



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS DEPARTMENT OF JUVENILE JUSTICE

Compliance Examination
 For the Two Years Ended June 30, 2014

Release Date: April 30, 2015

| FINDINGS THIS AUDIT: 16 | AGING SCHEDULE OF REPEATED FINDINGS | | | | | | |
|--------------------------------|-------------------------------------|-----------|-----------|----------------|------------|---|------------|
| | New | Repeat | Total | Repeated Since | Category 1 | Category 2 | Category 3 |
| Category 1: | 0 | 0 | 0 | 2012 | | 14-5, 14-12 | |
| Category 2: | 5 | 10 | 15 | 2010 | | 14-3 | |
| Category 3: | <u>1</u> | <u>0</u> | <u>1</u> | 2008 | | 14-1, 14-2, 14-4, 14-6, 14-7, 14-11, 14-15 | |
| TOTAL | 6 | 10 | 16 | | | | |
| FINDINGS LAST AUDIT: 18 | | | | | | | |

SYNOPSIS

- (14-1) The Department failed to segregate certain aspects of its administrative processes from the Department of Corrections.
- (14-2) The Department maintained inaccurate and inadequate equipment and capital asset records.
- (14-4) The Department's Youth Centers inadequately administered locally held (bank accounts) funds during the examination period.
- (14-6) The Department lacks an automated payroll timekeeping system.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**ILLINOIS DEPARTMENT OF JUVENILE JUSTICE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

| EXPENDITURE STATISTICS | FY 2014 | FY 2013 | FY 2012 |
|--|-----------------------|-----------------------|-----------------------|
| Total Expenditures..... | \$ 118,646,083 | \$ 121,424,026 | \$ 128,158,001 |
| OPERATIONS TOTAL..... | \$ 118,301,642 | \$ 120,941,013 | \$ 125,396,127 |
| % of Total Expenditures..... | 99.7% | 99.6% | 97.9% |
| Personal Services..... | 81,485,148 | 84,312,831 | 89,180,632 |
| Other Payroll Costs (FICA, Retirement and Group Insurance)..... | 6,429,245 | 8,168,250 | 8,050,014 |
| Contractual Services..... | 23,528,485 | 23,595,484 | 23,129,451 |
| Commodities..... | 2,708,487 | 2,695,255 | 3,191,727 |
| All Other Operating Expenditures..... | 4,150,277 | 2,169,193 | 1,844,303 |
| AWARDS AND GRANTS..... | \$ 325,434 | \$ 444,582 | \$ 26,931 |
| % of Total Expenditures..... | 0.3% | 0.4% | 0.0% |
| PERMANENT IMPROVEMENTS..... | \$ 0 | \$ 21,000 | \$ 2,572,308 |
| % of Total Expenditures..... | 0.0% | 0.0% | 2.0% |
| REFUNDS..... | \$ 19,007 | \$ 17,431 | \$ 162,635 |
| % of Total Expenditures..... | 0.0% | 0.0% | 0.1% |
| Total Receipts..... | \$ 4,244,712 | \$ 10,849,932 | \$ 8,245,644 |
| Average Number of Employees (Not Examined)..... | 965 | 1,053 | 1,208 |

| SELECTED ACTIVITY MEASURES (Not Examined) | FY 2014 | FY 2013 | FY 2012 |
|--|----------------|----------------|----------------|
| Average Juvenile Population, June 30, | 847 | 808 | 1,068 |
| Rated Capacity, June 30,..... | 1,250 | 1,254 | 1,754 |
| Juvenile Population (Under) Rated Capacity | (403) | (446) | (686) |
| Average Annual Cost, Youth Centers..... | \$ 130,948 | \$ 119,128 | \$ 98,907 |
| Overtime Hours Paid..... | 64,415 | 62,240 | 37,545 |
| Value of Overtime Hours Paid..... | \$ 3,165,927 | \$ 2,782,638 | \$ 1,640,814 |
| Compensatory Hours Used..... | 26,924 | 33,015 | 38,506 |
| Value of Compensatory Hours Used..... | \$ 1,010,946 | \$ 1,127,279 | \$ 1,264,862 |

| DEPARTMENT DIRECTOR |
|--|
| During Examination Period: Arthur D. Bishop (through 1/23/14), Era Laudermilk (1/24/14 through 1/31/14), Candice Jones (Acting, effective 1/31/14), Candice Jones (effective 2/10/15) |
| Currently: Candice Jones |

INTRODUCTION

This report presents our compliance attestation examination of the Department's operations for the two years ended June 30, 2014. During the two years ended June 30, 2014 the Department administered eight youth centers, two of which were closed during the period. The Department closed IYC Murphysboro on January 4, 2013 and IYC Joliet on February 12, 2013.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

ADMINISTRATIVE PROCESS NOT FULLY SEGREGATED

The Department has not segregated certain aspects of its administrative processes from the Department of Corrections (DOC) as intended by statute.

