STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2012

AND DEPARTMENT-WIDE FINANCIAL AUDIT

For the Year Ended June 30, 2012

Performed as Special Assistant Auditors for
The Auditor General, State of Illinois

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
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AND DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2012

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STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

AGENCY OFFICIALS

Director	Michael P. Randle (through 9/18/10) Gladyse Taylor, Acting (9/19/10 through 5/1/11) Salvador A. Godinez (effective 5/2/11)
Assistant Director	Gladyse Taylor (effective 5/1/11)
Executive Assistant to the Director	Jerry Buscher, Acting (5/9/11 through 4/30/13) Jesse Montgomery (effective 6/10/13)
Chief of Staff	David Eldridge (through 1/15/11) Cara Smith (1/25/11 through 7/19/11) Luke Hartigan (9/1/11 through 3/31/13) Bryan Gleckler (effective 5/20/13)
Chief of Constituent Services	Shelith Hansbro (through 9/1/10) Jaclyn O'Day (2/1/11 through 12/10/12) (changed to Community Outreach Administrator)
Community Outreach Administrator	Jaclyn O'Day (through 12/10/12) Markus King (effective 12/12/12)
Chief of Parole	Jesse Montgomery (through 1/31/12) Brad Curry (2/1/12 through 2/7/13) Darryl Johnson (effective 2/8/13)
Chief of Investigations and Intelligence	Luke Hartigan (through 8/31/11) Larry Beck (2/1/12 through 12/31/12) Michael Hood (effective 1/16/13)
Chief Legal Counsel	Joseph Rose (through 11/15/12) William Barnes (effective 11/16/12)
Chief of Intergovernmental Relations	Jenni Scheck (through 4/30/12) Daryl Jones (5/1/12 through 3/4/13) Michael Lane (effective 3/5/13)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

AGENCY OFFICIALS - Continued

Chief of Labor Relations	Amy McElroy (6/16/10 through 2/28/13)
Chief of Operations	Eddie Jones (through 12/30/11) Jesse Montgomery (2/1/12 through 6/9/13) Joseph Yurkovich (effective 6/10/13)
Administrator of Affirmative Action and Minority Recruitment	Vicki Fair
Chief Fiscal Officer	Bryan Gleckler (6/16/10 through 5/19/13) Jared Brunk (6/1/13 through present)
Chief Public Safety Officer	Michael J. McCotter (through 9/30/12) Brad Curry (effective 2/8/13)
Chief Public Safety Liaison Officer	Joseph Rose (effective 11/16/12)
Chief of Programs and Support Services	Roberta Fews (through 3/31/11) Debbie Denning (effective 5/9/11)
Chief Internal Auditor	Brett Finley (8/1/2010 through 11/15/12) Ron Faith, Acting (effective 11/16/12)
Deputy Director Northern District	David Gomez (effective 2/1/12)
Deputy Director Central District	Yoland Johnson (2/1/12 through 12/31/12) Joseph Yurkovich (1/16/13 through 6/9/13) Glen Austin (effective 6/10/13)
Deputy Director Southern District	Ty J. Bates (12/1/11 through 6/6/13) Shannis Stock (effective 6/7/13)

Department General Office is located at:

1301 Concordia Court
P.O Box 19277
Springfield, IL 62794-9277

Illinois
Department of
Corrections

Pat Quinn
Governor

S. A. Godinez
Director

1301 Concordia Court • P.O. Box 19277
Springfield IL 62794-9277

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TDD: (800) 526-0844

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

June 24, 2013

Sikich LLP
3201 W. White Oaks Drive, Suite 102
Springfield, IL 62704

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Corrections (Department). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the two-year period ended June 30, 2012. Based on this evaluation, we assert that during the year(s) ended June 30, 2011 and June 30, 2012, the Department has materially complied with the assertions below.

A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Department of Corrections

S.A. Godinez, Director

Jared Brunk, Chief Fiscal Officer

William Barnes, Chief Legal Counsel

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

INTRODUCTION

Our scope as special assistant auditors to the Auditor General for the compliance examination consists of State compliance testing of the Department for the two years ended June 30, 2012, except for Illinois Correctional Industries (ICI), which was examined by other special assistant auditors. State compliance schedules contained in this report generally do not contain information for ICI.

ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain report qualifications for compliance and internal control.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	39	34
Repeated findings	25	24
Prior recommendations implemented or not repeated	9	23

Details of findings are presented in a separate section of this report. The findings in this report are a result of our testing of the Department, except for Illinois Correctional Industries (ICI), which was examined by other special assistant auditors. Findings at ICI related to financial reporting matters and findings regarding procedural or administrative matters relating to all or multiple institutions of the Department of Corrections are included in this report. Other state compliance findings specific to ICI are reported in the separate ICI compliance examination report.

SCHEDULE OF FINDINGS

FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

Item No.	Page	Description	Finding Type
12-01	17	Weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements	Material Weakness
12-02	21	Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property/fixed assets	Material Weakness
12-03	26	Inadequate controls over inventory	Significant Deficiency
12-04	29	Inadequate administration of locally held funds at the Correctional Centers	Significant Deficiency
12-05	33	Weaknesses in administration of locally held funds at the General Office	Significant Deficiency
12-06	36	Inadequate controls over accounts receivable	Material Weakness
12-07	38	Lack of collection efforts over farm leases	Material Weakness
12-08	40	Lack of control over computer systems	Significant Deficiency

FINDINGS (STATE COMPLIANCE)

Item No.	Page	Description	Finding Type
12-09	42	Operation and maintenance of "cash box" funds at Correctional Centers	Significant Deficiency and Noncompliance
12-10	45	Noncompliance with Uniform Disposition of Unclaimed Property Act	Significant Deficiency and Noncompliance
12-11	47	Failure to properly transfer unclaimed inmate cash account balances	Significant Deficiency and Noncompliance

FINDINGS (STATE COMPLIANCE) – Continued

Item No.	Page	Description	Finding Type
12-12	50	Inmate commissary goods marked up more than allowed by statute	Significant Deficiency and Noncompliance
12-13	53	Noncompliance with the Illinois Procurement Code	Significant Deficiency and Noncompliance
12-14	55	Adult Transition Center records not properly maintained	Significant Deficiency and Noncompliance
12-15	58	Weaknesses in Adult Transition Center (ATC) food services contract	Significant Deficiency and Noncompliance
12-16	60	Weaknesses in contract, lease, and grant administration	Significant Deficiency and Noncompliance
12-17	64	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
12-18	65	Lack of project management for computer systems development	Significant Deficiency and Noncompliance
12-19	67	Weaknesses in change management procedures	Significant Deficiency and Noncompliance
12-20	69	Lack of disaster contingency planning or testing to ensure recovery of computer systems	Significant Deficiency and Noncompliance
12-21	71	Failure to comply with the Identity Protection Act	Significant Deficiency and Noncompliance
12-22	72	Employee performance evaluations not performed timely	Significant Deficiency and Noncompliance
12-23	74	Payroll timekeeping system not automated	Significant Deficiency and Noncompliance
12-24	75	Inadequate documentation of employee training	Significant Deficiency and Noncompliance
12-25	77	Inadequate controls over computer inventory	Significant Deficiency and Noncompliance

FINDINGS (STATE COMPLIANCE) – Continued

Item No.	Page	Description	Finding Type
12-26	79	Computer equipment not installed in a timely manner	Significant Deficiency and Noncompliance
12-27	80	Policies and procedures regarding operation of State vehicles not followed	Significant Deficiency and Noncompliance
12-28	84	Failure to adequately maintain documentation related to personally assigned vehicles	Significant Deficiency and Noncompliance
12-29	85	Failure to maintain control over telecommunication devices	Significant Deficiency and Noncompliance
12-30	87	Cash receipts and refunds not paid into the State treasury on a timely basis as required by State law	Significant Deficiency and Noncompliance
12-31	89	Failure to develop a formal fraud risk assessment program	Significant Deficiency and Noncompliance
12-32	90	Failure to update Administrative Directives	Significant Deficiency and Noncompliance
12-33	92	Failure to properly notify appropriate parties of impending release of inmates	Significant Deficiency and Noncompliance
12-34	94	Failure to properly establish mechanism to track access to inmate master records	Significant Deficiency and Noncompliance
12-35	96	Noncompliance with inmate grievance procedures	Significant Deficiency and Noncompliance
12-36	98	Weaknesses over issuance of temporary identification cards	Significant Deficiency and Noncompliance
12-37	99	Failure to properly provide addiction recovery services	Significant Deficiency and Noncompliance
12-38	101	Failure to prepare and submit reports as required by State statute	Significant Deficiency and Noncompliance
12-39	103	Noncompliance with applicable portions of the Arsonist Registration Act	Significant Deficiency and Noncompliance

FINDINGS (STATE COMPLIANCE) – Continued

Item No.	Page	Description	Finding Type

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance or internal control over State Compliance.

Item No.	Page	Description	Finding Type
12-01	17	Weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements	Material Weakness and Material Noncompliance
12-02	21	Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property/fixed assets	Material Weakness and Material Noncompliance
12-03	26	Inadequate controls over inventory	Significant Deficiency and Noncompliance
12-04	29	Inadequate administration of locally held funds at the Correctional Centers	Significant Deficiency and Noncompliance
12-05	33	Weaknesses in administration of locally held funds at the General Office	Significant Deficiency and Noncompliance
12-06	36	Inadequate controls over accounts receivable	Material Weakness and Material Noncompliance
12-07	38	Lack of collection efforts over farm leases	Material Weakness and Material Noncompliance
12-08	40	Lack of control over computer systems	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	105	Improper calculation and reporting of liabilities at year end
B	105	Weaknesses in the financial accounting for, and reporting of, capital assets
C	105	Failure to formally document support for GAAP reporting and maintain and monitor awards and grants

PRIOR FINDINGS NOT REPEATED – Continued

Item No.	Page	Description	Finding Type
D	106	Inadequate controls over travel	
E	106	Payment of another State agency's permanent improvements and failure to allocate joint postage expenses	
F	106	Failure to report required bilingual employee needs information	
G	106	Noncompliant General Education Development (GED) program administration and reporting	
H	107	Noncompliance with the Sex Offender Registration Act	
I	107	Correctional Center exceptions	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at exit conferences on February 20, 2013 and June 12, 2103. Attending were:

DEPARTMENT OF CORRECTIONS

Salvador A. Godinez	Director
Gladyse Taylor	Assistant Director
Bryan Gleckler	Chief Fiscal Officer/Chief of Staff**
Ron Faith	Acting Chief Internal Auditor
Jared Brunk*	Chief Fiscal Officer
Tara Kessler*	Assistant Deputy Director Fiscal Accounting Compliance

OFFICE OF THE AUDITOR GENERAL

Paul Usherwood	Audit Manager
Kathy Lovejoy*	Audit Manager

SIKICH LLP

Amy L. Sherwood	Partner
Matthew Maynerich	Senior Accountant

* Present at the June 12, 2013 conference only
** Title as of June 12, 2013 conference

Responses to the recommendations were provided by Ron Faith in correspondence dated March 1, 2013 and June 19, 2013.

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Members of American Institute of Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Corrections' (the Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2012. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Department's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with specified requirements.

As described in items 12-01, 12-02, 12-06 and 12-07 in the accompanying Schedule of Findings, the Department did not comply with requirements regarding applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Department complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2012. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying Schedule of Findings as items 12-03 through 12-05 and 12-08 through 12-39.

Internal Control

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Department's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in an entity's internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying Schedule of Findings as items 12-01, 12-02, 12-06 and 12-07 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance as described in the accompanying Schedule of Findings as items 12-03 through 12-05 and 12-08 through 12-39 to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The Department's responses to the findings identified in our examination are described in the accompanying Schedule of Findings. We did not examine the Department's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Department management, and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Springfield, Illinois
June 24, 2013

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Corrections (the Department), as of and for the year ended June 30, 2012, which collectively comprise the Department's basic financial statements and have issued our report thereon dated March 20, 2013, except for Note 13 for which the date is June 24, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Working Capital Revolving Fund (Correctional Industries), as described in our report on the Department's financial statements. Our report on the Department's financial statements was qualified based upon the audit performed by the other auditors of Correctional Industries. The other auditors were unable to obtain sufficient appropriate audit evidence supporting accounts receivable and revenues at June 30, 2012; nor were they able to satisfy themselves as to the accuracy of the balances by other auditing procedures. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we and the other auditors identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis. We and the other auditors consider the deficiencies described in the accompanying schedule as items 12-01, 12-02, 12-06 and 12-07 to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We and the other auditors consider the deficiencies described in the accompanying schedule as items 12-03, 12-04, 12-05, and 12-08 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings. We and the other auditors did not audit the Department's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Department management, and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Springfield, Illinois
March 20, 2013, except for Note 13
for which the date is June 24, 2013

SCHEDULE OF FINDINGS

CURRENT FINDINGS
(*GOVERNMENT AUDITING STANDARDS*)

12-01 **FINDING:** (Weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements)

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

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

- The Department filed a Quit Claim Deed with the Carroll County, Illinois Clerk and Recorder to transfer the Thomson Correctional Center to the Department of Central Management Services (DCMS) effective August 1, 2010. The transfer of the Thomson Correctional Center to DCMS was in preparation of the sale of the property to the federal government. At this point in time, the Thomson Correctional Center was the legal property of DCMS. Effective August 1, 2010, the Department should have stopped depreciating the building and improvements and all related equipment and not reported it in subsequent financial statements. However, the Department included the Thomson Correctional Center in the initial drafts of the June 30, 2012 financial statements provided to the auditors. After being brought to the Department's and DCMS attention by the auditors, the Department removed the activity of the Thomson Correctional Center from its financial statements for the year ended June 30, 2012, and revised its capital asset SCO-537 and 538 forms for fiscal year 2012. The total cost of the assets (both capital and non-capital assets) transferred to DCMS was $120,687,000. The revisions to the financial statements and related GAAP Reporting forms totaled a decrease in $120,313,000 to capital assets, and $24,209,000 of accumulated depreciation. Depreciation expense decreased $2,243,000. See also finding 12-02.

- Weaknesses were identified in the financial accounting for, and reporting of, capital assets. In addition to the errors in accounting for the Thomson Correctional Center, the Department's Automated Property Control System (APCS) did not allow for testing of depreciation by asset (see finding 12-02).

- The Department understated the cash and liability balances by $603,000 in the GAAP packages submitted for the DOC Resident's Trust Fund (1131) because it omitted the activity of the contractually administered Adult Transitional Centers (ATCs). However, the Department subsequently became aware of this error and amended its originally submitted Report of Receipts and Disbursements for Locally Held Funds (C-17) for this fund. The Department attempted to revise the GAAP packages for this fund, but management stated it was instructed not to do so by the Illinois Office of the Comptroller due to the materiality of the adjustment on a statewide basis. The Department included the $603 (in thousands) cash and liability balances of these ATCs in its financial statements. As a result, the Department's GAAP package for Fund 1131 and its financial statements contain differences in the amount of $603 (in thousands). See also Finding 12-05.

- Auditors noted the Department had not established a practice of analyzing the nature of the accounts payable balance by Correctional Center within the DOC Resident's Trust Fund 1131, to determine the portion of the balance which was owed to vendors that would be liquidated within a short period of time, normally 30 to 60 days in the course of ordinary business sales terms, and which was accrued because it could not be liquidated due to the negative balances within the individual inmate trust fund accounts. In addition, the Department had not determined why certain Correctional Centers had debit balances in this general ledger account which should be reported as a credit balance.

- Auditors noted the Department had not developed a mechanism to ensure the completeness of its accounts receivable and deferred revenue. $442,000 of telephone commissions related to June 2012 were received in September 2012 and not recorded as of June 30, 2012 because, the Department stated, it does not file a Quarterly Summary of Accounts Receivable Activity (C-97) form because it was not aware it was supposed to file the report for receivables within the Department of Corrections Reimbursement Fund (0523). Chapter 26 of the SAMS Manual requires State agencies to report quarterly using the C-97 form for each fund in which they deposit money and have outstanding receivables at the end of the quarter. The Department did not consider this error to be material to the financial statements and it has not been corrected as of June 30, 2012.

In addition, auditors of the Department's - Correctional Industries noted the Department did not maintain adequate and accurate records related to the customer accounts receivable of the Working Capital Revolving Fund (0301). The Department's - Correctional Industries reported $10,043,000 in customer accounts receivable for the Working Capital Revolving Fund at June 30, 2012. Auditors selected a sample of 30 customer accounts receivable to confirm the balance owed to the Department at June 30, 2012. Of the 16 confirmations returned, the customers indicated they owed the Department's - Correctional Industries $4,641,000, whereas the Department's - Correctional Industries' records stated the customers owed $5,082,000, for an overstatement of $441,000. See also Finding 12-06.

Auditors of the Department's – Correctional Industries also noted the Department failed to pursue collections of past due amounts owed from farm leases in Fund 0301. The Department entered into 12 leases totaling 3,619 acres and annual rent of $602,000 for fiscal years 2011 and 2012. According to Department records, accounts receivable at June 30, 2012 related to the farm leases was $209,000. See also Finding 12-07.

In response to the prior finding, the Department stated it would continue to devote resources within the limitation of the current technology and budget constraints to complete the GAAP reporting as required. In addition, the Department had developed a follow-up control mechanism to ensure implementation occurred. Department management indicated that implementation of the recommendation from the previous finding was not fully accomplished due to a lack of time remaining in the fiscal year once new personnel were placed in financial reporting positions.

Upon discussion with the Department's – Correctional Industries' management concerning the Working Capital Revolving Fund customer accounts receivable and payment posting errors, it was determined the Working Capital Revolving Fund customer accounts receivable system contained payment posting errors. According to the Department's – Correctional Industries' management, between 2006 and 2012, payments had been posted at the customer level, rather than the invoice level, resulting in open invoices. In addition, management indicated there were payments which had been posted twice. Management also stated they did not have all of the supporting detail to ensure the posting of payments to the proper invoice. The Department's – Correctional Industries' management stated, regarding the lack of collection efforts over farm leases, in prior years, the Department attempted to monitor and track them. Upon a letter dated January 2, 2012, from DCMS, Bureau of Property Management, it was determined that DCMS has the role of administrator for these leases. In regards to the Department's procedures for monthly statements on accounts receivable, proposed language for amending the procedure was provided.

