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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

SUPPLEMENTAL DIGEST **DEPARTMENT OF CORRECTIONS** **AUGUST 2009**

Today we are releasing a total of 30 reports for the Department of Corrections (Department); the reports include the General Office, 28 correctional centers, and Correctional Industries.

The Department of Corrections – General Office report contains a Department-wide financial audit for the year ended June 30, 2008 and a compliance attestation examination for the two years ending June 30, 2008. The Correctional Industries report also contains a financial audit for the year ending June 30, 2008 and a compliance attestation examination for the two years ending June 30, 2008. The other 28 reports being released are limited scope compliance attestation examinations of individual correctional centers for the two years ending June 30, 2008.

The Independent Auditor's Opinion on the Department-wide financial statement audit contained qualifying language for excluding from capital assets certain property transferred from another State agency, inadequacies in the Department's accounting records regarding the amounts at which inventory balances were recorded and inadequacies in the accounting records of the DOC Residents' and Employees Benefit Fund. In addition, the Department's Independent Auditors' Opinion on State Compliance and Internal Control also contained report qualifications. In all, the reports contain a total of 128 findings, which is significantly up from 85 findings reported in the June 30, 2006 engagements. Eight of the current center reports had no findings; this is the same number of centers with no findings for the two years ending June 30, 2006.

The more prevalent findings in the 2008 engagements were in the areas of statutory mandates, internal control, payroll and personnel and inventory. The attached schedule of Major Findings by Topic summarizes the findings disclosed in our reports.

We also have included summaries of certain operational and statistical data in the attached charts and schedules. For example, one chart provides details on the average total population and rated capacity by center. For 2008 the Department had an average total population of 45,264 inmates in centers having a rated total capacity of 34,263. This is an increase from 2006 when the Department had an average total population at centers of 45,113 inmates with a rated total capacity of 33,758. Based on the information provided, the population of adult residents for fiscal year 2008 is 11,001 (or 32.1%) over capacity. Another chart provides details on the average yearly cost per inmate by center. For 2008 the average yearly cost per inmate ranged from \$64,107 to \$16,275. The last chart provides information regarding the value of paid overtime hours and earned compensatory hours, average number of correctional officers per correctional center and the ratio of inmates to correctional officers at the correctional centers. Total overtime and compensatory hours at the Department increased 53.7% from fiscal year 2007 to 2008.

Major Findings by Topic

Number of Findings		Topic
FY08	FY06	
33	18	STATUTORY MANDATES
		Failure to provide documentation to perform audit, indebting State without authorization, failure to prepare and submit required reports and/or notifications to the Governor, General Assembly and other required entities. Commissary operations were not in compliance with Unified Code of Corrections. Failure to establish subcommittee on Women Offenders, required documents not received upon inmate admission, written notice of restrictions on correspondence not provided, and noncompliance with the Illinois Procurement Code. Individuals who access inmate master file not documented and all relevant costs not being included in computing manufacturing cost of Correctional Industries operations. Failure to properly transfer inmate account balance, State vehicle certification not completed and submitted, proceeds from the sale of assets not collected by Correctional Industries. Catch-up billings being issued by Correctional Industries to other State agencies without administrative rules, failure to comply with the Uniform Disposition of Unclaimed Property Act and Arsonist Registration Act.
24	17	INTERNAL CONTROL
		Weaknesses in internal controls over locally held funds at Centers were noted in the following areas: 1) former employees were still noted as authorized check signers and an individual not authorized to sign checks was signing checks; 2) a lack of segregation of duties was identified for writing checks, reconciling accounts, posting activity, collecting cash, making deposits and mailing checks; 3) reconciliation to general ledger accounts not performed; 4) deposits not made timely; 5) accounts payable not properly recorded; 6) donations to benefit fund by vendor; 7) adequate supporting documentation not maintained and reviewed prior to signing checks. Inmate Benefit Fund expenditures were made without: 1) committee approval; 2) committees not meeting as required; 3) required minutes not maintained; 4) questionable purchases being approved. Weaknesses in operation and maintenance of "cash box" imprest funds, lack of segregation regarding the maintenance of inventory and monthly reconciliations of receipts not performed. Weaknesses in internal controls over the operation of the Department's consolidated inmate benefit account. Lack of controls over grant reporting and weaknesses in ATC food services contract. Inadequate monitoring of memorandums of understanding, lack of documentation regarding interagency agreements and failure to update administrative directives.
16	15	PAYROLL & PERSONNEL
		Employee paid from Center appropriation while performing Department-wide duties, inadequate staffing noted in key Center positions. Failure to expend appropriation as legislatively intended to hire additional front line staff, payment of another agency's personnel cost. Failure to maintain adequate payroll withholding documentation and personnel file information. Standardized procedures for separated employees not being followed, employee performance evaluations not performed timely. Employee training not provided and not adequately documented, time sheets not submitted in compliance with State Officials and Employees Ethics Act. Lack of controls in processing lump sum payments for separated employees, inadequate control of employee overtime, compensatory time, work hours, leaves of absences and temporary assignments.
11	9	INVENTORY
		Weaknesses in inventory controls led to: 1) inventory being valued incorrectly; 2) receiving and usage information not entered into the inventory system timely and accurately; 3) physical inventory counts not performed; 4) average unit cost of inventory not computed properly; 5) errors in annual physical inventory counts; 6) not maintaining documentation to support year end inventory counts and valuation; 7) inventory system not assigning cost of freight to inventory. Correctional Industries does not have a formal policy to address inventory obsolescence.