Auditors noted the following during testing:

- The Department's capital assets are maintained within the DOC Automated Property Control System and the Department was unable to extract transaction reports specific to all of its activities.
- The Department has made little progress towards updating the Administrative Directives established by the DOC to be specific to the Department's unique purpose and mission.
- The Department did not adequately monitor the administrative services provided by the DOC.

Some Administrative Directives are not relevant to the Department

The Department relies on internal controls of DOC

Failure to adequately segregate certain functions between the Department and the DOC does not comply with the intent of the originating legislation and results in inadequate controls within the Department. (Finding 1, pages 11-13) **This finding was first reported in 2008.**

We recommended the Department accelerate its efforts to segregate its books and records from those of the DOC to comply with the originating legislation. Additionally, the Department should more effectively monitor the administrative services provided by the DOC to ensure the Department's administrative responsibilities are being fulfilled.

Department agrees with auditors

Department officials accepted the recommendation and stated they will continue efforts to acquire necessary resources to segregate its books and records from the DOC, update and review Administrative Directives as necessary, and more

effectively monitor the administrative services provided by the DOC. (For the previous Department response, see Digest Footnote #1)

INACCURATE AND INADEQUATE EQUIPMENT AND CAPITAL ASSET RECORDKEEPING

The Department did not exercise adequate controls over recording and reporting of its State property and equipment.

Auditors noted the following during testing:

Items not added or removed from the property system timely

- The Department did not update its inventory records within 30 days of acquisition, change or deletion of equipment items.
- The Department was unable to locate ten items, totaling \$13,861, selected from the Department's property records.
- The Department did not have adequate controls over maintaining its inventory records.
- The Department did not accurately report information on the Agency Report of State Property Quarterly Reports (C-15).
- The Department had several unused, condemned or worn down buildings in need of repairs, demolition or significant improvements.
- The Department did not have adequate control over transfers of equipment following the closure of two facilities.

Buildings in need of repairs, demolition or significant improvements

Failure to maintain adequate property and equipment records is noncompliance with statutory and regulatory requirements and increases the potential for fraud and possible loss or theft of State property. In addition, inaccurate property reporting reduces the reliability of Statewide capital asset information. (Finding 2, pages 14-18) **This finding was first reported in 2008.**

We recommended the Department strengthen controls over the recording and reporting of its State property and equipment by reviewing its inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. We also recommended the Department ensure all equipment is accurately and timely recorded on the Department's property records.

Department agrees with auditors

Department officials accepted the recommendation and noted they will continue efforts of devoting the resources necessary within the limitations of the existing Illinois Department of Correction's Automated Property Control System to ensure that property and equipment information is timely and

properly recorded and maintained. A review of the inventory and recordkeeping practices will be done to determine areas that can be improved on. *(For the previous Department response, see Digest Footnote #2)*

INADEQUATE ADMINISTRATION OF LOCALLY HELD FUNDS AT YOUTH CENTERS

The Department inadequately administered locally held (bank accounts) funds during the examination period.

During testing of the Department's Juvenile Justice Commissary Fund (Commissary Fund), Juvenile Justice Inmate Trust Fund (Trust Fund), and the Juvenile Justice Benefit Fund (Resident Benefit Funds and Employee Benefit Fund) auditors noted a number of exceptions where the Youth Centers were not following Department Administrative Directives and / or State statute. We noted the following:

Exceptions noted in administration of locally held funds at Youth Centers

Reimbursement requests not timely

- Two Youth Centers failed to request reimbursement for 3 bank service charges incurred during Fiscal Years 2013 and 2014 from the Resident Benefit Fund in a timely manner. The reimbursements were requested between 4 and 16 months after the service charges were applied to the bank accounts.
- Two Youth Centers did not properly complete the Offender Authorization for Payment form or equivalent for 11 of 60 (18%) tested disbursements, totaling \$294, from the Trust Fund.
- One Youth Center provided signature authorization cards that included an employee no longer employed by the Department.
- At 2 Youth Centers, 2 of 30 (7%) cash receipts tested, totaling \$484, were not deposited timely.
- Three Youth Centers did not follow a Department Administrative Directive regarding the administration of the Resident Benefit Fund or the Employee Benefit Fund. Auditors noted 12 instances, totaling \$2,337, in which committee minutes could not be provided to determine the expenditures were submitted and approved by the committees as required by the Administrative Directive.
- Two Youth Centers were not performing monthly reviews comparing the receipts and expenditures sent to Springfield for the Resident Benefit Fund to the bank statements. One Youth Center was not able to log on to its online banking site, and therefore could not complete any monthly reviews comparing receipts and expenditures to the bank statements.