Department management indicated the remaining financial reporting errors noted during the audit period were due to a lack of resources and competing priorities for personnel.

The Comptroller requires State agencies to prepare GAAP Reporting Packages for each of their funds to assist in the annual preparation of the statewide financial statements and the Department financial statements. GAAP Reporting Package instructions are specified in the Comptroller's Statewide Accounting Management System (SAMS) Manual, Chapter 27.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal control to provide assurance that revenues, expenditures and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports.

Because of the significance of the exceptions noted, we consider this to be a material weakness in the Department's internal control over financial and fiscal operations. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements or material noncompliance will occur and not be prevented or detected and corrected on a timely basis.

Due to the noted differences in the Working Capital Revolving Fund customer account balances and the payment posting errors within the accounts receivable system, the information related to the accounts receivable and revenues for this fund included in the financial statements could not be verified. Auditors of the Department's - Correctional Industries issued a qualified opinion on those financial statements, which led to a qualification in the opinions on the Department's financial statements.

The remaining exceptions noted, if not detected and corrected, also have the potential to materially misstate the Department's financial statements. Accurate preparation of the Department's financial information for GAAP and financial reporting purposes is important due to the impact adjustments have on the statewide financial statements. (Finding Code No. 12-01, 10-01, 08-01)

RECOMMENDATION:

We recommend the Department outline and implement procedures to ensure GAAP Reporting Packages and financial statements are prepared in an accurate manner. Internal reviews should be included in those procedures as a method to identify and correct errors prior to the submission of financial information to the Illinois Office of the Comptroller and other external parties. Additionally, the Department should ensure compliance with quarterly reporting to the Illinois Office of the Comptroller as required by SAMS.

Concerning the inaccurate records related to customer accounts receivable, we recommend the Department's – Correctional Industries work with its customers to determine the accurate receivable balance. In addition, the Department's – Correctional Industries should ensure all invoices and payments are properly posted in a timely and accurate manner. Finally, the Department's – Correctional Industries should work with DCMS regarding the administration of the farm leases and ensure all information is accurately reflected in the financial statements for the Working Capital Revolving Fund.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will continue devoting the resources necessary to complete the GAAP reporting as required by implementing procedures and to take all possible steps to ensure the GAAP Reporting Packages and financial statements are prepared in an accurate manner. The Assistant Deputy Director position responsible for Fiscal Accounting Compliance was filled effective February 1, 2012. Adequate resources have been added which may enhance making improvements to ensure the GAAP Reporting Packages and financial statements are accurately prepared.

12-02 FINDING: (Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property/fixed assets)

The Department of Corrections (Department) did not maintain accurate and adequate property/fixed asset records and did not accurately record all capital asset information in its financial records.

The auditors identified the following inadequacies in the Department's property / fixed asset recordkeeping process:

- The Department's Automated Property Control System (APCS) does not provide information for the auditors to test depreciation by asset. For example, a specific facility may have thirty buildings in APCS with varying dates placed in service. APCS reports provide a total cost of all buildings combined, along with total depreciation combined at the end of the quarter. However, according to Department personnel, APCS does not allow for a breakdown of each capitalized asset's depreciation. Once a 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. As a result of this inherent limitation of APCS, the auditors were unable to perform detailed testing by asset of the additions to accumulation depreciation (depreciation expense) reported on the SCO-538 for fiscal year 2012.

- As mentioned in Finding 12-1, the Department filed a Quit Claim Deed with the Carroll County, Illinois Clerk and Recorder to transfer the Thomson Correctional Center to the Department of Central Management Services (DCMS) effective August 1, 2010. The Department should have reported this action as a transfer to DCMS on the Agency Report of State Property Form (C-15) for the quarter ended September 30, 2010. However, the Department included the Thomson Correctional Center in its Form C-15 submissions for all eight quarters of the audit period. After being brought to the Department's and DCMS attention by the auditors, the Department removed the activity of the Thomson Correctional Center and revised its Form C-15 reports for fiscal years 2011 and 2012. The ending cost of assets initially reported on C-15 for June 30, 2012 was $120,687 (in thousands), causing the C-15 to be overstated by that amount.

- 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. This worksheet contains summarized activity by division and category (land, site improvements, buildings and improvements, equipment, and capital leases). The worksheet does not provide individual transaction detail to support the summarized totals. The Department provided the auditors with the summary worksheets for 5 of 8 (63%) fiscal year 2012 and 2011 quarterly Form C-15 submissions. The Department could not provide the auditors with the summary worksheets for the first three quarters of fiscal year 2011 Form C-15 submissions. Due to this lack of detailed reports, auditors were unable to test the composition of the transactions reported on the Form C-15s in fiscal year 2011. In addition, the Department failed to timely file 1 of 8 (13%) required quarterly Form C-15s with the Illinois Office of the Comptroller.

During testing of equipment additions, deletions, transfers, location testing and voucher testing the following exceptions were noted:

- Auditors selected 40 equipment additions for testing and identified 3 (8%) exceptions, one of the items noted did not include freight cost in the total asset value and two of the items could not be supported by invoices, receiving reports, or other documentation because, according to Department personnel, the information was not available.

- The auditors, during location testing at the Department's Concordia Court campus, were unable to locate 1 of 10 (10%) of the items selected for testing. The item that could not be located was an office panel for a cubicle.

- Auditors found one of 40 (3%) items was listed with the incorrect transaction code to indicate the type of transfer.

- Auditors noted one of 40 (3%) items was deleted in an untimely manner from the unlocated property report. The Department's Administrative Directive (A.D.) 02.70.120 establishes procedures for removing missing property from the Department's inventory records.

- Auditors selected 60 equipment vouchers for testing and identified 8 (13%) exceptions. Five of the vouchers tested contained equipment items that could not be traced to the property control listing in the Department's APCS. Two of the vouchers tested contained purchases missing evidence that proper bidding procedures were followed. One of the vouchers contained an item with a price which did not match the item's price on the property control listing in APCS. The invoice indicated a price of $8,870 for the asset, while $8,950 was listed in APCS, as well as an incorrect description for the asset.

In addition, the auditors tested a sample of 317 equipment items from 17 Department divisions (all 7 Adult Transition Centers and 10 Correctional Centers) for fiscal years 2011 and 2012 to determine whether the equipment was in the correct location and/or was properly recorded in the Department's APCS. As a result of the testing, numerous exceptions were noted, a summary of some of the exceptions noted are:

- Six items could not be located at the location listed on the APCS report or at all, the items that could not be located at all were a conveyor toaster, a dvd/vcr, a file cabinet, printer stand, computer monitor, and a gas mask. Two items transferred-in could not be located at the location listed on the APCS report or at all, the items that could not be located at all were a filing cabinet and steel storage cabinet. Seven items were noted to be obsolete to the operational needs of the Centers, but were still maintained in the APCS property listing, some of the items considered obsolete were a tank processing cascade, x-ray inspection system, screw cutting lathe, VCR, diesel engine trainer, diesel mechanics, and meat chopper.

- During testing, two employees were identified with privileges to add, change, and delete equipment records in APCS who no longer had job duties that required those privileges. In addition, 6 individuals no longer employed with the Department were noted to still have full access to APCS.

- Auditors identified 49 transferable equipment items had not yet been transferred to the Department of Central Management Services (DCMS). The Hill Correctional Center (Center) completed the paperwork to transfer the items to DCMS in 2008, but the Department had delayed the transfer because it was considering reopening the automotive services vocational program at the Center in the future. In addition, 62 computer equipment items identified as obsolete in 2008 were not disposed of after the property was identified as scrap at that time by the Center. Another 106 computer equipment items which were replaced in October 2011 and May 2012 were still being stored in the Center's Business Office during the engagement fieldwork rather than being transferred to DCMS Surplus Property.

- Auditors identified 83 items that were listed under incorrect detail object codes. 79 were listed under a detail object code designed to identify items exceeding $100, when the items did not exceed $100, and 4 items not exceeding $100 were assigned detail object codes designed to identify assets exceeding $100.

- One transfer-in from the Capital Development Board was recorded as belonging to the Shawnee Correctional Center when it actually occurred at the Menard Correctional Center. The activity involved emergency hot water piping repair totaling $77,453 in fiscal year 2011.

The State Property Control Act (30 ILCS 605/6.02) states, "Each responsible officer shall maintain a permanent record of all items of property under his jurisdiction and control..." The Comptroller's Statewide Accounting Management System (SAMS) procedure 29.10.10 provides agencies with guidance on how to maintain such records and states, "...detail records are to be organized by major asset category and include the following information for each asset: (1) Cost (or other value); (2) function and activity; (3) reference to acquisition source document... (8) location... (13) date, method and authorization of disposition...This list is not exhaustive. An agency may include additional information for its own needs." SAMS procedures 03.30.30 and 27.20.38 outline the instructions for capitalizing assets and the preparation of the SCO-538. This reporting process is necessary for the Comptroller to complete the Statewide financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

The Illinois Administrative Code (44 Ill. Admin. Code 5010.620(a)) requires the Department to regularly survey its equipment inventory for transferable equipment and report such equipment to the Department of Central Management Services' Property Control Division. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) (FCIAA) states, "All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: ...(3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation."

In response to this finding from previous years, the Department stated it would continue to devote the resources necessary within the limitations of the existing APCS to ensure the property and equipment information is properly recorded and maintained. The Department would also reevaluate the capabilities of the existing APCS to determine whether it could produce the type of data necessary for the Department to ensure accurate recordkeeping to prepare detailed capital asset information, as well as accountability for all State assets. If necessary the Department would then research other property control systems and their availability. In addition, the Department had established a follow-up mechanism to ensure adequate and appropriate implementation occurred.

Despite these efforts, the above weaknesses occurred during the audit period. The Department attributed the exceptions to human error, employee oversight, competing priorities and inherent limitations of the Department's APCS. Specifically concerning the obsolete items noted by the auditors, the Department stated the items were being maintained to be possibly utilized as replacement parts or for another automotive services class in the future at those specific Correctional Centers. Concerning the failure to transfer the Thomson Correctional Center to DCMS, the Department stated the length of the sale process caused the transaction to initiate in one fiscal year and not to be completed until subsequent years. As a result, the accounting for the transaction did not occur as intended.

Because of the significance of the exceptions noted, we consider this to be a material weakness in the Department's internal control over financial and fiscal operations. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements or material noncompliance will occur and not be prevented or detected and corrected in a timely basis.

The Department had property and equipment totaling approximately $1.6 billion as reported on the Form C-15 at June 30, 2012 decentralized throughout the State. Failure to maintain adequate fixed asset records is noncompliance with the State Property Control Act, FCIAA and SAMS and increases the risk of equipment theft or loss occurring without detection, and has resulted in inaccurate property / fixed asset reporting. (Finding Code No. 12-02, 10-04, 08-07)

RECOMMENDATION:

We recommend the Department:

- Strengthen its procedures over property and equipment to ensure accurate recordkeeping and accountability for all State assets.

- Incorporate internal review procedures within its financial accounting function that ensures the capital asset information is properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Illinois Office of the Comptroller.

- Continue to research mechanisms to allow the Department to prepare and utilize detailed capital asset information.

DEPARTMENT RESPONSE:

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

12-03 FINDING: (Inadequate controls over inventory)

The Department of Corrections (Department) failed to maintain adequate controls over its inventory.

The inventory balance reported by the Department at June 30, 2012 totaled $14.3 million, not including the inventory balance of the Department's – Correctional Industries. Each Correctional Center maintained at least a portion of that inventory balance in the way of commodity and/or commissary inventory.

As part of performing the financial audit of the Department, auditors performed tests of commodity and/or commissary inventory at 10 of the Department's 27 Correctional Centers. The determination of those 10 Correctional Centers was made based upon an analysis of the Correctional Centers' inventory, capital asset, and locally held fund balances.

Auditors identified numerous exceptions and weaknesses related to the controls over commodity and commissary inventory operations. A summary of some of the exceptions identified are as follows:

- Auditors noted at 5 Correctional Centers the inventory counts completed by Center personnel did not agree to accounting records in The Inventory Management System (TIMS) or the Fund Accounting and Commissary Trading System (FACTS). The exceptions were noted at Dixon, East Moline, Hill, Shawnee, and Stateville Correctional Centers.

- Auditors identified access control weaknesses associated with The Inventory Management System (TIMS) at Graham, Hill, and Stateville Correctional Centers. Retired employees and employees whose job responsibilities did not require access to the application were noted to have access to TIMS.

- Auditors noted weaknesses in segregation of duties for inventory procedures at Hill and Lawrence Correctional Centers.

- Auditors found Pinckneyville Correctional Center understated its end of year commissary inventory balances to the General Office by $70,942. The Center did not record invoices in FACTS for inmate commissary goods totaling $70,942 until fiscal year 2013, although the items were received prior to June 30, 2012, during or after the Center was conducting its year-end inventory counts. The Department did not adjust its financial statements at June 30, 2012 for this error as it was considered immaterial to the Department's overall financial statements.

- Auditors noted stockpiling of inventory totaling $120,650 at Stateville Correctional Center. Stockpiling is defined as maintaining a supply greater than the level needed for a twelve month period.

- Auditors identified Stateville Correctional Center made a large quantity of adjustments to agree its records within TIMS to its year end physical inventory counts. The adjustments amounted to decreases in TIMS of $116,568 at June 30, 2011 and $94,187 at June 30, 2012.

- Auditors found Hill Correctional Center did not complete a full inventory of commodities at June 30, 2012 by not reporting $76,565 of donated ham; counting, reporting or determining a value of donated pizza rolls; and did not count or report the value of new offender clothing items forward-stocked in the Center's clothes warehouse. New items had been removed from the item's packaging and intermixed with used offender clothing items the Center planned to redistribute to offenders at the Center. The forward-stock items appeared to be more than one week's worth of offender clothing issues.

In response to this finding from the previous audit, the Department indicated it had made some revisions in maintaining and accounting for inventory with the implementation of TIMS and would strive to continue making improvements in the Department's centralized oversight function and the inventory accounting and maintenance within the facilities. However, despite those corrective action activities, the above exceptions still occurred during the audit period.

The Department attributed the exceptions noted in the current audit to human error, employee oversight, competing priorities, and/or shortages of staff. Furthermore, the Department stated it was unaware of the requirements to record the receipt of donated items in its inventory. Department management stated difficulties and confusion occurred at the Correctional Centers concerning processing receipts of inventory shipments close to the end of its fiscal year, specifically once the inventory counts had begun. Finally, backorders and group purchases sometimes led to stockpiling of certain inventory items.

The Department has established several Administrative Directives (A.D.'s) concerning inventory procedures and the above noted weaknesses. A.D. 02.82.101 requires inventory records to be maintained to reflect commodity usage and consumption to help ensure account records are maintained correctly. A.D. 02.82.103 requires the Department's Receiving Officer and Storekeeper (or designated alternates) complete a Store Receiving Report to record each individual's receipt and independent review of goods delivered to the Correctional Centers. A.D. 02.82.108 requires the Department limit the forward stock of a supply of goods to expected usage over one week. A.D. 02.82.114A-J reiterates the importance of reconciling the inventory records to the accounting records to verify the accuracy and value on hand of commodity items. It also requires inventory to be properly priced and addresses adjustments to inventory. A.D. 02.85.103 requires the Department's Commissary Supervisors to maintain strict control over inventory.

The Statewide Accounting Management System (SAMS) Procedure 03.60.20 requires the Department perform an annual physical count of inventory on hand and to reconcile the results to inventory records to ensure the completeness and accuracy of those records.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system of internal fiscal and administrative controls to provide assurance State property is safeguarded against loss or misappropriation and assets are properly recorded and accounted for to maintain accountability over the State's resources. In addition, generally accepted accounting principles require the proper valuation and control over annual physical inventory processes to ensure complete and accurate inventories for financial reporting purposes. An improved oversight function would allow the Department to reduce deficiencies in internal control over maintaining inventory.

The Illinois Procurement Code (30 ILCS 500/50-55) requires every State agency to stock no more than a 12 month supply of inventory.

GASB Statement 33, Paragraphs 24 and 30, requires the Department immediately recognize assets and revenues from voluntary non-exchange transactions (transactions where a government receives resources without having to directly give equal value in exchange) without an eligibility requirement at the time of receiving the donation.

Because of the significance of the exceptions noted, we consider this to be a significant deficiency in the Department's internal control. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Strong internal controls require an improved centralized oversight function related to inventory. Failure to implement such controls could lead to theft and loss of assets and noncompliance with Department and statutory guidelines as well as not accurately reporting the fiscal year end inventory balances which would, in turn, reduce the reliability of Statewide financial reporting. (Finding Code No. 12-03, 10-06, 08-09)

RECOMMENDATION:

We recommend the Department improve its centralized oversight function related to inventory to allow for improved controls.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department has made some revisions in maintaining and accounting for inventory with the implementation of The Inventory Management System (TIMS) and Fund Accounting and Commissary Trading System (FACTS). During an absence of sufficient resources, the Department contracted with an accounting firm to assist in meeting the necessary fiscal requirements. The Assistant Deputy Director position responsible for Fiscal Accounting Compliance was filled effective February 1, 2012. Adequate resources have been added, striving to continue making improvements in the Department's centralized oversight function and to the inventory accounting and maintenance within the facilities.

12-04 **FINDING:** (Inadequate administration of locally held funds at the Correctional Centers)

The Department of Corrections' (Department) Correctional Centers inadequately administered locally held (bank accounts) funds during the audit period.

As part of performing the financial audit of the Department, auditors performed tests of the locally held funds at 10 of the Department's 27 Correctional Centers. The determination of those 10 Correctional Centers was made based upon an analysis of the Correctional Centers' inventory, capital asset, and locally held fund balances. The specific locally held funds tested included the DOC Commissary Funds (Commissary Fund), DOC Resident's Trust Fund (Trust Fund), and the DOC Resident's and Employee's Benefit Fund (Resident Benefit Fund and Employee Benefit Fund).