(Continued)

(Major Findings by Topic continued)

Number of Findings		Topic
FY08	FY06	
10	6	ACCOUNTING REPORTS AND RECORDS Failure to properly calculate distribution of excess cash from commissary funds. Failure to maintain proper administrative and accounting controls over locally held funds. Inadequate controls over locally held fund general ledgers, inaccurate locally held fund information submitted to General Office. Untimely preparation of commissary receiving reports, lack of signatures on forms. Weaknesses in preparation of GAAP reporting forms and financial statements, failure to document date reconciliations were performed, and adult transition center records not properly maintained.
8	3	PROPERTY, PLANT & EQUIPMENT Failure to adequately control fixed assets noting: 1) additions and deletions to the property system were made in error; 2) property system not timely updated; 3) assets on property system not locatable; 4) equipment not being timely tagged and missing identification tags; 5) surplus and scrap equipment on hand; 6) additions, deletions and transfers lacked supporting documentation. Transfers from another State agency not properly recorded, fixed asset reports not accurately prepared and lack of supporting documentation for requested property reports.
8	4	MISCELLANEOUS DISBURSEMENT / VOUCHER PROCESSING Disbursements were identified that lacked supporting documentation. Center vouchers were: 1) not approved for payment timely; 2) lacked required approvals and/or dates of approvals. Interest due in accordance with the Prompt Payment Act was not paid. Exceptions were identified in processing travel vouchers.
6	4	REVENUES, APPROPRIATIONS AND VOUCHER PROCESSING Inmate Trust Fund receipt report missing required signatures, Center cash receipts sent to General Office without transmittal documents, cash receipts missing or did not agree to supporting documents. Weaknesses in administration of lump sum appropriation accounts, receipts and refunds not deposited into State treasury timely, and Department did not pay revolving fund billings.
5	5	CONTRACTUAL SERVICES, COMMODITIES & OPERATION OF AUTOMOTIVE EQPT. Inadequate contract monitoring procedures for medical service contracts. Contracts not approved prior to the start date, and services contracted to be performed at a specific locations performed at another location. Contracts were missing required signatures, and inadequate procedures regarding State vehicles.
5	3	EDP Payroll timekeeping system is not automated, center duties were not segregated for access to various applications and automated management information system at Correctional Industries not completely installed. Separated employee access to accounting system was still active, new computers not utilized in inmate training programs.
2	1	ACCOUNTS PAYABLE & ACCOUNTS RECEIVABLE Quarterly Accounts receivable reporting errors noted at Correctional Industries. Improper calculation and reporting of liabilities by the Department at year end.
128	85	TOTAL REPORT FINDINGS BY TOPIC

Rated Capacity and Average Daily Inmate Population

Maximum Security	FY08	FY06
Average Population	9,983	9,936
Rated Capacity	9,644	9,669

Residents Above Capacity 339 267

Medium Security	FY08	FY06
Average Population	25,234	25,147
Rated Capacity	17,526	17,196

