.D.s. Additionally, the Department has not updated its A.D.s to account for the common technology of cellular phones.

As defined in A.D. 01.01.101, an Administrative Directive is "an internal management policy and procedure adopted by the Department." As such, the A.D.s should be updated as concurrently as possible when significant changes occur in the Department, no less often than annually.

Updated Response: Accepted. The Department is currently in the process of reviewing and updating the Administrative Directives as necessary.

34. Improve centralized oversight function related to issues at the noted Correctional Centers to improve controls over the areas identified with exceptions.

Finding: A number of exceptions were noted during testing at the Department's Correctional Centers.

Personnel

- One Correctional Center (Sheridan) has an employee assigned to the Special Operation Response Team (SORT). However, the employee only spent approximately 5% of his time at the Sheridan Correctional Center and the remaining 95% of his time performing SORT services for other Department Centers statewide. The timesheets approved by Sheridan Correctional Center personnel appear to be blanket timesheets that were preset with corresponding days off. The immediate supervisor of the employee is located offsite and is not an employee of Sheridan Correctional Center.

- Two Correctional Centers (Graham and Pontiac) did not conspicuously display a notice of State employee protection under the Whistle Blower Protection Article.

- One Correctional Center (Stateville) was not staffed in key functional areas during the audit period. Auditors specifically noted the following:

  - The Office Administrative Specialist (LAN Administrator) position had been vacant since December 31, 2007.

  - The Public Service Administrator (Health Care Unit Administrator) position was vacant from March 31, 2008 to April 19, 2009 and then again from December 19, 2009 to April 30, 2010.

  - The Public Services Administrator (Business Manager) position was vacant from February 10, 2006 to June 30, 2009.

  - The June 30, 2010 report of critical positions that needed to be filled included an Account Tech for Payroll, two Office Assistants for the Mailroom, two Office Assistants for the Records Office, three Correctional Food Services Supervisors, an Executive Secretary, and a Clinical Service Supervisor. These vacancies had created backlogs as current employees could not keep up with the volume of activity of the Center. The estimated overtime cost on the report totaled $4,560 weekly in addition to $270 to $787 per day for the Food Service Supervisors.

Information Systems Controls

- One Correctional Center (Stateville) failed to remove access rights from separated employees.

- Two Correctional Centers (Vandalia and Vienna) had provided incompatible access rights to their employees within AIS and PCS.

Accepted or Implemented - concluded

Commodity Purchases

- One Correctional Center (Vienna) did not obtain proper approvals for commodity purchasing surveys.

Updated Response: Implemented. Central Office is providing oversight related to the audit exceptions noted at Correctional Centers to improve controls and the Office of Internal Audit is providing a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

Under Study

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

Finding: The Department payroll timekeeping system was not automated. During the previous 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.

Each Correctional Center continued to maintain a manual timekeeping system for several hundred employees. Correctional Center employees sign in and out, and sign-in sheets are sent to the timekeeping clerk. Other information, including notification of absence and call-in reports, are also forwarded to the timekeepers. No automation is involved except for the processing of payroll warrants.

During testing of the Department's manual timekeeping system, timesheets for 60 employees were selected and auditors noted exceptions related to 32 of the employee timesheets who did not submit timesheets in accordance with State statute.

Department management indicated that the existing manual timekeeping system does not allow for employee time to be maintained to the nearest quarter hour as required by the Act.
During the current engagement the Department of Central Management Services and Capital Development Board (CDB) initiated work on a statewide automated timekeeping system. The State entered into a contract with a vendor to provide supplies and services for a timekeeping system which included services, software licenses and hardware. CDB expended $1.6 million to the vendor for software licenses and hardware, parts of the hardware were provided by the vendor and distributed to Correctional Centers during FY10 and are in storage at the Correctional Centers. As of the end of the engagement fieldwork nothing else had been done towards implementation of the system at the Department.

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

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 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.

The majority of emergency purchase affidavits For FY09-10 were filed on behalf of the correctional centers. Twenty-two emergency purchase affidavits were filed during FY09 totaling $5,026,470 as follows:

- $3,164,276 for repair and replacement;
- $1,575,907 for security including fire alarms, fencing, and a control system;
- $ 248,547 for food; and
- $ 37,740 for supplies for Correctional Industries manufacturing.

Thirty-six emergency purchase affidavits were filed during FY10 totaling $4,942,232 as follows:

- $3,367,171 for repair and replacement;
- $ 806,258 to extend a job prep contract until a new contract is awarded;
- $ 388,296 for supplies for Office and Correctional Industries manufacturing;
- $ 199,982 for ammunition;
- $ 91,309 for janitor service at Concordia;

- $ 44,990 for clothing; and
- $ 44,226 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, 2010, the Department had 336 employees assigned to locations other than official headquarters.