Auditors identified several exceptions and weaknesses related to the controls over the Correctional Centers' locally held funds as follows:

- Exceptions were noted at Dixon, East Moline, Graham, Hill, Jacksonville, Pinckneyville, and Shawnee where adequate controls over the Resident Benefit Fund or the Employee Benefit Fund were not exercised. Auditors noted instances where the Centers could not provide minutes from the committee meetings; committee meeting minutes did not include approval of the expenditures; and a Center did not appoint an Assistant Chief Administrative Officer to serve on the committee. Auditors noted exceptions where expenditures exceeded the approved limits established by the committees without documentation or subsequent approval provided; Centers could not provide auditors with invoices to support disbursements from the funds; Centers were unable to access the online banking feature of the benefit account to properly monitor their account balance; and auditors noted documentation for expenditures did not obtain all the required approvals, such as from the Leisure Time Activities Supervisor or the Chief Administrative Officer. Finally, auditors noted improper expenditures were processed from the funds, such as for repair expenses for the Center that should have been paid from the General Revenue Fund.

  Department Administrative Directive (A.D.) 02.43.102 establishes written guidelines for expenditures from both of the Resident Benefit Fund and the Employee Benefit Fund, including the creation of a committee at each Center for the benefit funds it administers. The benefit fund committees review and approve the purchase requests. A.D. 02.43.102 specifies the types of expenditures which can be made out of the benefit funds. A.D. 02.43.103 states a check shall be prepared and processed for payment of the authorized invoice. A.D. 02.95.105 requires records to be properly identified for ready access and to be stored and safeguarded at the facility.

- Auditors noted disbursements from the Commissary Fund at East Moline were not supported by purchase order documentation. A.D. 02.95.105 requires records to be properly identified for ready access and to be stored and safeguarded at the facility.

- East Moline and Graham did not properly perform monthly reconciliations of their locally held funds. Auditors noted reconciliations where deposits were marked as cleared when they had not yet cleared. A.D. 02.40.104 requires reconciliation of the locally held fund, general ledger, and subsidiary accounts to occur monthly after the fund checking account has been reconciled and the General Ledger posting is completed. When completed, the reconciliation is to be submitted to the Business Administrator and Chief Administrator for review and signature.

- Auditors noted Dixon, East Moline, Graham, and Hill did not properly report accounts payable at June 30, 2011 and 2012. Auditors noted the Centers were unable to provide supporting documentation to determine whether or not the Center properly excluded the item or included the item in its accounts payable listing at June 30 of each respective fiscal year. Additionally, auditors noted one Center failed to transfer an offender's negative trust fund balance to the offender's successive State correctional facility causing additional accounts payable. Another Center incorrectly classified a credit as an accounts payable instead of a prepaid expense.

- Graham, East Moline, Dixon, Menard, and Shawnee did not deposit locally held fund receipts timely. In addition, East Moline, Graham, and Shawnee did not maintain a bank verification slip; therefore, auditors were unable to determine if other receipts were deposited timely. A.D. 02.40.110 requires the Department 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.

- Auditors noted Shawnee, East Moline, and Graham did not properly sign the Monies Received List indicating the batches were in balance. A.D. 02.42.102 requires the mailroom employee to sign the DOC 0167 or the Monies Received List at the time of delivery to the Cashier. The Cashier then must sign on the appropriate line of the DOC 0167 or the Monies Received List Report.

- Weaknesses in segregation of duties were noted at East Moline, Graham, and Dixon. Specific incompatible duties noted by the auditors included:

  - Signature cards were not updated with proper signature authority with the financial institution. The only signatures noted on file were of inactive employees.
  - Employees had the authority to withdraw cash from the cash to card machine and obtaining and retaining the machine's summary data for the amount of cash which should be present in the machine.
  - The same employee was responsible for reconciling the monthly bank statements and approving checks.
  - The same employee was responsible for performing the bank reconciliation and approving the bank reconciliation.

- Mailing of locally held fund checks was performed by the same individual who was responsible for writing the checks.
- The same employee was responsible for the monthly bank reconciliations and was the custodian of cash.

A.D. 02.40.101 establishes the Department's guidelines for segregation of duties for its locally held funds. The A.D. states any exceptions to the policies within the A.D. must be stated in writing from the Chief Administrative Officer and approved by the Deputy Director of the Division of Finance and Administration.

- Auditors noted Dixon, East Moline, Graham, and Shawnee did not generate checks from the Trust Fund for payment of offender commissary purchases in a timely manner. According to A.D. 02.42.105, a check payable is to be written to the Commissary Fund for the total amount of daily purchases at least weekly.

- At East Moline, auditors noted disbursements were not supported by documentation to substantiate a proper disbursement. In addition, at Dixon and Graham, the lack of adequate supporting documentation prevented auditors from determining whether amounts deposited were reasonable and complete.

- Auditors noted Dixon did not accurately calculate vending machine commissions. As a result, an understatement of the receipts owed to the Department occurred. The Blind Vendors Act (20 ILCS 2421/30(e)) requires the Center's vending machine operator remit a commission of 25% of the net proceeds from the Center's vending machines designated for offenders' benefit to the Center. The Center's contract with the Department of Human Services' Business Enterprise Program defines the commission as 25% of net sales after taxes and cost of goods.

- Auditors noted Jacksonville failed to perform monthly cash reviews for 18 of 24 (75%) months during the audit period, which resulted in a large liability due to the Resident Benefit Fund from the Commissary Fund at June 30, 2012. Additionally, the Center failed to transfer excess cash from the Commissary Fund to the Resident Benefit Fund for all 6 of the months tested by the auditors. The Unified Code of Corrections (730 ILCS 5/3-4-3(c)) states forty percent of the profits on sales from commissary stores shall be expended by the Department for the special benefit of committed persons and employees. Additionally, A.D. 02.44.110 requires the Business Administrator to determine the excess cash available in the Inmate Commissary Fund once a month and authorize payment to the Inmate Benefit Fund.

- Auditors noted Dixon vending machine commissions, donations, and unspent monies from the Resident Benefit Fund were incorrectly deposited in the Commissary Fund. Additionally, auditors noted that contraband receipts were incorrectly deposited in the Resident Benefit Fund instead of the General Revenue Fund. A.D. 02.13.101 requires the Department deposit donations and vending machine commissions into the applicable Center's Inmate Benefit Fund. The Unified Code of Corrections (730 ILCS 5/3-4-3(d)) requires the Department transmit currency confiscated from offenders to the State Treasurer for deposit into the General Revenue Fund.

In addition to the specific Department Administrative Directives and statutes referenced in the exceptions, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources. The State Records Act (5 ILCS 160/8 & 9) requires the Department preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State as well as to establish and maintain a program for agency records management, which includes effective controls over maintenance of records..

In response to this finding from the previous audit, Department management stated it would remind facility staff of the requirements related to the operation and maintenance of locally held funds. Department management indicated the exceptions noted during the current audit were due to employee oversight, human error, competing priorities, and staffing limitations at the correctional facilities.

Because of the significance of the exceptions noted, we consider this to be a significant deficiency in the Department's internal control. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

It is important to properly administer locally held funds as they are not subject to appropriation and are held outside the State Treasury. In addition, failure to adequately administer locally held funds could lead to fraud, theft, or the use of unavailable monies in the funds causing overdraft charges. Inadequate administration also represents noncompliance with statute. (Finding Code No. 12-04, 10-07, 08-14)

RECOMMENDATION:

We recommend the Department remind Center staff of the requirements set forth within the Administrative Directives and statutes related to the operation and maintenance of the locally held funds. A training curriculum which includes how to apply the Administrative Directives specific to the locally held funds could assist in this endeavor. In addition, we recommend the Department's Internal Audit Division implement a plan to periodically perform internal audits of the locally held funds at the Centers.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will remind facility 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.

12-05 FINDING: (Weaknesses in administration of locally held funds at the General Office)

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

During the audit period, the Department's locally held funds were managed independently at each individual Correctional Center, Adult Transitional Center (ATC) or the General Office, with the exception of the residents portion of the DOC Resident's and Employee's Benefit Fund. The resident benefit fund bank accounts in the DOC Resident's and Employee's Benefit Fund are managed at the Department's General Office by the Public Safety Shared Services Center (PSSSC). The individual facilities provided financial information related to each of their other individually managed locally held funds and bank accounts to the Department's General Office for consolidation and financial reporting for the Department as a whole.

In response to the previous finding concerning weaknesses in administration of locally held funds at the General Office, the Department stated it would separate the Department of Juvenile Justice funds and the Department's funds, which had previously been comingled within the same account at a financial institution. The Department accomplished this during the audit period. The Department also stated it would implement controls to maintain adequate source documentation to support receipts deposited into the DOC Resident's and Employee's Benefit Fund. This was also sufficiently implemented during the audit period.

Despite the improvements described, the auditors noted the following weaknesses during the testing of the Department's locally held funds administered at the General Office for the two years ended June 30, 2012:

- $11,981,510 related to the statutory transfers of profits from the Inmate Commissary Funds (1127) that should have been deposited into the Department of Corrections Reimbursement Fund (0523) was deposited into the residents portion of the DOC Resident's and Employee's Benefit Fund during all of fiscal year 2011 and for a portion of fiscal year 2012. The residents portion of the DOC Resident's and Employee's Benefit Fund contains one main operating account with subaccounts for each Correctional Center and ATC. The $11,981,510 was deposited into the subaccount for the Joliet Correctional Center which was closed in 2002 and had not been utilized for any Department needs since that time.

- $10,000 was loaned, and subsequently repaid in fiscal year 2011, from the residents portion of the DOC Resident's and Employee's Benefit Fund to the Department's Field Services Division for postage at the Adult Field Services locations throughout the State. A.D. 02.43.102 outlines the specific uses of the residents portion of the DOC Resident's and Employee's Benefit Fund. The purchase of postage for the resale through the inmate's commissary fund is allowed, but a loan to support the Department's operations is not.

- Auditors noted some Correctional Centers utilize gift cards that were purchased through locally held funds to make purchases from vendors as opposed to the vendors billing the Correctional Center. The Department has an informal process for handling gift cards but does not have a written administrative directive relating to the use, reporting, and safeguarding of purchasing (gift) cards.

- The Department could not provide requested copies of the Report of Receipts and Disbursements for Locally Held Funds (C-17) for the first three quarters of fiscal year 2011. As such, testing could not be performed to determine if those reports were filed on a timely basis. The C-17s tested for the remainder of the audit period were determined to be filed by the required deadlines. However, the C-17 due on July 31, 2012 for the fourth quarter of fiscal year 2012 for the DOC Resident's Trust Fund was resubmitted on October 26, 2012. $603 (in thousands) of cash balances and related liabilities for the contractually administered ATCs was omitted from the originally submitted C-17. The State Records Act (5 ILCS 160/8) requires the Department preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State. The State Comptroller Act (15 ILCS 405/16) allows the Comptroller, by rule, to prescribe the form and require the filing of quarterly fiscal reports by State agency. The Comptroller's Statewide Accounting Management System (SAMS) procedures 33.13.10 and 33.13.20 sets forth the Agency requirements for locally held fund financial information.

- Auditors noted the Department allowed a tax exempt organization, Women in Corrections, to utilize its Federal Employer Identification Number (FEIN) to open a checking account at a financial institution. The tax exempt organization intended to change the FEIN on the checking account once it received its assigned FEIN from the Internal Revenue Service. However, according to Department personnel, the tax exempt organization failed to do so due to oversight. As a result, the Department controlled an unintended locally held fund with a balance of $449 at June 30, 2012 which was never authorized or reported to the Comptroller. The State Officers and Employees Money Disposition Act (30 ILCS 230/2A.2) states, "No officer or employee of this State shall create or maintain or participate in a trust fund or bank or savings and loan association deposit of any money received by him by virtue of his office or employment except as provided by law." The Comptroller's Statewide Accounting Management System (SAMS) procedures 33.13.10 and 33.13.20 sets forth the Agency requirements for locally held fund financial information.

In addition to the specific Department administrative directives and statutes referenced in the exceptions the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

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

Because of the significance of the exceptions noted, we consider this to be a significant deficiency in the Department's internal control. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

It is important to properly administer locally held funds as they are not subject to appropriation and are held outside the State Treasury. Failure to adequately administer locally held funds could lead to fraud, theft, or the use of unavailable monies in the funds causing overdraft charges. Furthermore, failure to deposit money into the statutorily required fund on a timely basis prevents management from making judicious decisions. Finally, inadequate administration also represents noncompliance with statute. (Finding Code No. 12-05, 10-08, 08-08)

RECOMMENDATION:

We recommend the Department take the following actions to improve its administration of its locally held funds:

- The Department should comply with the statutory requirements of depositing receipts into the funds in which they belong.

- The Department should follow the guidelines explained in the Administrative Directives for the uses of the DOC Resident's and Employee's Benefit Fund and not utilize the fund as a means to circumvent its appropriation for operating purposes, such as postage as described above.

- If the Department wishes to allow the use of purchasing (gift) cards at its Correctional Centers as a method of disbursement in its locally held funds, the Department should develop official procedures for their use and formalize those in the Administrative Directives.

- The Department should abide by the State Records Act and preserve the records necessary to document its financial activities. In addition, the Department should abide by the guidelines of the State Comptroller Act and SAMS regarding the completeness of the information included on the Report of Receipts and Disbursements for Locally Held Funds (C-17).

DEPARTMENT RESPONSE:

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

12-06 FINDING: (Inadequate controls over accounts receivable)

The Department of Corrections' (Department) – Correctional Industries did not maintain adequate internal controls over its accounts receivable.

During their testing of accounts receivable, auditors of the Department's – Correctional Industries noted:

- The Department's – Correctional Industries did not send out monthly statements to its customers. According to the Department's – Correctional Industries' Accounts Receivable Collection Procedures, customer statements are to be sent on a monthly basis in order to provide a reminder of outstanding amounts.

- The Department's – Correctional Industries did not take actions to bill and collect receivables within the fiscal year in which the debt was incurred. According to the records of the Department's – Correctional Industries, accounts receivable due over one year totaled $1,135,000 at June 30, 2012. The Correctional Industries Code (20 Ill. Adm. Code 117.50e) states, "Correctional Industries shall make reasonable efforts to bill and collect receivables in the fiscal year which the debit was incurred."

- The Department did not issue catch up billings in the subsequent fiscal year for accounts with balances from the prior fiscal year. According to Department records, accounts receivable at June 30, 2012 totaled $10,043,000. The Correctional Industries Code (20 Ill. Adm. Code 117.50f) states, "Correctional Industries shall issue catch-up billing in the subsequent fiscal [year] for those accounts that show a balance for the prior fiscal year."

- The Quarterly Summary of Accounts Receivable Reports (C-97) filed with the Illinois Office of the Comptroller for fiscal years 2011 and 2012 were not signed by management for 7 of the 8 (88%) filings. The C-97 filed with the Illinois Office of the Comptroller for the period ended June 30, 2011 was amended three times. Chapter 26 of the SAMS Manual requires State agencies to report quarterly accurate information related receivables, collections, write-offs, uncollectible accounts and the number of accounts for gross receivables. In addition, the report is to contain the signature of a "responsible agency official."

Department management stated the accounting software used for accounts receivable requires specific posting of customer payments with the actual invoice being paid. Between 2006 and 2012 the payments were not always posted properly to the matching invoices. As a result, the customers' detailed statement became lengthy and was no longer sent. Management stated the majority of the receivables are from State agencies. The Department also noted the responsibility for reviewing the receivable aging trial balance is the task of the Department's - Correctional Industries' Chief Financial Officer, this position was not permanently filled during the engagement period.

Because of the significance of the exceptions noted, this is considered a material weakness in the Department's internal control over financial and fiscal operations. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Failure to have adequate documentation for accounts receivable increases the chances of errors occurring in reporting the accounts receivable and the likelihood of accounts receivable not being accurately tracked for collection. (Finding Code No. 12-06)

RECOMMENDATION:

We recommend the Department's – Correctional Industries maintain adequate controls over accounts receivable to ensure:

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

DEPARTMENT RESPONSE:

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

12-07 <u>FINDING</u>: (Lack of collection efforts over farm leases)

The Department of Corrections' (Department) – Correctional Industries failed to pursue collections of past due amounts owed from farm leases.

The Department's - Correctional Industries had entered into 12 leases totaling 3,619 acres and annual rent of $602,000 for fiscal years 2011 and 2012. According to Department records, accounts receivable at June 30, 2012 related to farm leases was $209 thousand.

During testing of the farm lease program, auditors of the Department's – Correctional Industries noted:

- Per correspondence dated January 2, 2012, as the lessor on behalf of Illinois Correctional Industries, the Department of Central Management Services (DCMS) is responsible for the collection of any delinquent accounts. However the lease agreement states monthly payments are to be submitted to the Illinois Correctional Industries for deposit into the Working Capital Revolving Fund (Fund 0301). Auditors inquired with the Department's - Correctional Industries regarding the communications to DCMS related to delinquent accounts; however, documentation was not provided.

- DCMS sent out two notices for collection. Both tenants paid; however, one tenant did not make payment of interest totaling $9,000. Additionally, the Department's - Correctional Industries did not record the outstanding interest as an accounts receivable on its financial statements at June 30, 2012.

- The Department's - Correctional Industries did not follow its internal procedures for accounts receivable, whereby monthly statements are required to be sent on all delinquent accounts. According to the Department's - Correctional Industries, management relied upon the lease as the tenant's notification of the amounts owed.

- The lease agreements state monthly finance charges of 1.5% (18% annually) are to be assessed. However, interest was not assessed on past due accounts, totaling approximately $90,000. In addition, the Department's - Correctional Industries did not record the outstanding interest as an account receivable on its financial statements at June 30, 2012.

- The farm lease accounts receivable at June 30, 2012 included $210,000 which had been outstanding over one year, and 90% past due for more than five years. However, the Department's - Correctional Industries had not reviewed the accounts for collectability and had not established an allowance for doubtful accounts.

Management from the Department's - Correctional Industries stated, in prior years, the Department attempted to monitor and track farm leases. Upon a letter dated January 2, 2012 from the Department of Central Management Services' Bureau of Property

Management, it was determined that the Department of Central Management Services has the role of administrator of these leases. In regards to the Department's procedures for monthly statements on accounts receivable, proposed language for amending the procedure was provided.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires, "All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: ... (4) revenues, expenditures and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources."