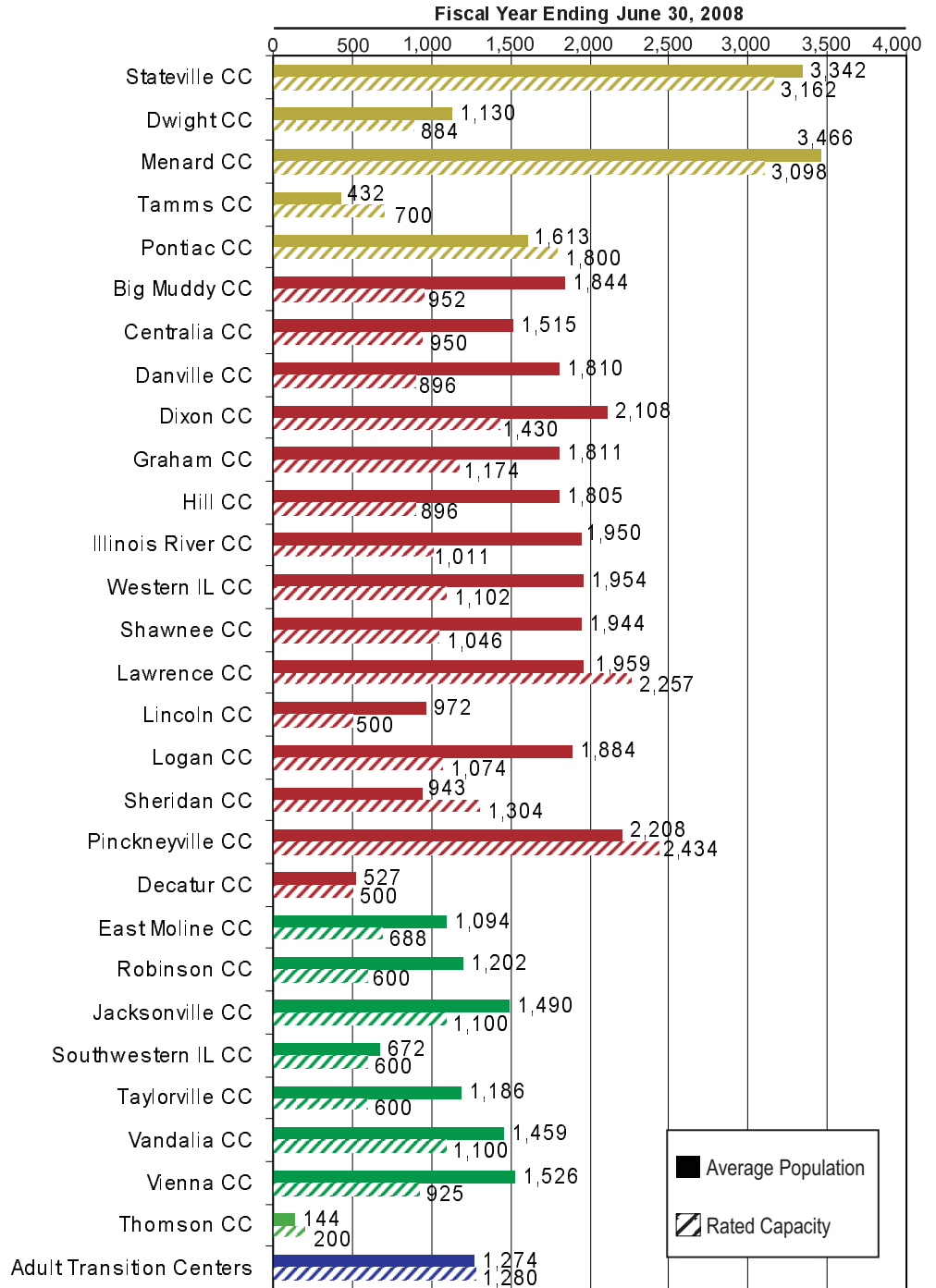
Residents Above Capacity 7,708 7,951

Minimum Security	FY08	FY06
Average Population	8,773	8,717
Rated Capacity	5,813	5,613

Residents Above Capacity 2,960 3,104

Adult Transition Ctr.	FY08	FY06
Average Population	1,274	1,313
Rated Capacity	1,280	1,280