Required committees did not maintain documentation of approvals to expend funds

The failure to follow the prescribed formal administrative directive could result in a breakdown of the authorization process, documentation of decisions, and could lead to inappropriate expenditures not being prevented. (Finding 4, pages 21-22) **This Finding was first reported in 2008.**

We recommended the Department ensure the requirements related to the locally held fund administration as set forth in the administrative directives are followed by the Youth Center staff.

Department agrees with auditors

Department officials accepted the recommendation and noted they will make every effort to ensure the administrative directives are updated and followed regarding the uses of locally held funds, and to preserve and maintain records necessary to document its financial activity. In addition, Department officials stated they resolved the access issues with the online banking site. (*For the previous Department response, see Digest Footnote #3*)

PAYROLL TIMEKEEPING SYSTEM NOT AUTOMATED

The Department's payroll timekeeping system was not automated.

Need to fully automate payroll timekeeping system

During the 2008 examination 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. The Department maintains a manual timekeeping system for approximately 1,000 employees. Most Department Employees, which are security, attend roll-call fifteen minutes before each shift. This starts the payroll process for the majority of the Department employees. Other Department 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.

One location performs completely manual calculations

During the current examination, Department management stated timekeeping was maintained using an excel spreadsheet. During employee testing, auditors tested timesheets from seven locations, which included the six active Youth Centers and the General Office. All locations used forms generated from an excel spreadsheet. However, 1 of 7 (14%) locations (Chicago Youth Center) provided timesheets with attendance and paid leave time data filled out by hand.

The lack of an automated timekeeping system increases the risk of errors and reduces the control efficiencies for

accurately tracking time. (Finding 6, pages 25-26) **This finding was first reported in 2008.**

We recommended the Department implement an automated timekeeping system.

Department agrees with auditors

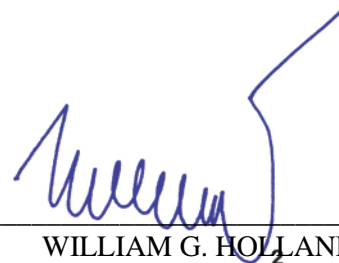
Department officials accepted the recommendation and indicated they do not, at this time, have the resources to purchase a new timekeeping system. The Department would, however, participate in a new statewide system should one be purchased. *(For the previous Department response, see Digest Footnote #4)*

OTHER FINDINGS

The remaining findings pertain to: 1) failure to properly transfer unclaimed inmate cash account balances, 2) noncompliance with the Fiscal Control and Internal Auditing Act, 3) performance evaluations, 4) segregation of duties, 5) inadequate administration of confinement and discipline policies, 6) emergency purchases, 7) State vehicle policies, 8) fraud risk assessment program, 9) disaster contingency planning, 10) security and control of confidential information, 11) employee training, and 12) failure to designate person to Illinois Human Services Commission. Auditors will review the Department's progress towards the implementation of the recommendations in the next engagement.

ACCOUNTANT'S OPINION

We conducted a compliance examination of the Department for the two years ended June 30, 2014, as required by the Illinois State Auditing Act. The auditors stated the Department complied, in all material respects, with the requirements described in the report.



A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line.

WILLIAM G. HOLLAND
.. Auditor General

WGH:SKM

AUDITORS ASSIGNED

This examination was performed by the Office of the Auditor General's staff.

DIGEST FOOTNOTES

#1 - ADMINISTRATIVE PROCESS NOT FULLY SEGREGATED – Previous Department Response

2012: Recommendation accepted. IL Department of Juvenile Justice (IDJJ) will continue its efforts by acquiring necessary resources to segregate its books and records from the Illinois Department of Corrections (IDOC) and more effectively monitor the administrative services provided by the IDOC.

#2 – INACCURATE AND INADEQUATE EQUIPMENT AND CAPITAL ASSET RECORDKEEPING – Previous Department Response

2012: Recommendation accepted. IL Department of Juvenile Justice (IDJJ) will continue devoting the resources necessary within the limitations of the existing IDOC Automated Property Control System to ensure that property and equipment information is properly recorded and maintained.

#3 – INADEQUATE ADMINISTRATION OF LOCALLY HELD FUNDS AT YOUTH CENTERS – Previous Department Response

2012: Recommendation accepted. IL Department of Juvenile Justice (IDJJ) will remind Youth Center staff of the requirements related to the operation and maintenance of locally held funds. 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.

#4 – PAYROLL TIMEKEEPING SYSTEM NOT AUTOMATED – Previous Department Response

2012: Recommendation accepted. IL Department of Juvenile Justice (IDJJ) does not, at this time, have the resources to purchase a new timekeeping system. The Department would, however, participate in a new statewide system should one be purchased.