Because of the significance of the exceptions noted, this is considered a material weakness in the Department's internal control over financial and fiscal operations. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Revenue from the farm leases represented 40% of the net income of the Working Capital Revolving Fund (Fund 0301). Failure to follow up on delinquent accounts increases the chances of receivables not being collected and accurately tracked. (Finding Code No. 12-07)

RECOMMENDATION:

We recommend the Department's – Correctional Industries work with DCMS regarding the administration of the farm leases. In addition, the Department should ensure all information is accurately reflected in the financial statements.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will ensure that the Illinois Correctional Industries fiscal staff will take necessary steps to ensure farm lease financial information is accurately reflected in the financial statements and will work with the Department of Central Management Services regarding the administration and collection of farm leases.

12-08 FINDING: (Lack of control over computer systems)

The Department of Corrections (Department) had not implemented or documented the controls over its computing environment to ensure the controls provide sufficient protection.

In order to meet its mission of "protecting the public from criminal offenders," the Department utilizes a myriad of computer systems such as the Offender Tracking, Juvenile Tracking, Fund Accounting and Commissary Trading Systems and Accounting Information System. The Department utilizes these systems to track offender's location, information, and maintain accounting of offender's finances.

As part of the auditors standard audit procedures, policies, procedures, recovery plans, and various logs are requested from the Department in order to determine the controls over the computing environment. However, the Department was either unable to provide or did not maintain such information. In addition, as the auditors performed other testing procedures it was noted Department employees and former employees had inappropriate access to the various systems.

The Department's inability to provide detailed information prevented the auditors from performing required tests to determine the adequacy of the control environment. For example, the auditors were unable to determine the effectiveness of controls over changes to applications or computer security controls.

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

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires "All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation."

Because of the significance of the issues noted, we consider this to be a significant deficiency in the Department's internal control. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Without adequate controls over the computing environment, there is a great risk of unauthorized access, unauthorized or improper changes and the inability to recovery in the event of a disaster. The lack of control increases the risk that the confidentiality, integrity and availability of systems and data will be compromised. (Finding Code No. 12-08)

RECOMMENDATION:

We recommend the Department implement and document the controls over its computing environment and ensure the controls provide sufficient protection.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will ensure that IT internal controls are implemented and documented over its computing environment to provide for sufficient protection.

12-09 **FINDING:** (Operation and maintenance of "cash box" funds at Correctional Centers)

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

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

- The Correctional Centers are inappropriately using the Inmates' Trust Fund and Inmates' Benefit Fund to supply the "cash box" funds pending reimbursement from the General Revenue Fund for gate and transportation money. In order for the Correctional Centers to have cash to provide gate and transportation money, the Correctional Centers write a check out of the locally held Inmates' Trust Fund bank account and obtain cash to use in the "cash box". The Inmates' Benefit Fund central bank account periodically reimburses the Inmates' Trust Fund via check for the amount "loaned" to the "cash box" funds. The Correctional Centers forward the General Revenue Fund warrant of vouchered inmate gate and travel money to reimburse the Inmates' Benefit Fund. For fiscal years 2011 and 2012, the total appropriated amount expended from the General Revenue Fund at all Correctional Centers for travel allowances for committed, paroled and discharged prisoners (reimbursements for "cash box" disbursements) was approximately $601,630 and $599,959, respectively.

- Auditors noted 7 out of 27 (26%) Correctional Centers (Decatur, Sheridan, Dwight, Danville, Vienna, Hill, and Pontiac) tested where there was either a lack of segregation of duties while reconciling the "cash box" and/or the "cash box" was not counted or reconciled to supporting documents timely.

- 1 of 27 (4%) Correctional Centers (Hill) did not properly prepare and submit vouchers to the Illinois Office of the Comptroller (Comptroller) for all gate and transportation money paid from the Center's "cash box" for reimbursement from the General Revenue Fund.

Department Administrative Directive 02.42.105 requires all payments from the Inmates' Trust Fund other than payments to the Inmates' Commissary Fund and payments of restitution shall be authorized by the offender, or as the result of a court order. In addition, Department Administrative Directive 02.40.108 states loans may only be made to the Travel and Allowance Revolving Fund, "cash box" fund, when an emergency exists from the Inmates' Benefit Fund and Inmates' Commissary Fund.

The Unified Code of Corrections (730 ILCS 5/3-14-1) states the Travel and Allowance Revolving Funds shall be used for advancing travel and expense allowances to committed, paroled and discharged prisoners. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls which provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. This includes the establishment of proper segregation of duties so that "cash boxes" are reconciled by someone other than the individual who is assigned custody of that "cash box".

In response to this finding from the previous audit, the Department stated it would work with the Comptroller regarding the establishment of the "cash box" funds and would remind facilities of the requirements of maintaining good internal controls over the "cash box" function. In addition, they would review the uses of the Inmates' Trust Fund and the Inmates' Benefit Fund. The Department reiterated in its prior year response that it was mandated by law to provide travel and allowance funds to inmates at the time of their release. During the audit period, the Department inquired with the Comptroller to determine whether the "cash box" funds should be classified as "imprest funds." The Comptroller provided an analysis of Section 21 of the State Comptroller Act (15 ILCS 405/21) and indicated the Department should not cite that section of the State Comptroller Act as the statutory authority for its Travel and Allowances Fund expenditures. Based upon this analysis, auditors determined that the portion of the prior finding stating the Department had never officially requested with the Comptroller to establish "cash box" imprest funds for the Correction Centers was not repeated.

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. In addition, Department management noted that the General Office was in the process of establishing the Travel and Allowance Revolving Fund during the engagement period. The Department officially requested to establish the Travel and Allowance Revolving Fund (Fund) with the Comptroller on December 8, 2011. However, the Fund was not operational at any of the Department's Correctional Centers as of June 30, 2012.

By using the Inmates' Trust Fund to loan money to support the "cash box" until the General Revenue Fund reimbursement is received, the Correctional Centers are using inmate's personal accounts to fund a Correctional Center operation which is not a proper or authorized use of the Inmates' Trust Fund and against Department Administrative Directives. It is imperative that good internal controls be maintained at all times when significant amounts of cash are maintained. (Finding Code No. 12-09, 10-09, 08-16)

RECOMMENDATION:

We recommend the Department discontinue using the Inmates' Trust Fund or Inmates' Benefit Fund as a means to provide cash to pay for travel allowances for committed, paroled and discharged prisoners while waiting for reimbursement from the General Revenue Fund. The Department should utilize its newly established Travel and Allowance Revolving Fund at the Correctional Centers to pay for inmate travel allowances and remind Correctional Center staff of the need to maintain good internal controls over any cash function.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department has established the Travel and Allowance Revolving Fund and is working towards full implementation at each Correctional Center.

12-10 FINDING: (Noncompliance with Uniform Disposition of Unclaimed Property Act)

The Department of Corrections (Department) has an established Administrative Directive to add back to locally held bank accounts outstanding checks as opposed to sending outstanding amounts and information to the Treasurer's Unclaimed Property Division, in violation of the Uniform Disposition of Unclaimed Property Act.

Department Administrative Directive (A.D.) 02.40.104 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 (730 ILCS 5/3-4-3 (b)) 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 (Act) (765 ILCS 1025/8.1) 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 that are still outstanding for a period of 7 years. The Act (765 ILCS 1025/11) requires entities holding funds presumed abandoned under this Act to report and remit all abandoned property specified in a report to the State Treasurer. The report and remittance of the property specified in the report shall be filed by governmental entities before November 1 of each year as of June 30.

In response to this finding from the previous audit, the Department stated it would consult with the Office of the Treasurer and Legal Counsel to determine the applicability of the Uniform Disposition of Unclaimed Property Act in this process and would revise the Administrative Directive and implement as appropriate. Department management stated, during the audit period, the Department's Legal staff consulted with the Chief Legal Counsel at the Treasurer's Office to determine the applicability of the Uniform Disposition of Unclaimed Property Act. As of the end of testing Department management had not made a determination on any changes.

Notwithstanding noncompliance with the Uniform Disposition of Unclaimed Property Act, the Department is not providing the opportunity for those that are owed money from the various locally held bank accounts to have the opportunity to claim and collect those amounts. (Finding Code No. 12-10, 10-10, 08-43)

RECOMMENDATION:

We recommend the Department resolve its treatment of prior years' outstanding checks in locally held bank accounts based upon its consultation with the Office of the Treasurer's Unclaimed Property Division. In addition, we recommend the Department change its 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.

DEPARTMENT RESPONSE:

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

12-11 FINDING: (Failure to properly transfer unclaimed inmate cash account balances)

The Department of Corrections (Department) improperly offset DOC Resident's Trust Fund (Inmate Trust Fund) accounts with positive cash balances against accounts with negative balances prior to the transfer of unclaimed cash balances to the General Revenue Fund (GRF). As a result, dormant accounts totaling approximately $86,527 were not transferred to the General Revenue Fund during the two years ended June 30, 2012. In addition, during the audit period, the Department transferred $22,056 in dormant accounts that should have included $33,908 due to offsetting, or netting, balances.

The Unified Code of Corrections (Code) requires the Department to establish accounting records with individual accounts for each inmate (730 ILCS 5/3-4-3(a)). In addition, the Code (730 ILCS 5/3-4-3(b)) requires any money held in accounts of a committed person, upon release from the Department by death, discharge, or unauthorized absence and unclaimed for a period of one year thereafter by the person or his legal representative to be transmitted to the State Treasurer who shall deposit it into the GRF. Further, the Department's Administrative Directive (A.D.) 02.42.106 requires, upon determination of dormant accounts, the Business Administrator to prepare a list, which includes the account numbers, inmates' names, identification numbers, account balances and a memorandum requesting permission to transfer the balances to the GRF.

In addition to the improper offsets and incorrect transfers, auditors also noted the following exceptions while testing inmate cash balances:

- Offenders on the dormant account listing were identified as transferred to another Correctional Center at 8 of 27 (30%) (Dixon, Dwight, Hill, Lincoln, Pinckneyville, Sheridan, Southwestern, and Vandalia); however, the remaining balance within the trust fund account was not forwarded to the receiving institution.

  A.D. 02.42.106, Transfer or Closing of Accounts, requires the Department to transfer an offender's trust fund account balance to the receiving institution by the fifth working day after the offender's transfer. In addition, payment of available funds for released inmates should be done at the time of release.

- At 11 of 27 (41%) Correctional Centers (Centralia, Big Muddy River, Illinois River, Lincoln, Menard, Pinckneyville, Southwestern, Tamms, Taylorville, Vandalia, and Western), auditors were unable to determine the date the inmates' account balances were added to the dormant account listing because the accounts had a status date of 1/1/1900. This issue is also discussed in Finding 12-19.

  The State Records Act (5 ILCS 160/8) requires the Department preserve records containing adequate and proper documentation of the essential transactions of the Department to protect the legal and financial rights of the State. The Department is also required by the Code (730 ILCS 5/3-4-3(a)) to establish accounting records with individual accounts for each inmate.

- Auditors noted 1 of 27 (4%) (Tamms) Correctional Centers improperly classified inmates as dormant. The Correctional Center included on its dormant account listing 31 inmate accounts totaling $9,352 which were restricted for refusal to pay restitution and for inmates who were in the process of making payments toward their bus fare.

  The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds held outside of the State Treasury are used to strict accordance with the terms of the fund's enabling authorities.

- One of 27 (4%) (Dwight) Correctional Centers did not follow-up on one inmate on the dormant account listing with a cash balance of $1,000 and an account restriction of $1,000. Auditors also noted the dormant account listing at Dwight was not complete, as it omitted four inmates which should have been included on the listing.

  The Code (730 ILCS 5/3-4-3(d)) requires the Department transmit confiscated currency from offenders to the State Treasurer for deposit into the GRF. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds held outside of the State Treasury are used to strict accordance with the terms of the fund's enabling authorities.

- Two of 7 (29%) Adult Transition Centers (ATC) (Peoria and Westside) did not maintain proper documentation for dormant accounts. Auditors noted Peoria ATC was unable to provide copies of the dormant account listing for two months of the audit period. In addition, auditors noted Westside ATC attempted a transfer to the GRF that came back as having insufficient paperwork. Westside ATC subsequently did not timely follow-up on the matter and waited 15 months to properly file the necessary paperwork.

  The State Records Act (5 ILCS 160/8) requires the Department preserve records containing adequate and proper documentation of the essential transactions of the Department to protect the legal and financial rights of the State.

In response to this finding in the previous audit the Department stated it would review internal policy and statutory requirements to determine the appropriate process to follow regarding dormant accounts. Department management indicated on-going issues are the result of human errors, lack of resources, inadequate communication and central level oversight within the Department to review internal policies and statutory requirements to determine the appropriate process to follow.

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 Department paid from the General Revenue Fund and other funds on behalf of an inmate and can only be recouped if cash is available in the inmate's account.

However, there are instances where cash payments are made to inmates in excess of their balance, which creates a negative balance. In these instances, offsetting negative account balances against other accounts in the Inmate Trust Fund effectively requires other inmates' accounts to temporarily bear the costs of those deficits in violation of the Department's fiduciary responsibility and the Unified Code of Corrections. In addition, failure to ensure dormant cash balances are transferred to the General Revenue Fund is noncompliance with the Administrative Directive and State statute. (Finding Code No. 12-11, 10-11)

RECOMMENDATION:

We recommend the Department revise internal policy for dormant accounts and thereby ensure dormant cash accounts are timely transferred to the General Revenue Fund as required by statute. We also recommend the Department develop procedures to administer inmate cash balances in accordance with State statute and Department Administrative Directives.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will review internal policy and statutory requirements to determine the appropriate process to follow regarding dormant accounts. The Assistant Deputy Director position responsible for Fiscal Accounting Compliance was filled effective February 1, 2012. Adequate resources have been added, striving to continue making improvements in the Department's centralized oversight function and to develop procedures to administer inmate cash balances in accordance with State statute and the Department's Administrative Directives.

12-12 FINDING: (Inmate commissary goods marked up more than allowed by statute)

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

The Department phased in the application of the charge. Effective November 1, 2005 the charge was set at 3%. The Department raised the charge on January 1, 2006 to 7% and continued to assess the charge until September 10, 2012, which was after the end of the current audit period. The additional charge was computed based on the original cost of the goods prior to the statutorily allowed markup being applied. Noted below in the table are the amounts the Department has collected for the additional charge since it was instituted.

Fiscal Year Ending June 30,	Dollars collected as a result of the additional charge
2006	$ 1,266,911
2007	2,259,760
2008	2,339,244
2009	2,421,179
2010	2,525,888
2011	2,907,108
2012	3,113,323
TOTAL	$ 16,833,413

The Unified Code of Corrections (730 ILCS 5/3-7-2a) states, "…the selling prices for all goods shall be sufficient to cover the costs of the goods and an additional charge of up to 35% for tobacco products and up to 25% for non-tobacco products. The amount of the additional charges for goods sold at commissaries serving inmates shall be based upon the amount necessary to pay for the wages and benefits of the commissary employees who are employed in any commissary facilities of the Department." The Comptroller's Statewide Accounting Management System (SAMS) procedure 03.60.20 states, "The cost of the inventory item is the price paid or the consideration given to acquire the inventory item. Included in the cost are all direct and indirect costs incurred during transportation." Based on the above statute and SAMS procedure, the maximum amount to charge inmates for items sold in the inmate commissary would be the purchase price of the item plus any transportation costs the total of which would then be marked up to a maximum of 25%-35%.

When the Department began applying the additional charge, Department management stated it 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. Items included in State employee costs were payroll, benefits and mandated uniforms. A cost of utilities per square foot was determined and applied to the area of the commissaries. Inmate labor included only inmate payroll.

The Department indicated the amounts compiled to arrive at the additional charge were based on fiscal year 2005 actual information and have not been updated. In addition, at the time the additional charge was developed, Department management indicated they felt the definition of cost of goods in the Department's enabling legislation allowed for the additional charge.

In the June 30, 2006, 2008 and 2010 reports it was recommended the Department revise its methodology for computing cost of goods to ensure included costs are not duplicative and comply with the statute and only mark-up the goods for resale in the inmate commissary with allowable amounts. In addition, previous reports recommended the Department seek a formal written Attorney General opinion on this matter. During the April 1, 2008 Legislative Audit Commission hearing on the Department's June 30, 2006 audit, it was stated by Department staff and the Director that they were waiting on the Attorney General's opinion before making any changes because the Department has to cover its commissary costs. During the 2008 engagement Department staff indicated the prior Governor's administration did not grant the Department permission to seek an opinion from the Attorney General. During the February 16, 2010 Legislative Audit Commission hearing on the Department's June 30, 2008 audit, it was stated by the Department Director that a request for an opinion from the Attorney General had been sent. In testing for the previous engagement it was noted the Department did submit a request to the Attorney General on February 1, 2010 seeking an interpretation. The Attorney General's Office responded on February 25, 2010 indicating they cannot issue an opinion in response to the Department's request since the matter requested was now scheduled for determination by the courts.

Department management stated, during the audit period, an internal review of the current methodology used to compute cost of goods sold was started and it was determined further discussion was needed with the Office of the Comptroller before any further action could be taken. During engagement fieldwork Department personnel indicated that effective September 10, 2012 Correctional Centers ceased adding the additional charge to inmate commissary purchases. However, since this was subsequent to the current audit period, auditors did not perform any testing on the Department's actions.

Upon testing the Department's collection of the additional charge from the inmate commissaries 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 than 3%-7% of the cost of goods. The increase is the result of the statutorily allowed mark-up of 25%-35% being added to the additional charge in computing the sales price. Ultimately, the 3%-7% charge equates to a markup on the cost of goods sold of 9%.

Based on information provided by the Department, the funds collected exceeded the additional charge added to the original cost of goods by the amounts noted in the following table:

Fiscal Year Ending June 30,	Computed Amount Collected in Excess of the Additional Charge on the Cost of Goods Sold
2006	$ 242,055
2007	451,888
2008	466,838
2009	465,792
2010	480,604
2011	538,975
2012	631,562
TOTAL	$ 3,277,714

Since the statutorily allowed 25% - 35% mark-up is to cover the cost of wages and benefits of commissary employees, portions of the additional charge are duplicative and exceed the statutorily allowed mark-up. The Department's methodology for determining the cost of goods to be resold in the commissaries should agree with SAMS and statutory provisions. In addition, the Department should compute their collection of the charge on the base for which the charge is computed in order to not collect excess amounts. (Finding Code No. 12-12, 10-12, 08-13, 06-14)

RECOMMENDATION:

We recommend the Department ensure its computation of cost of goods sold does not include duplicative costs and complies with statute. Goods for resale in the inmate commissary should only be marked up to the allowable amounts.