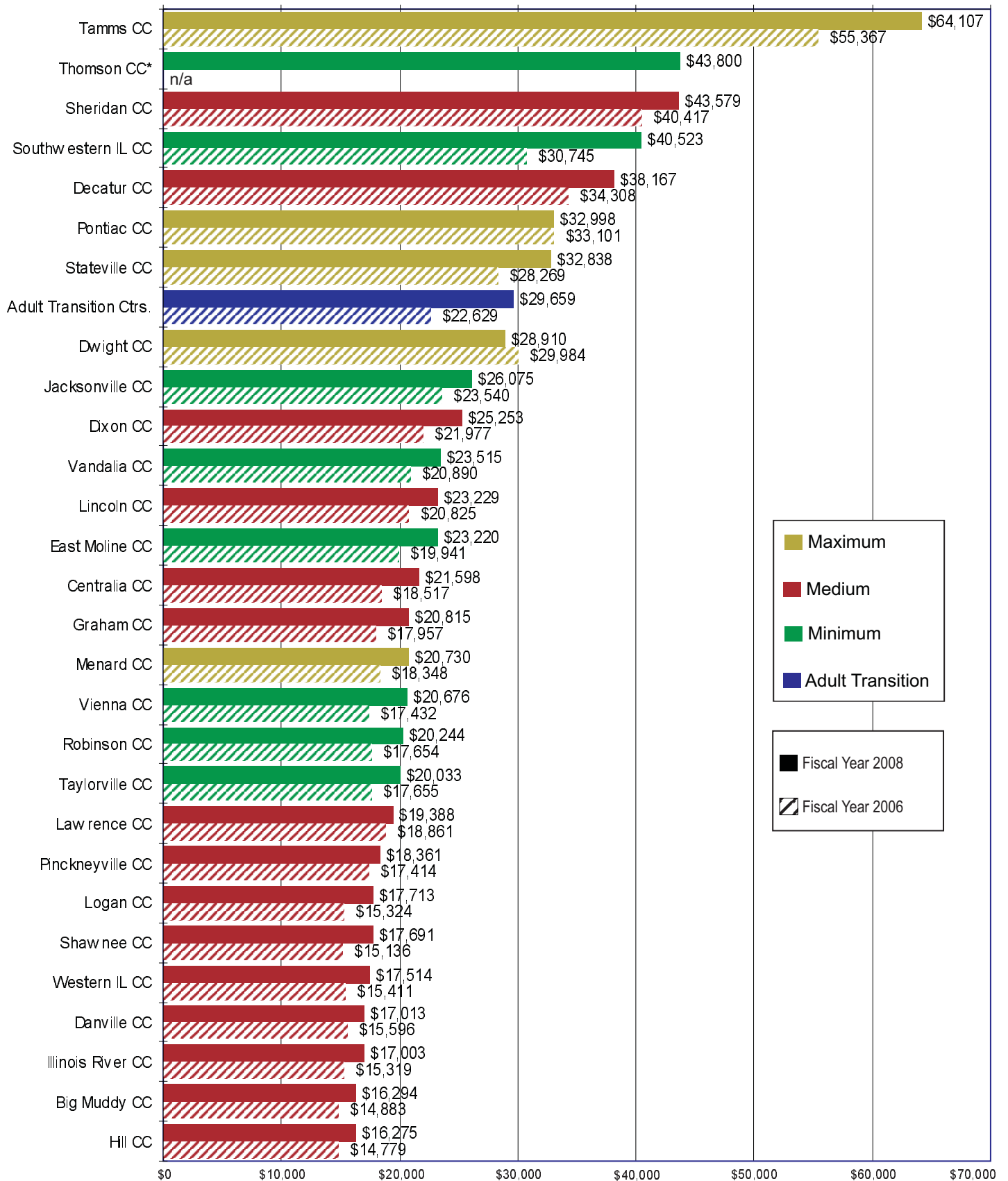
Residents Above (under) Capacity (6) 33



Total	FY08	FY06
Average Population	45,264	45,113
Rated Capacity	34,263	33,758
Residents Above Capacity	<u>11,001</u>	<u>11,355</u>

Source: Illinois Dept. Of Corrections (Unaudited)