DEPARTMENT RESPONSE:

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

12-13 FINDING: (Noncompliance with the Illinois Procurement Code)

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

The Department maintains numerous commissary operations at Correctional Centers for inmates and employees. Purchases are made from vendors for commodities to be resold in the commissaries. Total purchases made from vendors for resale in the commissaries were approximately $39 million in fiscal year 2011 and $41 million in fiscal year 2012. The commissaries commodity purchases are made through non-appropriated locally held funds. As a result of our testing, 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. OFD's are not utilized if the selected vendor uses pre-printed order forms or replenishes stock at the commissary on a regular basis.

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

- The Department's Administrative Directive (A.D.) 02.85.102, which provides guidance to employees on commissary purchase does not include all the requirements as set forth in the Code. The A.D., effective November 1, 2000 notes that, "Whenever possible, bids shall be requested in writing or by telephone from a minimum of three vendors. The bids shall be documented and maintained on file in the commissary."

30 ILCS 500/20-5 of the Code sets forth that all State contracts, unless exempted, shall be awarded by competitive sealed bidding or competitive sealed proposals. In addition, Section 20–80(a) of the Code states, "...all written determinations required under this Article shall be placed in the contract file... ." Article 20 also requires that public notices of the invitation for bids or notice of the request for proposal be published in the Illinois Procurement Bulletin. The Code applies to the Department regardless of the source of the funds with which the contracts are paid.

In response to this finding from the previous audit, the Department stated it is required to utilize the Department of Central Management Services (DCMS) for all procurement guidance and requirements. The Department stated it would once again ask DCMS for direction on the commissary purchasing.

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

By not following the requirements of the Code, the Department has limited the pool of available vendors to only a few selected vendors. In addition, the Department may be paying more for commodities at their commissaries than they should. (Finding Code No. 12-13, 10-13, 08-15, 06-21, 04-21)

RECOMMENDATION:

We recommend the Department continue its efforts to work with DCMS for direction on the commissary purchasing to ensure it complies with the requirements of the Illinois Procurement Code.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department is working with the Department of Central Management Services to comply with the requirements of the Illinois Procurement Code in making commissary purchases.

12-14 FINDING: (Adult Transition Center records not properly maintained)

The Department of Corrections (Department) did not properly maintain records at the Adult Transition Centers (ATCs).

Testing of the 7 ATCs for the two years ended June 30 2012, produced the following exceptions:

- At 2 of the 7 ATCs, year end DOC Resident's Trust Fund (Inmate Trust Fund) cash balances were misstated due to outstanding checks not being removed from the listing in a timely manner. Department Administrative Directive (A.D.) 02.40.104 requires the issuance of a stop payment for checks that are outstanding for a period of 90 days or more unless the bank's stop payment charge is greater than 50 percent of the check amount. Otherwise, these checks shall remain open until the account reaches a dormant status (outstanding over 14 months). When considered dormant, expenses shall be reversed, the checking account balance in the Inmate Trust Fund shall be increased, and a check shall be written from the Inmate Trust Fund to the General Revenue Fund.

- At 3 of the 7 ATCs, the auditors noted deficiencies related to disbursements from the Employee Benefit Fund portion of the DOC Resident's and Employee's Benefit Fund. A.D. 02.43.102 mandates requests for expenditures from the benefit funds be submitted in writing to a member of the appropriate committee who shall present the requests at the next meeting. The A.D. also outlines how the monies from the fund may be utilized. Of the 30 disbursements tested, 6 did not contain documentation of Employee Benefit Fund Committees' approval of the disbursements and 4 of the 30 lacked sufficient documentation to verify the appropriate purpose, in accordance with the A.D., of the nature of the expenditure. In 1 instance, the Department used funds to pay for an expense that was not in accordance with the allowable expenses outlined in the A.D.

- At 4 of the 7 ATCs, the auditors noted deficiencies related to disbursements from the Inmate Benefit Fund portion of the DOC Resident's and Employee's Benefit Fund. A.D. 02.43.102 mandates requests for expenditures from the benefit funds be submitted in writing to a member of the appropriate committee who shall present the requests at the next meeting. The A.D. also outlines how the monies from the fund may be utilized. Of the 40 disbursements tested at the 4 ATCs, 1 did not contain documentation of the Inmate Benefit Fund Committees' approval of the disbursements and 1 disbursement was used to purchase an item that is not allowable with the A.D. At 3 ATCs, auditors noted that formal Inmate Benefit Fund committee meeting minutes were not kept.

- At 3 of the 7 ATCs, the auditors noted deficiencies related to the personal property listings of residents. A.D. 05.03.111C mandates that a personal property listing be kept on file for all residents. Of the 30 resident files tested, 1 file tested did not contain a current Offender Personal Property Inventory form and 8 files contained more personal property than what is allowed by A.D.

- At 1 of the 7 ATCs, the auditors noted deficiencies related to receipts from the Employee Benefit Fund portion of the DOC Resident's and Employee's Benefit Fund. A.D. 02.42.102 mandates at least once a week the assigned staff shall prepare a deposit slip for the money received and forward the money, all receipts, and the bank deposit slip to the appropriate staff for verification. Upon verification, the bank deposit shall be processed. Auditors noted receipts were not deposited within a week of receipt for 3 of 5 receipts tested at 1 of the ATCs.

- At 3 of the 7 ATCs, the auditors noted resident master files did not contain complete and adequate documentation. A.D. 02.42.105 requires each offender, with the assistance of a counselor, to establish a budget at least monthly. This budget shall include, but not be limited to, maintenance payments, restitution, and aid to dependents. Of the 30 resident master files tested at the 3 ATCs, 13 were missing a monthly budget. One file was missing support for the closure of the account or payment to the former resident. A.D. 02.42.106 mandates that when an inmate is released or discharged, the inmate's trust fund shall be closed. An additional file was missing the resident dependent letter.

- At 4 of the 7 ATCs, the auditors noted deficiencies related to disbursements from the DOC Resident's Trust Fund. At 1 ATC, resident negative balances were noted due to an error by the ATC. In testing voided checks, auditors noted 1 ATC did not maintain support for 1 of 19 checks. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls which provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. During testing of disbursements, auditors noted 1 of 40 disbursements where the Offender Budget Disbursement Form was not signed and 5 of 40 disbursements were missing the forms. Additionally, 1 of 40 disbursements did not appear in the check register. A.D. 02.42.105 requires an offender requesting disbursement of monies from his or her trust fund account to submit a completed Transition Center Offender Budget Disbursement, DOC 0307 to his or her assigned counselor. After review and approval of the DOC 0307, the counselor is to forward the DOC 0307 to the Chief Administrative Officer. Lastly, 1 ATC was not properly handling reimbursements for bank interest earned and service fees. According to A.D. 02.40.103 interest earned on all local Inmates' Trust Fund checking accounts is to accrue to the Inmates' Trust Fund and, within 20 working days after the notification of interest earned is received, it is to be transferred to the Inmates' Benefit Fund.

Similar weaknesses were noted at the ATCs in the previous ten audits. An analysis summarizing the weaknesses identified in the past five audits is noted in the following table:

Description of Weaknesses	Two Years Ending June 30				
	2012	2010	2008	2006	2004
Year end cash balances misstated	X	X	X	X	X
Deficiencies in Trust & Resident's funds disbursements	X	X	X	X	X
Errors in calculating resident maintenance fees			X		X
Receipts not deposited timely	X				X
Financial transactions not posted timely					X
Weaknesses in ATC internal controls	X	X	X	X	X
Dormant resident accounts not processed timely					X
Resident loan files not accurate			X	X	X
Inadequate controls of property and equipment		X	X	X	X
Resident financial files missing required documents	X		X	X	
Deficiencies in personal property listing	X	X	X		
Deposits in accounts outside of the ATC			X		
Notable maintenance and repair issues			X		
Deficiencies in Resident Trust Fund disbursements	X				

In response to this finding from the previous audit, the Department stated it would continue to make every effort to improve accounting procedures and controls to ensure accurate and appropriate records are maintained at the ATCs. Department management indicated the on-going issues are the result of human errors, lack of resources, inadequate communication and central level oversight within the Department. (Finding Code No. 12-14, 10-14, 08-18, 06-02, 04-04, 02-05, 00-05, 99-11, 98-08, 96-04, 94-05)

RECOMMENDATION:

We recommend the Department improve accounting procedures and controls at the ATCs. Specifically, the Department should ensure:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will continue to make every effort to improve accounting procedures and controls to ensure accurate and appropriate records are maintained at the remaining Adult Transition Centers.

12-15 FINDING: (Weaknesses in Adult Transition Center (ATC) food services contract)

The Department of Corrections (Department) is not fully utilizing the meals purchased under a food services contract.

During testing at 5 of 7 (71%) Adult Transition Centers (Crossroads ATC, Decatur ATC, North Lawndale ATC, Peoria ATC and Westside ATC), auditors noted the food service contract allows the vendor to bill the Department for 3 meals per day, per resident head count for the day, regardless of how many meals are actually prepared and served. This resulted in the ATCs being billed for 531,579 more meals than were actually prepared and served at a cost of $854,905 to the Department. The breakdown per ATC is as follows for the audit period:

ATC	Number of Meals Department was Billed	Number of Meals Residents were Served	Excess Meals Billed than Served	Excess Cost of Meals Not Served *	Utilization Rate of Food Service Contract ^
Crossroads	655,200	579,280	75,920	$112,050	88%
Decatur	237,838	140,203	97,635	$144,138	59%
North Lawndale	218,400	202,800	15,600	$46,048	93%
Peoria	452,328(1)	180,211	272,117	$401,389	40%
Westside	335,193(2)	264,886	70,307	$151,280	79%

* The cost per meal varied per ATC and ranged from $1.41 per meal to a flat rate payment per 300 residents.

(1) Auditors noted the ATC was unable to provide the number of meals served for 3 months in fiscal year 2011 and 1 month in fiscal year 2012.

(2) Auditors noted the ATC was unable to provide the number of meals billed and served for 3 months during fiscal year 2012. The ATC was also only able to provide partial month information for January, May and June of 2012.

^ Based upon the information provided for this analysis.

The vendor contract was negotiated by the Department's General Office and is required to be monitored by each ATC. According to Department's Administrative Directive 02.20.182, the Department is to ensure each specification of the contract is monitored.

In response to this finding in the prior audit, the Department stated it would perform an analysis of the food service contract at the Peoria Adult Transition Center, which was where the weaknesses in the ATC food services contract were initially noted. In addition, the Department stated it also had established a follow-up control mechanism to ensure adequate and appropriate implementation would occur. Department management indicated the exceptions noted during the current audit period were due to employee oversight, staffing constraints and conflicting priorities. Department management also indicated, at the Peoria ATC and Decatur ATC, a formal checklist is utilized for monitoring and is completed every month to ensure foods are maintained at the appropriate temperatures; types of food served are in compliance with what is required, etc. The monitoring does not involve any comparison of actual meals served to what is being billed. Department management stated at Crossroads ATC, North Lawndale ATC, and Westside ATC, some residents may choose not to eat a breakfast or to eat lunch/dinner while at work and not take a bag lunch. This cannot be predetermined and they have to ensure enough meals are prepared to feed all residents at the facility on that given day.

Good fiscal internal controls dictate the ATCs establish a system to determine in advance how many residents will be present for a meal and work with the vendor to ensure there is sufficient, but not excessive food. In addition, the Department should establish controls to ensure the State only pays for the meals consumed. Paying for meals that are never utilized is a poor use of State resources. (Finding Code No. 12-15, 10-15, 08-19)

RECOMMENDATION:

We recommend the Department perform an analysis of its food service at all ATCs to ensure the following:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to perform an analysis of the food service contract at the remaining Adult Transition Centers.

12-16 FINDING: (Weaknesses in contract, lease, and grant administration)

The Department of Corrections (Department) failed to ensure proper controls were established in the administration of its contracts during the audit period.

During testing of 70 contractual agreements, auditors noted the following exceptions:

- 1 of 70 contracts (1%) totaling $4,855,100 did not include all of the certifications, disclosures, and clauses required by Section 15 of the Statewide Accounting Management System (SAMS) manual and various sections of the Illinois Compiled Statutes, including Articles 20 and 50 of the Illinois Procurement Code (30 ILCS 500/20 and 50), the Drug Free Workplace Act (30 ILCS 580/3), the International Anti-Boycott Certification Act (30 ILCS 582/5), Educational Loan Default Act (5 ILCS 385/3), and Article 33E of the Criminal Code of 1961 concerning public contracts (720 ILCS 5/33E-11).

  Section 15 of the SAMS manual provides specific instructions on the certifications, disclosures, and clauses required of each type of contract processed by State agencies. Article 20 of the Illinois Procurement Code (30 ILCS 500/20) addresses contract formation, including the subject to appropriation clause (Section 20-60(b)) and the right for the State to audit the books of the contractor (Section 20-65(b)). Both clauses are requirements for State contracts.

  Article 50 of the Illinois Procurement Code (30 ILCS 500/50) addresses procurement ethics and disclosure. State contracts must contain a certification by the contractor and/or subcontractor that they are not barred from being awarded a contract under Section 50-5(d), which addresses bribery; Section 50-11(b), which addresses debt delinquency; Section 50-12(b), which addresses Illinois Use Tax; and Section 50-14(c), concerning violations of the Environmental Protection Act, of the Illinois Procurement Code.

  Contractors must certify in the contract that they will maintain a drug free workplace in accordance with the Drug Free Workplace Act (30 ILCS 580/3). Contracts exceeding the threshold for small purchases or $10,000, whichever is less, must contain a certification that the contractor will not violate the provisions of the International Anti- Boycott Certification Act (30 ILCS 582/5). The Educational Loan Default Act (5 ILCS 385/3) requires contracts to contain a statement certifying the individual is not in default of an educational loan. Article 33E of the Criminal Code of 1961 concerning public contracts (720 ILCS 5/33E-11) requires the certification that the prime contractor is not prohibited from contracting with any unit of State government as a result of a violation of Sections 33E-3 or 33E-4 of 720 ILCS 5.

- The Department could not demonstrate adequate contract monitoring for 8 of 70 (11%) contracts totaling $1,697,359. Specifically, the auditors noted:

  - The Department failed to explain, or sufficiently explain what type of monitoring occurred for 7 of the 8 contracts totaling $1,194,287, despite repeated requests by the auditors for an explanation of any monitoring performed.

  - The Department insufficiently monitored 1 of the 8 contracts for $503,072. The Department did not monitor performance of contractor's staff to ensure adequate job performance in accordance with job descriptions. The contractor did not submit any monthly or annual evaluation reports as required in the contract.

  The Department of Correction's A.D. 02.20.182 requires all contracts for services be monitored by the Chief Administrator. This monitoring includes ensuring services rendered meet specifications and contracts provide only those services authorized by the contractor or by the Chief Administrator and in the manner specified by the terms of the contract.

- Auditors noted the Department underpaid its lease for the Westside Adult Transition Center by $24,611 for the lease term of December 1, 2010 to November 30, 2011 because the Department had exhausted its obligation line for the lease at the end of fiscal year 2011.

- Auditors identified weaknesses in the Department's use of the emergency purchase provision of the Illinois Procurement Code (30 ILCS 500/20-30(b) and (c)). Specifically, auditors noted:

  - 3 of 64 emergency purchase affidavits (5%) for purchases totaling $148,255 were not posted on the Illinois Procurement Bulletin timely as required by the Illinois Procurement Code (30 ILCS 500/20-30). The emergency purchases were posted 1 to 219 days late.

  - 12 of 64 emergency purchase affidavits (19%) for purchases totaling $3,113,910 were not published at all in the Procurement Bulletin as required by the Illinois Procurement Code (30 ILCS 500/20-30).

  - 2 of 64 emergency purchase affidavits (3%) for purchases totaling $182,720 were not filed with the Auditor General timely within the timelines established by statute. The emergency purchase affidavits were filed from 14 to 80 days late.

During testing of 2 grants totaling $7,172,018 provided by the Department during the audit period, to the same grantee, auditors identified the following weaknesses:

- 1 of the 2 grants was revised and a budget revision was not submitted by the grantee. The grant agreement required a complete budget which identifies all of the expenditures to be made with the funds received from all of the grantee's funding sources. A change in any of the funds would require a new budget addressing the changes.

- The Department did not follow the requirements outlined in the grant agreement for payments to the grantee for either grant.

- The grantee did not submit the required final report correctly for 1 of the 2 grants tested. According to the grant agreement, the grantee was required to provide the Department four deliverables covering statistics related to the programs goals. The submitted report did not include all four deliverables.

- The grantee did not return the unexpended funds to the Department at the end of the grant terms. The grantee owed the Department $159,454 of unexpended funds at the end of the fiscal year 2011 grant and $371,885 of unexpended funds at the conclusion of the fiscal year 2012 grant. The grant agreement requires all unexpended funds to be returned to the Department. Auditors noted the Department had not taken action to collect the $531,339 of unexpended funds as of the completion of their testing.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls, which provide assurance funds are safeguarded against waste, loss, unauthorized use, and misappropriation. The Illinois Grant Funds Recovery Act (30 ILCS 705/8(a)) (Act) states, "If a grantor agency determines that certain grant funds are to be recovered...the grantor agency shall provide the grantee of the funds a written notice of the intended recovery. This notice shall identify the funds and the amount to be recovered and the specific facts which permit recovery." The Act goes on to establish formal procedures for recovery of any unexpended grant funds.

In response to this finding in the prior audit, the Department stated it would implement the necessary controls to ensure contracts are properly administered and in compliance with applicable laws and regulations. For the exceptions noted during the current audit, Department management indicated the failure to ensure proper controls were established in the administration of contracts was due to employee oversight, human error, lack of resources, and inadequate communication within the Department.

Failure to properly administer contractual, lease, and grant agreements to ensure compliance with all applicable statutes and procedures could potentially compromise public accountability and oversight and results in noncompliance with statutes and Department administrative directives. (Finding 12-16, 10-19, 08-31, 06-19)

RECOMMENDATION:

We recommend the Department implement the necessary controls to adequately administer its contractual, lease, and grant agreements and ensure compliance with applicable statutes and Department Administrative Directives. In addition, we recommend the Department seek reimbursement for the unexpended grant funds not yet returned to the Department.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will implement the necessary controls to ensure contracts, leases, and grant administration is properly administered and in compliance with applicable laws and regulations. The Department has initiated the process to recover unexpended grant funds.

12-17 FINDING: (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Department of Corrections (Department) Office of Internal Audit did not comply with the Fiscal Control and Internal Auditing Act.

The Office of Internal Audit at the Department was re-established effective July 1, 2010 by Public Act 96-0795. During fiscal years 2011 and 2012, the Office of Internal Audit did not complete audits of all the Department's major systems of internal accounting and administrative control. Additionally, an effective process to identify new major computer systems or major modifications of existing computer systems was not in place.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003) requires the internal auditing program include audits of major systems of internal accounting and administrative control be conducted on a periodic basis so that all major systems are reviewed at least once every two years.

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

Incomplete auditing of all major internal control systems increases the risk that significant internal control weaknesses will exist and errors and irregularities may go undetected. Further, lack of independent reviews of major new computer systems and major modifications to those systems could result in undetected security and integrity problems in new or modified systems. (Finding Code No. 12-17)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will ensure that the necessary resources are put in place within the Office of Internal Audit to comply with the Fiscal Control and Internal Auditing Act.

12-18 FINDING: (Lack of project management for computer systems development)

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

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

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

Auditors also requested the service contracts with the software developers from the Department. The Department stated they had not entered into contracts for the services.

In addition to the deliverables outlined above, auditors requested from the Department:

- The development methodology utilized for the project, and
- The overall cost of the project beyond software purchase costs.

The Department stated a development methodology had been utilized; however, they were unable to provide it. In addition, the Department did not provide the overall cost of the project.

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

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

We requested the Department's contract for the assessment services; however, the Department stated a contract had not been entered into.

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

Generally accepted information technology guidance endorses the implementation of a process to ensure computer system development activities meet management's objectives. A defined process promotes the effective and efficient use of resources resulting in computer systems that meet expectations. Such guidance also endorses the implementation of system development standards that require new system developments and modifications to existing systems be properly approved, thoroughly tested, and consistently documented.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls to ensure the State's resources are used efficiently and effectively.

Department officials stated that the Offender 360 project was initiated to solve a potential public safety problem when relying on the Department's legacy mainframe Offender Tracking and Juvenile Tracking Systems. Due to the urgency of the project multiple agencies were involved resulting in communications problems. In addition, the project was impacted by other variables, such as very old desktop computers at the facilities, staffing/training issues, and the consolidation into the DCMS' midrange environment.

The lack of a defined project management and system development processes increases the likelihood of ineffective and inefficient use of resources resulting in IT systems that fail to meet expectations and requirements, and require additional costs. (Finding Code No. 12-18)

RECOMMENDATION:

The Department should develop and implement a project management framework and systems development standards to ensure projects are adequately monitored and documented.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure implementation of a project management framework and systems development standards that will adequately monitor and document the process.

12-19 FINDING: (Weaknesses in change management procedures)

The Department of Corrections (Department) did not have an effective process to control and manage changes to computer systems.

The Department was unable to produce formal change management procedures upon auditor's request. However, the auditors located an Administrative Directive, related to change management procedures, last updated 1996, but the Department stated it had been outdated for several years.

Department management stated that users request changes to computer systems via Form DC622; however, the completed forms were not retained. In addition, the Department did not maintain a log or list to control and track changes.

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

Additionally, auditors at the correctional centers found a common error in the dormant account field (numerous accounts had a date of 01/01/1900) within FACTS which resulted in inaccurate reporting of dormant accounts. According to the Department, the date error was the result of a change made by a programmer (system analyst). In addition, the detailed information associated with the change could not be traced to formal change control documentation. See finding 12-11 for related information.

Generally accepted information technology guidance endorses the implementation of suitable change management procedures to control changes to computer systems. Effective change management procedures reduce the risk of unauthorized, improper, or erroneous changes to computer systems.

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

Without adequate change management procedures, there is a greater risk of unauthorized or improper changes being made to computer systems. The lack of procedures increases the risk that the confidentiality, integrity, and availability of systems and data will be compromised. (Finding Code No. 12-19)

RECOMMENDATION:

We recommend the Department develop formal change management procedures to control all changes made to computer systems. The procedure should include at a minimum:

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

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to develop and implement a formal change management procedure that will control all changes made to computer systems.

12-20 **<u>FINDING:</u>** (Lack of disaster contingency planning or testing to ensure recovery of computer systems)

The Department of Corrections (Department) had not updated its disaster recovery plan since June 2006. Additionally, comprehensive disaster recovery testing had not been conducted in the audit period.

The Department carries out its mission through the use of Information Technology, on both mainframes and local area networks (LAN).

The Department was unable to produce a disaster recovery plan upon our request. Auditors located a copy of the 2006 Plan in their audit files associated with June 30, 2010 compliance attestation engagement and provided that to the Department.

Per documentation obtained from the Department of Central Management Services, the Department had determined two mainframe applications to be critical to the health and safety of the State; Offender Tracking System and the Juvenile Tracking System. As part of a multi-agency recovery test performed in September 2011, the Department tested the Offender Tracking and the Juvenile Tracking Systems. However, the Department was unable to provide documentation related to the recovery testing conducted.

Critical systems such as the Fund Accounting and Commissary Trading System (FACTS) run on the LAN. FACTS is a mission critical application/database that manages the trust fund for approximately 48,000 offenders. However, recovery testing for the LAN had not been performed in the audit period.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorse the formal development and testing of disaster recovery plans. Tests of disaster recovery plans (and the associated documentation of the test results) verify the plan, procedures, and resources provide the capability to recover critical systems within the required timeframe.

Without an adequately developed and tested contingency plan, the Department cannot ensure its critical systems could be recovered within an acceptable period and minimize the impact associated with a disaster.

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

Failure to adequately update and test the disaster recovery plans leaves the Department exposed to the possibility of major disruptions of services. A comprehensive test of the plan across all platforms utilized will assist management in identifying weaknesses to ensure recovery procedures are adequate in the event of a disaster. Continuous reviews and tests of plans would help management ensure the plans are appropriately modified, as the Department's computing environment and disaster recovery needs change. (Finding Code No. 12-20)

RECOMMENDATION:

We recommend the Department:

- Update its disaster recovery plan to reflect the current environment. In addition, the plan should be continuously updated to reflect environmental changes and improvements identified from tests.

- Test the plan on at least an annual basis. Any necessary modifications should be made to the plan as a result of those tests and documentation of recovery procedures should be maintained by the plan.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure to update the disaster recovery plan to reflect the current environment and to test the plan on at least an annual basis.

12-21 **FINDING:** (Failure to comply with the Identity Protection Act)

The Department of Corrections (Department) failed to implement the provisions of the Identity Protection Act (Act).

The Identity Protection Act (5 ILCS 179) required the Department to draft and approve an identity-protection policy by June 1, 2011. Per the Act, the Policy must:

- Identify the Act.
- Require all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.
- Direct that only employees who are required to use or handle information or documents that contain social security numbers have access to such information or documents.
- Require that social security numbers requested from an individual be placed in a manner that makes the social security number easily redacted if required to be released as part of a public records request.
- Require that, when collecting a social security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number be provided.

During testing auditors noted the Department had not issued an identity-protection policy.

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

Failure to implement provisions of the Act results in noncompliance with the Act, does not promote the security and control of social security numbers, and increases the likelihood of identity theft. (Finding Code No. 12-21)

RECOMMENDATION:

We recommend the Department develop and approve an identity protection policy as required in the Identity Protection Act.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department has developed and approved an identity protection policy as required in the Identity Protection Act. The Identity Protection Administrative Directive (1.02.108) was approved on March 1, 2013.

12-22 FINDING: (Employee performance evaluations not performed timely)

The Department of Corrections (Department) did not conduct performance evaluations in a timely manner.

Auditors tested 60 employee personnel files containing 115 evaluations performed during the audit period. Auditors noted 33 of the 115 (29%) evaluations were performed 3 to 224 days late. Auditors also noted 4 evaluations were not performed as required during the audit period for 4 of the employees tested. In addition, other auditors performing testing at Illinois Correctional Industries (ICI) noted 41 evaluations were not properly performed. Of the 41 exceptions, 28 evaluations were not on file and 13 were performed late.

Personnel Rules issued by the Department of Central Management Services (80 Ill. Adm. Code 302.270) require performance records to include an evaluation of employee performance prepared by each agency not less often than annually. In addition, according to the Department's Administrative Directive 03.03.110, each employee shall have a list of measurable objectives for a specific work period and shall receive a documented evaluation of his or her job performance at least annually. Supervisory staff shall conduct a formal job performance evaluation on each employee prior to completion of any probationary period and annually thereafter. The results of the evaluation must be submitted from 7 to 30 days prior to the employee's anniversary date or the last day of the probationary period depending if the employee is a bargaining unit or merit compensation employee.

In the previous audit, the Department indicated it would make every effort to ensure compliance with evaluation requirements. Department management indicated the performance evaluations related to the current audit period were not conducted in a timely manner due to staffing constraints, vacancies, retirements, oversight, and lack of adequate follow-up.

Good internal controls dictate the annual evaluation be performed in a timely manner as it is an important component of the communication between the employee and employer on the performance and future expectations of the employee in the workplace. Employee evaluations support administrative personnel decisions by documenting regular performance measures. Late evaluations can cause delays in communicating positive and negative qualities of the employee's work performance. Failure to maintain documentation of the evaluation negates the evaluation process. (Finding Code No. 12-22, 10-17, 08-21, 06-05)

RECOMMENDATION:

We recommend the Department follow the Personnel Rules and its own Administrative Directive and hold management accountable for completing and documenting employee performance evaluations on a timely basis.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure compliance with performance evaluation requirements.

12-23 FINDING: (Payroll timekeeping system not automated)

The Department of Corrections (Department) payroll timekeeping system was not automated.

During the 2008 audit period, the Department's human resources responsibilities were consolidated with a number of other State agencies as part of the Public Safety Shared Services Center (PSSSC). The PSSSC was scheduled to create/ implement an automated timekeeping system, but it was not created. As noted in previous audits, each Correctional Center continued to maintain a manual timekeeping system for several hundred employees. Correctional Center employees sign in and out, and these sheets are sent to the timekeeping clerk. Other information, including notification of absence and call-in reports, are also forwarded to timekeepers. No automation is involved except for processing of payroll warrants.

In regard to automating the timekeeping system the Department had previously responded that they do not have the resources to purchase a new timekeeping system, but would participate in a new Statewide system should one be purchased. During the prior fiscal 2010 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 the Correctional Centers during fiscal year 2010 and are in storage at the Correctional Centers. As of the end of this engagement fieldwork nothing else had been done towards implementation of the system at the Department.

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

Prudent business practices suggest that controls available through automated timekeeping systems can provide greater efficiency and reduce the potential for costly errors or employee abuse. The lack of an automated timekeeping system increases the risk of errors and reduces the control efficiencies for accurately tracking time. (Finding Code No. 12-23, 10-16, 08-20, 06-04, 04-07, 02-08, 00-09, 99-17, 98-17)

RECOMMENDATION:

We recommend the Department implement an automated timekeeping system.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department 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.

12-24 FINDING: (Inadequate documentation of employee training)

The Department of Corrections (Department) is not properly documenting the completion of all employees minimum required number of training hours.

During testing of the Department's training records for fiscal years 2011 and 2012, the Department was unable to provide documentation that 7 of 60 (12%) employees selected had met the mandatory training hour requirements.

The same issue of not being able to document the minimum training hour requirements was noted in the previous six audits. A summary of the results for the current and last six audits is noted in the following table:

Two Years Ending	No. of Exceptions	Sample Size	% Exceptions
June 30, 2000	8	25	32%
June 30, 2002	19	29	65%
June 30, 2004	14	35	40%
June 30, 2006	30	30	100%
June 30, 2008	8	25	32%
June 30, 2010	23	60 *	38%
June 30, 2012	7	60 *	12%

* Due to the scope change of the audit, the sample size included all divisions and Correctional Centers, not just those of the General Office.

According to the Department's Administrative Directive (A.D.) 03.03.102, clerical and support staff (primarily those who have little or no inmate contact) are required to complete a minimum of 16 hours of training each year after their first year on the job. All other employees are required to complete a minimum of 40 hours each year. To ensure all employees receive training, the Directive further instructs that Training Coordinators shall be designated. The Training Coordinator shall maintain an "Employee Training Record," (Form DOC 0220) or a computer printout with the same information, for each employee that has been assigned to him or her.

In response to this finding from the prior audit, the Department responded they would make every effort to ensure compliance with training requirements. Department management indicated the lack of adequate documentation for training at various facilities for the current engagement was due to a failure to appropriately document training hours (such as on the job training) and follow-up to ensure adequate hours are provided and attended during the year.

Employees who have not received the minimum training may not be receiving important information and background preparation for their specific job duties. Training is crucial to Department employees, especially in the case of individuals who have direct contact with inmates. (Finding Code No. 12-24, 10-18, 08-23, 06-03, 04-06, 02-07, 00-07)

RECOMMENDATION:

We recommend the Department allocate sufficient resources to comply with Administrative Directive 03.03.102 to document and ensure employees receive the required training to enable them to perform their specific job duties.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure compliance with training requirements.

12-25 FINDING: (Inadequate controls over computer inventory)

The Department of Corrections (Department) was not able to locate 156 computers during fiscal years 2011 and 2012. These computers may have contained confidential information.

The Department conducts an annual physical inventory of all equipment with an acquisition cost of $500 or more and annually reports its results to the Department of Central Management Services (DCMS). In its fiscal year 2011 Physical Inventory Report submitted to DCMS, the Department reported it was unable to locate 594 of 108,005 (0.55%) items totaling $901,741. The discrepancy report indicated that $37,785 of that amount was missing computer inventory. In its fiscal year 2012 Physical Inventory Report, the Department identified 905 discrepancies of 98,382 (0.92%) items totaling $1,641,167. The discrepancy report showed that $150,127 of that amount was missing computer inventory.

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

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

Although the Department has established procedures regarding the proper storage of electronic data, there is a possibility that confidential or personal information could reside on these computers. The Department had not protected all its laptop computers with encryption software, thus increasing the risk that confidential or personal information would be exposed.

The State Property Control Act (30 ILCS 605/4 and 6.02) requires the Department be accountable for the supervision, control and inventory of all items under its jurisdiction and control. In addition, the Department had the responsibility to ensure that confidential information is protected from disclosure and that provisions in the Personal Information Protection Act (815 ILCS 530) are followed.

Failure to follow up on missing computer equipment resulted in a lack of control over State property and the risks associated with the potential exposure of confidential information. (Finding Code No. 12-25)

RECOMMENDATION:

We recommend the Department:

- Immediately perform a detailed inventory of computer equipment.
- Contact DCMS in an effort to reconcile any missing items that may have been transferred to DCMS, but lacked appropriate paperwork.
- Perform a detailed assessment to determine if any of the missing computers contained confidential information.
- Review current practices to determine if enhancements can be implemented to prevent the theft or loss of computers.

We also recommend the Department establish procedures to immediately assess if a computer may have contained confidential information whenever it is reported lost or stolen, and document the results of the assessment.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will work with Department of Central Management Services in an effort to reconcile any missing items and make an assessment of those reconciled to determine if computer contained confidential information.

12-26 FINDING: (Computer equipment not installed in a timely manner)

The Department of Corrections (Department) ordered and received computer equipment that was not installed or placed in service for over a year.

As stated in Finding 12-18, the Department began developing Offender 360 in June 2010 as a replacement for the Offender Tracking System. As of October 2012, the system was still in development and had not been placed into production.

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

The Illinois Procurement Code (30 ILCS 500/50-55) requires the Department stock no more than a twelve month supply of equipment, supplies and commodities, articles and other items, except as authorized by the State agency's regulations. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls which provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Department management indicated the 400 laptop computers and carrying cases purchased at the end of fiscal year 2011 were necessary for the Offender 360 refresh and modernization project. These laptop computers were to replace outdated equipment that was not compatible with the upgrades the Department was making for the project. In addition, Department management indicated that the computers were stored in order to have the appropriate software installed prior to deployment.

Failure to adequately monitor laptop computer inventory to ensure proper utilization results in waste, circumvention of the appropriation process, and noncompliance with State statute. (Finding Code No. 12-26)

RECOMMENDATION:

We recommend the Department deploy equipment purchases upon receipt in a timely manner so the maximum value of the purchases can be obtained.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department, when applicable, will ensure that computer equipment purchased is deployed when received. At this time all laptops have been deployed with the ongoing implementation of the Offender 360 application.

12-27 FINDING: (Policies and procedures regarding operation of State vehicles not followed)

The Department of Corrections (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 accidents involving State/Department vehicles were not properly reported, 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:

- Sixty of 218 (28%) reported accidents involving State/Department owned vehicles were selected for testing, auditors noted 11 (18%) instances in which accidents had not been reported to DCMS on a timely basis. The reports were submitted from 1 to 70 days late. An analysis of this issue from the last five audits is summarized in the following table:

Two Years Ending	Number of Exceptions	Sample Size	% of Exceptions	Range of Days Late
June 30, 2004	13	25	52%	2 to 279
June 30, 2006	14	25	56%	1 to 49
June 30, 2008	14	34	41%	1 to 146
June 30, 2010	35	60 *	58%	1 to 593
June 30, 2012	11	60 *	18%	1 to 70

* Due to the scope change of the audit, the sample size included all divisions and Correctional Centers, not just those of the General Office.

Additionally, auditors noted 6 of the 60 (10%) accidents sampled were inadequately documented. Specifically, 4 instances were noted in which the Department was unable to provide the required accident report (Form SR-1) and 2 instances in which the required accident report (Form IL401-1579) was unable to be provided.