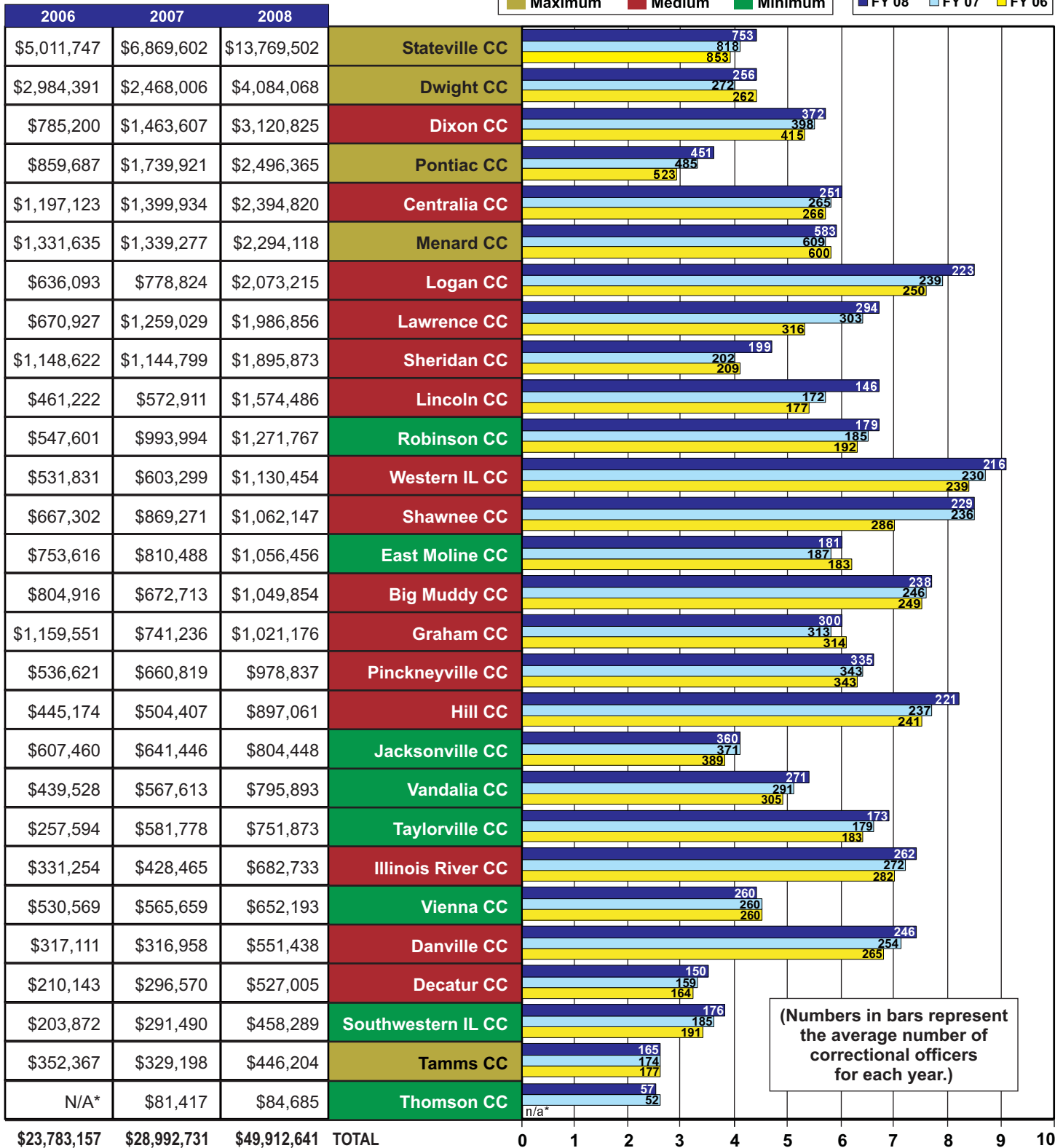
Average Yearly Cost Per Inmate



* Center was not operational during Fiscal Year 2006
 Source: Illinois Dept. Of Corrections (Unaudited)

Number of Inmates Per Correctional Officer & Employee Overtime/Compensatory Time

Total Value of Paid Overtime Hours & Earned Compensatory Time during Fiscal Year:



* Center was not operational during Fiscal Year 2006
Source: Illinois Dept. of Corrections (Unaudited)

Inmates per Correctional Officer