According to 44 Ill. Adm. Code 5040.520, "A driver of a state-owned or leased vehicle which is involved in an accident of any type shall report such accident to the appropriate law enforcement agency and to DCMS by completing the "Motorist's Report of Illinois Motor Vehicle Accident" form (SR-1)...The Form SR-1 is to be completed, as nearly as possible, in its entirety including a clear description of the accident and the conditions surrounding the accident...In no case is this report to be completed later than three (3) days following an accident. If the State driver is incapable of completing the report because of death or disability, the driver's supervisor should complete the form."

The Department's Administrative Directive (A.D.) 02.75.149 further states, "Accidents involving any vehicle operated in the conduct of state business shall be promptly reported regardless of the dollar amount." A.D. 02.75.149 also states that the Vehicle Accident Coordinator shall submit appropriate reports to DCMS within seven days following the accident. Finally, the State Records Act (5 ILCS 160/8) requires the Department make and preserve "records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions" of the Department.

- For fiscal years 2011 and 2012, auditors requested to examine 60 vehicle maintenance records and noted 20 (33%) did not receive annual inspection in the fiscal year tested. Additionally, 38 (63%) 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 6 (10%) of the 60 vehicles selected for testing. Auditors additionally noted 2 (3%) vehicles that were transferred to DCMS for surplus but were still listed on the facilities property listing. An analysis of the inadequate oil change issue for the last six audits is summarized in the following table:

Two Years Ending	Number of Exceptions	Sample Size	% of Exceptions	Range of Miles Oil Change Past Due
June 30, 2002	11	25	44%	615 to 28,783
June 30, 2004	5	25	20%	1,227 to 7,514
June 30, 2006	21	25	84%	Unavailable
June 30, 2008	15	25	60%	Unavailable
June 30, 2010	37	45	82%	1,800 to 22,933
June 30, 2012	38	54 *	70%	1,046 to 17,970

* Sample size of 60 less the 6 in which the Department could not provide any maintenance records.

According to 44 Ill. Adm. Code 5040.400, "All state-owned....or leased vehicles which fall under this Part shall undergo regular service and/or repair in order to maintain the vehicles in road worthy, safe, operating condition and appropriate cosmetic condition. Driver should check oil, coolant, and battery water levels (if possible) regularly, such as at each refueling." 44 Ill. Adm. Code 5040.410 states, "Agencies shall have vehicles inspected by DCMS at least once per year and shall maintain vehicles in accordance with the schedules provided by DCMS or with other schedules acceptable to DCMS that provide for proper care and maintenance of special use vehicles." Furthermore, the Department's Administrative Directive 01.02.106 (Maintenance and Use of Vehicles) states, "Department vehicles which are personally assigned shall be maintained in full accordance with the manufacturer's recommendations contained in the owner's manual and in accordance with Department directives, policies, and procedures. The person to whom the vehicle is assigned shall ensure compliance. Vehicles shall be inspected by a DCMS State garage on an annual basis."

Good business practice dictates that vehicles be maintained to prevent excessive repair costs in the future. Failure to adequately maintain vehicles can cost the State significant amounts in future years through additional repair bills and shortened useful lives for vehicles.

- The Department's A.D 01.02.106 states that upon assignment of a vehicle, the employee is to receive the Personally Assigned Vehicle Usage Packet, including instructions. A listing of forms that are to be completed by the employee and submitted to the Division of Finance (DOF) Fiscal Support Unit Vehicle Coordinator is included in the A.D. Copies of the form are to be retained in the facility business office. Within this listing of documentation described in the A.D. is the Annual Personally Assigned Vehicle Tax Exemption Certification, Form DC 710-1241, and the Determination of Value of Personal Use of State Vehicle, Form DC 352.

  The Department uses Form DC 710-1241 to document the determination of whether employees are exempt from taxation related to fringe benefits derived from the personal use of a State vehicle. The Department was unable to provide forms for 24 of 60 (40%) employees tested, but provided exemption statuses for employees for whom it could not provide a Form DC 710-1241, therefore the Form DC 352 was not filed.

  Under the Treasury Rule which is published in the Internal Revenue Services' Publication 15-B, "Employer's Tax Guide to Fringe Benefits," the Department determines the value of a vehicle that the Department provides to an employee for commuting use by multiplying each one-way commute by $1.50. Administrative Directive 01.02.106 requires all Department employees who are subject to vehicle usage income to complete Form DC 352. Form DC 352 is to be completed by the required employees at the start of the calendar year, and indicates this is an estimate of vehicle personal use income for the coming year. This information is entered into the payroll system so that taxes can be withheld each pay period during the year rather than a one-time lump sum withholding in December. By not providing form DC 710-1241 fringe benefits related to personal use of State vehicles may not be properly recorded.

- The Form DC 710-1241 provided for 3 of 60 (5%) employees tested were lacking the supervisor's approval. In 1 of 3 of these instances, the employee filled out the form, marking non-tax exempt, but then hand wrote "tax-exempt". A Form DC 352 was not filed, therefore auditors were unable to determine if the employee was required to withhold taxable benefits from its payroll.

  The Department's A.D 01.02.106 states the immediate supervisor is to review the request for tax exemption from the State vehicle. Upon approval, the supervisor is to submit the request to the DOF Fiscal Support Unit Vehicle Coordinator. Since the form was not approved, fringe benefits related to personal use of State vehicles may not be properly recorded.

In response to this finding in the prior audit, the Department indicated it would make every effort to ensure compliance with proper controls and procedures and revise processes and procedures as needed. Related to the exceptions noted in the current audit period, Department management indicated the exceptions were due to conflicting priorities, employee oversight, and lack of resources to replace the fleet management system. (Finding Code No.12-27, 10-21, 08-33, 06-01, 04-03, 02-04, 00-03)

RECOMMENDATION:

We recommend the Department:

- 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. The Department should 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 Department's 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 Department form from each employee allowed "personal use" of a State vehicle to ensure proper records for the reporting of fringe benefits.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure compliance with proper controls and procedures regarding State vehicles and will revise processes and procedures as needed.

12-28 FINDING: (Failure to adequately maintain documentation related to personally assigned vehicles)

The Department of Corrections (Department) failed to maintain documentation regarding personally assigned State vehicles.

As contained in the Department of Central Management Services' (DCMS) Code of Regulations (44 Ill. Adm. Code 5040.340), "Vehicles may be assigned to specific individuals if authorized in writing by the head of the agency to which the vehicle is assigned. Agencies will be required to report to DCMS annually and when changes occur the name of each employee assigned a vehicle, the equipment number and license plate number of the assigned vehicle, employee's headquarters, and residence..."

The Department's Administrative Directive 01.02.106 requires, upon the personal assignment of a State vehicle, that the Department employee be provided with a Personally Assigned Vehicle Usage Packet, including instructions. The Personally Assigned Vehicle Usage Packet includes several forms that are to be completed by the employee and submitted and retained by the Correctional Center and/or division Business Office. One of those forms is the Monthly Mileage Report (DC 710-1287). Of the 60 employees to whom vehicles had been personally assigned during the audit period, the Department was unable to provide completed Monthly Mileage Reports (DC 710-1287) for 6 (10%) employees. Of the 54 sets of mileage reports received, 8 reports (15%) were missing various months and could not be thoroughly tested by the auditors.

In response to this finding in the previous audit, the Department stated it would properly complete and maintain the documentation required for all personally assigned State-owned vehicles. Regarding the exceptions noted again in the current audit, Department management indicated the weaknesses regarding personally assigned State vehicles were due to conflicting priorities, human error and employee oversight.

Failure to maintain accurate and complete documentation of personally assigned vehicles can lead to significant inefficiencies in the allocation of Department resources and is also non-compliance with Department Administrative Directives. (Finding Code No. 12-28, 10-22)

RECOMMENDATION:

We recommend the Department maintain documentation pertinent to the personal assignment of State-owned vehicles in accordance with the Illinois Administrative Code and its Administrative Directive.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will communicate to Department personnel that are assigned vehicles to properly complete and maintain the documentation required for their assigned State-owned vehicles.

12-29 FINDING: (Failure to maintain control over telecommunication devices)

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

The Department tracks outstanding pagers through the filing of Pager Service Request (PSR) forms and cellular phones and wireless Internet air cards through Telecommunication Service Request (TSR) forms, in date order. The forms document pager and cellular phone issuances, replacements, cancellations, and other changes in service.

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

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

- Five of 60 (8%) cellular phones tested were not cancelled timely. The delinquencies ranged from 57 to 578 days after the employees separated from the Department. In addition, 10 of 60 (17%) devices selected for cellular phone testing were determined to be cancelled wireless Internet air cards. The Department was not able to determine to whom the air cards were originally assigned as the parole agent numbers within EMS were incorrect.

- One of 2 (50%) calling cards tested was not cancelled timely. The delinquency was 49 days after the employee separated from the Department

- Six of 60 (10%) pagers tested were not cancelled timely. The delinquencies ranged from 361 to 7,015 days after the employees separated from the Department.

The Department of Corrections Administrative Directive (A.D.) 02.15.110 states that "the Chief Administrator shall notify the Department Telecommunications Administrator immediately of the termination of an employee who has been issued a telephone credit card." It also states that the Chief Administrator is required to send a memo to the Department Telecommunications Administrator containing information such as the employee's name and division, card number, account number and date of cancellation. Finally, the Department Telecommunications Administrator is required to notify the Department of Central Management Services (DCMS) of the canceled card and updated records accordingly.

Department of Corrections Administrative Directive (A.D.) 02.15.115 requires the Manager of the Office of Telecommunications to retain an inventory of all Department pagers which identifies the pager number; type of pager, i.e. regional or statewide; and the status of the pager (assigned or unassigned). If the pager is assigned, the inventory shall also specify the name of the employee to whom the pager is assigned; the unit and division of the employee to whom the pager is assigned; and the date(s) the pager was issued to the employee and, if applicable, returned to the supervisor and the Office of Telecommunications. In addition, A.D. 02.15.115 charges the employee's supervisor with the responsibility of ensuring the return of a pager upon the employee's transfer or termination. At that time, the supervisor is to notify the Office of Telecommunications or the facility's liaison in charge that the pager is unassigned. The pager is to be retained for reassignment within the unit for a period not to exceed 30 days. At that time, if the pager is not reassigned, the supervisor is to update the unit's pager list and return the pager to the Office of Telecommunications.

While A.D. 02.15.110 and A.D. 02.15.115 do not directly discuss cellular phones or wireless Internet air cards, prudent business practices and fiscal controls would suggest that guidelines similar to those described for pagers in this Administrative Directive should also be practices for cellular phones, calling cards and wireless Internet air cards.

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

Failure to maintain up-to-date inventories of telecommunication devices, as well as not timely canceling them upon employee separation, risks Department resources as it impairs the Department's ability to have a complete record of active and assigned devices. Additionally, failure to maintain inventories and not timely cancelling the devices is non-compliance with the Department's Administrative Directive. (Finding Code No. 12-29)

RECOMMENDATION:

We recommend the Department maintain an up-to-date inventory of all telecommunication devices. The inventory should document the assignments and timely cancellations.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will properly maintain and update inventory of all telecommunication devices.

12-30 **FINDING:** (Cash receipts and refunds not paid into the State Treasury on a timely basis as required by State law)

The Department of Corrections (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:

- The Department could not provide copies of the deposited check or any other date related information for 12 of 60 (20%) receipts tested. Two of these 12 (17%) instances were due to the date on the checks being illegible or not included. Additionally, 27 of 60 (45%) receipts were not date stamped when the checks were received. As a result, it was not possible to determine whether the receipt was deposited on a timely basis. The Accounts Receivable Unit began processing all checks for the Department on October 11, 2011. Prior to that date, the correctional centers processed checks received and then forwarded them to the Accounts Receivable Unit to be sent in to the State Treasurer. Auditors noted the Department was able to provide adequate support for receipts included in the testing sample with dates after October 11, 2011.

- Two of 60 (3%) Receipt Deposit Transmittal (RDT) forms totaling $131 were not remitted to the Illinois Office of the Comptroller in a timely manner. The RDTs were submitted 208 and 36 days after being deposited within the State Treasury.

During testing of refunds the auditors noted the following exceptions:

- The Department could not provide copies of all the refunded checks or any other date related information for 21 of 60 (35%) refunds tested. Eight of 60 (13%) refunds tested could not be traced to the corresponding original payment to Department books via the Accounting Information System Reports. Two of 60 (3%) refunds could not be traced to the original expenditures and the reversals to the corresponding Monthly Appropriation Status Report (SB01) or the Monthly Revenue Status Report (SB04), if it was a prior year refund. Due to these exceptions, the auditors were unable to determine the amount received was correct or properly recorded.

- Six of 60 (10%) refunds totaling $54,095 were not deposited into the State Treasury within the 15 day deposit extension. The refunds were deposited between 6 and 107 days late. Additionally, the Department could not provide adequate support for 42 of 60 (70%) deposits into the State Treasury. As a result, it was not possible to determine whether the refund was deposited on a timely basis.

- Twenty-eight of 60 (47%) refunds tested were salary refunds. Seventeen of 28 (61%) of the salary refunds tested totaling $293,575 were processed 2 to 165 days after the 60 day period allotted by the SAMS manual to process the refunds. Thirty-two of 60 (53%) refunds tested were for Expenditure Adjustment Transmittals. Seventeen of 32 (53%) Expenditure Adjustment Transmittals tested totaling $111,561 were processed untimely ranging from 84 to 3,135 days after the original warrant date.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2a)) states, "Every officer…unless a different time of payment is expressly provided by law or by rules or regulations promulgated under subsection (b) of this Section, shall pay into the State Treasury the gross amount of money so received on the day of actual physical receipt with respect to any single item of receipt exceeding $10,000, within 24 hours of actual physical receipt with respect to an accumulation of receipts exceeding $10,000 or more, or within 48 hours of actual physical receipt with respect to an accumulation of receipts exceeding $500 but less than $10,000…" The Act further allows the State Treasurer and State Comptroller to grant time extensions for the deposit of public funds. The most recent deposit extension approved for this purpose was a 15 day extension for the period December 6, 2011 through December 6, 2013. Even with the approved deposit extension, the Department did not deposit receipts and refunds in a timely manner.

Additionally, the Comptroller's Statewide Accounting Management System (SAMS) procedures 23.20.65 states salary refunds are to be processed within 60 days of the original issue date. SAMS procedures 25.10.30 requires the Comptroller to order all deposits into funds held by the State Treasurer, once the State Treasurer issues a non-negotiable draft to the specific agency. The agencies are to remit to the Illinois Office of the Comptroller the draft so the Comptroller may order the moneys into the appropriate fund(s). As indicated in SAMS 25.20.10, when receipts are submitted to the Comptroller, the Receipts Deposit Transmittal is the form which must be utilized.

In response to this finding in the previous audit, the Department stated it would make every effort to ensure receipts and refunds are processed timely and accurately and source documentation is properly maintained and submitted, if applicable. Regarding the exceptions noted in the current audit, Department management indicated the failure to maintain adequate documentation, deposit receipts and refunds timely, and submit RDTs to the Illinois Office of the Comptroller in a timely manner was due to human error and employee oversight.

Failure to perform these activities in a timely manner or maintain the necessary source documentation results in noncompliance with the State Officers and Employees Money Disposition Act and SAMS and improperly withholds funds from the State Treasury. (Finding Code No. 12-30, 10-24, 08-36)

RECOMMENDATION:

We recommend the Department implement controls to ensure cash receipts and refunds are deposited in a timely manner in accordance with State law and SAMS. Additionally, we recommend the Department 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.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure receipts and refunds are processed timely and accurately and source documentation is properly maintained and submitted.

12-31 **FINDING:** (Failure to develop a formal fraud risk assessment program)

The Department of Corrections (Department) did not have a formal fraud risk assessment program in place during the audit period.

The Department relied on administrative directives and internal controls to minimize the risk of fraud occurring, but had not established a formal program to assess the specific risks associated with fraud.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) (Act) states, "All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; (2) obligations and costs that are in compliance with applicable law; (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation…" Additionally, it is management's responsibility to prevent and detect fraud. Therefore, the Department should implement a formal policy regarding the evaluation of fraud risk and a system of controls to help prevent and detect potential fraudulent activity within its organization. Preparing a written policy will serve to document the Department's awareness and responsibility for fraud prevention and detection, as well as specific activities necessary to identify and address specific fraud risk factors.

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

The Department managed the expenditure of $1.2 billion of State funds in fiscal year 2012. Without a formal program to identify and address the specific risks associated with fraud, fraudulent activities may go undetected and could result in misstatements in its financial reporting to the State or misappropriation of Department assets. (Finding Code No. 12-31)

RECOMMENDATION:

We recommend management establish a continuous fraud prevention, deterrence and detection program. This program should include evaluating whether appropriate internal controls have been implemented in any areas identified as posting a higher risk of fraudulent activity, as well as controls over the financial reporting process. In addition, the Department's executive staff should evaluate management's identification of fraud risks and the implementation of anti-fraud measures.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure a formal fraud risk policy and risk assessment is completed and appropriately acted upon.

12-32 FINDING: (Failure to update Administrative Directives)

The Department of Corrections (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). For example, A.D. 02.42.106, effective date 1/1/2000 still references the juvenile division, which no longer exists with the creation of DJJ.

In addition, as of the auditor's testing, the Department's A.D.s have effective dates ranging from February 15, 1984 to March 1, 2012. Noted in the table below are the Department's 462 A.D.s listed by the decade the A.D.s were either effective, updated or amended:

Year	Number of A.D.s	% of Total A.D.s
1984 to 1989	13	3%
1990 to 1999	148	32%
2000 to 2009	241	52%
2010 to 2012	60	13%
TOTAL	462	

Note: During the auditors' compilation of this information, if even one page of the A.D. had been updated, the auditors gave credit to the entire A.D. for the updated effective date.

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. A.D. 02.15.115, requires the Department to maintain a current inventory of all Department pagers, but does not address cellular phones, which are now the more prevalent technology.

In response to this finding in the previous audit, the Department stated it would ensure sufficient resources were devoted to review and update the A.D.s as necessary. In addition, the Department stated it had established a follow-up control mechanism to ensure adequate and appropriate implementation occurs. When auditors inquired with management about this recurring weakness, Department management stated competing priorities and the level of effort to achieve consensus in the review and drafting of A.D.s prohibited it from updating the A.D.s during the current audit period.

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 than annually. Failure to do so represents the potential for the breakdown in the standardization of procedures throughout the Department, which is the intent of the A.D.s. (Finding Code No. 12-32, 10-33, 08-44)

RECOMMENDATION:

We recommend the Department perform a comprehensive review of its A.D.s and update them as necessary to ensure they represent the most current, standardized practices of the Department. Additionally, the Department should 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.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will ensure sufficient resources are devoted to review and update the Administrative Directives as necessary.

12-33 FINDING: (Failure to properly notify appropriate parties of impending release of inmates)

The Department of Corrections (Department) failed to properly notify State's Attorneys and public housing agencies of impending release of inmates.

The Unified Code of Corrections (730 ILCS 5/3-14-1(c)) requires the Department to establish procedures to provide written notification of any release of an individual who has been convicted of a felony to the State's Attorney and sheriff of the county from which the offender was committed and to the State's Attorney and sheriff of the county into which the offender will be paroled or released. The Department is also to establish procedures to notify the proper law enforcement agency for any municipality of any release of an inmate convicted of a felony if the arrest of the offender or the commission of the offense took place in the municipality, or if the offender is to be paroled or released into the municipality, or if the offender resided in the municipality at the time of the commission of the offense. If the person convicted of a felony who is in the custody of the Department or on parole or mandatory supervised release communicates to the Department that he or she has resided, resides, or will reside at an address that is a housing facility owned, managed, operated, or leased by a public housing agency, the Department must send written notification of that information to the public housing agency that owns, manages, operates, or leases the housing facility. The written notification is to be given, when possible, at least 14 days before release of the person from custody, or as soon thereafter as possible.

Auditors noted the Department was not able to comply with the 14 day notification requirement to the State's Attorney in the counties where the prosecution took place and where the inmate was to be released at 10 of 27 (37%) Correctional Centers (East Moline, Hill, Pickneyville, Shawnee, Stateville, Lincoln, Dwight, Southwestern, Vienna, and Logan) for 15 of 50 (30%) inmates tested. The notices ranged from 1 to 14 days after the 14 day notification deadline. The Department also did not provide written notification to public housing agencies where felons in the custody of the Department resided, resides, or will reside at an address owned, managed, operated, or leased by a public housing agency at 4 of 27 (15%) Correctional Centers (Dixon, Dwight, Sheridan, and Hill).

Auditors further noted 2 of 27 (7%) Correctional Centers (Shawnee and Logan) were either unable to locate the notice of impending release in the inmates' file, or failed to submit the notice, for 5 of 50 (10%) inmates tested.

The local authorities, public housing agencies, and the victims and their families need to be informed of an offender taking up residence in their particular location so they have time to respond or prepare for a prisoner's release. Failure to provide the notification as outlined in statute is noncompliance with the State Statute and could impair public safety. (Finding Code No. 12-33, 10-27)

RECOMMENDATION:

We recommend the Department properly notify the appropriate parties of impending release of inmates in accordance with State statute.

DEPARTMENT RESPONSE:

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

12-34 FINDING: (Failure to properly establish mechanism to track access to inmate master records)

The Department of Corrections (Department) failed to establish a mechanism to track access to inmate master files in the manner required by the Unified Code of Corrections (730 ILCS 5/3-5-1).

Section 3-5-1 of the Unified Code of Corrections (730 ILCS 5) (Code) requires the Department to maintain a master record file for each committed person it incarcerates. The Code specifies the items to be maintained within the master record file of each inmate. Additionally, it requires the Department to keep a record of all outside persons who have access to inmate master record files, the files reviewed, any file material copied, and the purpose of access.

Auditors noted exceptions to Section 3-5-1 of the Code at 7 of 27 (26%) Correctional Centers (Graham, Dwight, Sheridan, Vienna, Southwestern, Jacksonville, and Vandalia) because the Correctional Centers had not established a mechanism to track access to inmate master files, including detailing the information outlined in Section 3-5-1 of the Code, which requires a record of the outside person who accessed inmate files, the files reviewed, file material copied or the purpose of the access. Although the auditors noted the Jacksonville Correctional Center maintained a log of those who accessed the inmate files related to sexually violent persons, the Center did not maintain a record of all outside persons that accessed inmate master files that specifically detailed what file material was copied from the files and the purpose of the access to the inmate master files. Auditors noted the Vandalia Correctional Center maintained a record of all outside persons who accessed inmate files; however, the record did not include a listing of any file material copied and the purpose of access as required by the Code.

In response to this finding from the previous audit, the Department stated it would ensure a record is maintained at every facility tracking access to the inmate master files as required. In response to the current exceptions, the Department stated exceptions noted were due to a record log being kept that would have no entries as records were not maintained because 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.

Failure to establish a mechanism to track access to inmate master files in the manner required by the Unified Code of Corrections results in statutory noncompliance. (Finding Code No. 12-34, 10-30)

RECOMMENDATION:

We recommend the Department either comply with the requirements as outlined in the Code or seek legislative modification to permit the maintenance of other legal documentation as substitution for such record of access to the inmates' master record file.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will remind Records Office staff to ensure a record is maintained at every facility tracking access to inmate master files as required.

12-35 <u>FINDING</u>: (Noncompliance with inmate grievance procedures)

The Department of Corrections (Department) could not demonstrate consistent compliance with the inmate grievance requirements as outlined in the Unified Code of Corrections (730 ILCS 5/3-8-8).

Inmate grievance procedures are outlined in Section 3-8-8 of the Unified Code of Corrections (730 ILCS 5). The Department must maintain documentation of inmate grievances and any decision thereto for a period of one year. All committed persons are to be informed of the grievance procedures established by the Department and the procedures must be made obtainable to all committed persons.

The Illinois Administrative Code (20 Ill. Admin. Code 504.830) states a Grievance Officer shall review grievances at least weekly, provided that one or more grievances have been filed. The Illinois Administrative Code also states that the Chief Administrative Officer shall advise the offender of the decision in writing within 2 months after receipt of the written grievance, where reasonably feasible under the circumstances. The Department's Administrative Directive (A.D.) 04.01.114 states that the Department should legibly complete the "Grievance Officer's Report" section of the Response to Offender's Grievance, Form DOC 0047, documenting any attempts to resolve the grievance and relevant information discovered during the review process.

Auditors noted 5 of 27 (19%) Correctional Centers (East Moline, Hill, Jacksonville, Lincoln, and Dwight) could not provide documentation of compliance with inmate grievance procedures in relation to 730 ILCS 5/3-8-8. Specifically, the auditors noted:

- During the audit period, two Correctional Centers (East Moline and Lincoln) did not appear to maintain a record of grievances for at least a year after the settlement or decision for grievances had been reached.

- One of 5 (20%) inmate files tested at Hill did not contain documentation verifying the inmate was notified of grievance procedures.

- Five of 5 (100%) inmate files tested at Dwight were not reviewed in a timely manner by the Center's Grievance Officer or by the Center's Chief Administrative Officer. The offender grievances were reviewed from 45 to 67 days late by the Grievance Officer. The Chief Administrative Officer who was supposed to review the grievances within two months of receipt signed the grievances from 3 to 24 days late.

- One of 5 (20%) inmate files tested at Jacksonville did not contain Form DOC 0047. This form is used to document any attempts to resolve grievances and relevant information discovered during the grievance process.

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

Maintaining documentation of the notification of the inmate grievance procedures and preserving the record of such grievances and resolutions relating to them provides the Department with evidence of its actions should it be questioned in the future by other parties. Failure to maintain documentation of the notification provided and of grievances filed, including all decisions and resolutions thereto, results in statutory noncompliance. (Finding Code No. 12-35)

RECOMMENDATION:

We recommend the Department maintain adequate records indicating each inmate understands the grievance procedures as well as adequate grievance records in compliance with 730 ILC 5/3-8-8.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will maintain adequate grievance records as well as appropriate documentation indicating each inmate understands the Department's grievance procedures as required.

12-36 FINDING: (Weaknesses over issuance of temporary identification cards)

The Department of Corrections (Department) did not comply with requirements for issuing temporary identification cards.

The Unified Code of Corrections (730 ILCS 5/3-14-1(e)) (Code) requires the Department to provide offenders that have met established criteria with a temporary identification card. In addition, the Code requires the Department to collect a $1 fee from committed persons for the temporary identification card and inform the offender that he or she may present the identification card to the Office of the Secretary of State upon application for a standard Illinois Identification Card. The Department's Administrative Directive (A.D.) 04.50.103 describes the established criteria that must be met, including retention of the offender's request and copies of the required documentation to be filed in the offender's master file, before the issuance of the temporary identification card.

Auditors noted the following weaknesses in the Department's compliance with this statute:

- Thirteen of 27 (48%) Correctional Centers (Dixon, East Moline, Hill, Pinckneyville, Lincoln, Vandalia, Big Muddy River, Dwight, Sheridan, Southwestern Illinois, Vienna, Western Illinois, and Centralia) provided identification cards to 54 of 65 (83%) inmates tested who were on parole, mandatory supervised release, final discharge, or pardon that did not meet the criteria established by the Department for receipt of an identification card.

- Eight of 27 (30%) Correctional Centers (Dixon, East Moline, Menard, Lincoln, Tamms, Vandalia, Vienna, and Sheridan) did not collect the $1 fee from 14 of 38 (37%) inmates tested who where issued temporary identification cards.

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

Failure to comply with the requirements for issuing temporary identification cards represents noncompliance with the Department's Administrative Directive and State Statute. (Finding Code No. 12-36)

RECOMMENDATION:

We recommend the Department develop a mechanism to ensure identification cards are only provided to inmates who meet the established criteria and provide the $1 for the card.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will remind Department staff of the necessity to copy and file the required documents; and to require payment of $1 for the card.

12-37 FINDING: (Failure to properly provide addiction recovery services)

The Department of Corrections (Department) failed to properly provide addiction recovery services as required by the Unified Code of Corrections (730 ILCS 5/3-6-2(m)).

Section 3-6-2(m) of the Unified Code of Corrections (730 ILCS 5) (Code) requires the Department to make a room in the institution or facility available for addiction recovery services to be provided to committed individuals on a voluntary basis. The services are to be provided for one hour once a week at a time determined by the chief administrative officer of the institution or facility if certain conditions are met which are outlined within the Code. The number of persons attending an addiction recovery meeting are not to exceed 40 during any session held at the correctional institution or facility. In addition, addiction recovery services are to be provided by volunteers of recovery support services recognized by the Department of Human Services.

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

- Tamms did not provide any addiction recovery services during the audit period due to a lack of volunteers to administer this program. The addiction recovery services provided at Robinson were administered by inmates and supervised by counselors.

- Dixon, Lincoln, and Vienna Correctional Centers did not maintain documentation of the attendees for all meetings. At Graham, 2 of 4 (50%) meetings tested, the number of attendees recorded per the sign-in sheet differed from the number of attendees as reported on the monthly program statistics report.

- Meetings held at East Moline, Shawnee, Stateville, and Vandalia exceeded the statutory limit of 40 attendees per meeting to attend addiction recovery meetings. The attendees exceeding the statutory limit ranged from 1 to 43.

The State Records Act (5 ILCS 160/8) requires the Correctional Center to make and preserve records containing adequate and proper documentation of the functions and procedures of the Correctional Centers designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

In response to this finding from the previous audit, the Department stated it would ensure addiction recovery services are provided at facilities as required. Related to the current audit period, the Department stated exceptions were due to a lack of volunteers, employee oversight and communication.

Allowing committed persons to attend addiction recovery services will aid in their rehabilitation while incarcerated within the Department. Failure to properly provide addiction recovery services in accordance with the Code represents statutory noncompliance. (Finding Code No. 12-37, 10-31)

RECOMMENDATION:

We recommend the Department ensure addiction recovery services are provided at all Correctional Centers as defined within the Code.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will ensure addiction recovery services are provided at facilities as required.

12-38 <u>FINDING</u>: (Failure to prepare and submit reports as required by State statute)

The Department of Corrections (Department) either did not submit or did not submit timely certain required reports to the Governor, Judiciary and/or the General Assembly. Each of these bullets below were also identified as exceptions in the report for the two years ended June 30, 2010. Auditors identified the following exceptions during their testing:

- The Unified Code of Corrections (730 ILCS 5/3-5-3(d)) 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 document shall detail how the Department plans to meet the housing, educational/ training, Correctional Industries and programming needs of the escalating adult female offender population by January 1 every two years after January 1, 1991 to the Governor and General Assembly. This report should have been prepared and submitted by January 1, 2011. Auditors noted the required report was not submitted during the audit period. Public Act 97-0800, effective July 13, 2012 amended the Unified Code of Corrections and no longer requires the Department to file this report.

- The Unified Code of Corrections (730 ILCS 5/3-6-3a (4)) 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 (730 ILCS 5/5-8-1.3(m)) requires the Department to provide to the Governor and the General Assembly a report on the pilot residential and treatment program for women. The report should include the composition of the program by offenders, sentence, age, offense and race before September 30th of each year. The Pilot Women Program Reports were not submitted during the audit period. Public Act 97-0800, effective July 13, 2012 amended the Unified Code of Corrections and only requires the Department to file this report if the pilot residential and treatment program for women is operational.

- The Unified Code of Corrections (730 ILCS 5/5-5-4.3) states the Department shall publish a report to trial and appellate court judges for their use in imposing or reviewing sentences. The report is to be published on an annual basis no later than April 30th. The Department did not prepare and publish the reports during the audit period. Public Act 97-0800, effective July 13, 2012 amended the Unified Code of Corrections and repealed the requirement for the Department to file this report.

- The Unified Code of Corrections (730 ILCS 5/3-5-3.1) requires the Department to submit a report to the General Assembly by January 1st, April 1st, July 1st, and October 1st of each year. The Department was unable to provide the date that the Quarterly Reports were submitted for the July 1, 2010 and October 1, 2010 reports. Auditors noted 5 of 6 (83%) reports were received by the General Assembly after the required due date and ranged from 3 to 97 days late.

In response to this finding from the previous audit, the Department stated it would make every effort to file the reports/plans timely and as required. Department management indicated the reports above were not completed due to timing constraints and conflicting priorities.

Failure to timely prepare and submit required reports/plans to the Governor, Judiciary and General Assembly prevents the appropriate oversight authority from receiving relevant feedback and monitoring on programs and can have an effect on future decisions since information was not provided. In addition, by not preparing and submitting the required reports/plans the Department is not in compliance with State statutes. (Finding Code No. 12-38, 10-25, 08-41, 06-11, 04-11)

RECOMMENDATION:

We recommend the Department develop a mechanism to ensure required reports/plans are prepared on a timely basis and submit them to the required parties in accordance with State statute.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department when applicable will make every effort to file the reports/plans timely and as required.

12-39 FINDING: (Noncompliance with applicable portions of the Arsonist Registration Act)

The Department of Corrections (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.

The Arsonist Registration Act (730 ILCS 148) (Act), effective January 1, 2005, requires Department facilities to perform numerous functions prior to the discharge, release or parole of individuals convicted of arson. Specifically, the facility shall notify the individual of their duty to register in person and if establishing a residence out of state their duty to register in the new state. The facility shall require the individual to read and sign a form indicating they understand their duty to register. The facility shall give one copy of the form to the person and shall send one copy to each of the law enforcement agencies having jurisdiction where the person expects to reside, work, and attend school upon his or her discharge.

This Act applies only to persons who commit arson on or after the effective date of the Act, which was January 1, 2005, and does not apply to any person who committed arson before that date. In addition, until the Illinois State Police (ISP) established the I-CLEAR database to maintain this information on a Statewide basis, this Act only applied to arsonists who reside, are employed, or attend school within the City of Chicago.

In response to this finding from the prior audit, the Department stated it would make every effort to ensure compliance with the Department's responsibilities regarding the Arsonist Registration Act. During the current audit period, Department personnel informed auditors it had not established policies and procedures to inform released and/or discharged offenders of their arson registration obligation as it was the Department's belief I-CLEAR was not fully functional or accessible throughout the State.

Per inquiry of the Illinois State Police as of the end of the engagement testing, I-CLEAR is being deployed across the State; however, the Illinois State Police does not consider I-CLEAR to be established / implemented throughout the entire State. However, as set forth in the Act, the Department was still required to perform certain functions prior to the discharge, release or parole of individuals convicted of arson who will reside, be employed, or attend school within the City of Chicago.

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

Noncompliance with the Act is a violation of a statutory mandate. By not informing the individual of their duty to register, the appropriate authorities may not be aware that a person convicted of that type of offense is residing in that particular area. (Finding Code No. 12-39, 10-32, 08-45, 06-16)

RECOMMENDATION:

We recommend the Department implement a process to inform and document the applicable individuals being discharged, paroled or released that have been convicted of arson of their duty to register in accordance with the Arsonist Registration Act.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure compliance with the Department's responsibilities regarding the Arsonist Registration Act.

PRIOR FINDINGS NOT REPEATED

A. Prior Finding (Improper calculation and reporting of liabilities at year end)

The prior audit noted the Department improperly calculated its liabilities at June 30, 2009 and 2010 which led to errors in its financial reporting.

During the current audit, auditors noted the Department correctly calculated its liabilities in all material respects and in accordance with the guidance provided by the Illinois Office of the Comptroller. Auditors did not note any duplication or exclusion of liabilities during their testing for the year ended June 30, 2012. As a result, the prior finding is not repeated. (Finding Code No. 10-02, 08-03, 06-09)

B. Prior Finding (Weaknesses in the financial accounting for, and reporting of, capital assets)

The prior audit noted the Department did not accurately record all capital asset information in its financial records which resulted in inaccurate information being submitted to the Illinois Office of the Comptroller and presented in the Department financial statements.

During the current audit, auditors noted the Department had taken corrective action related to providing sufficient support for capital asset information provided to the Illinois Office of the Comptroller. The remaining issue related to the Department's Automated Property Control System had not been addressed and is being reported in current finding 12-2 *Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property/fixed assets*. As a result, the prior finding is not repeated. (Finding Code No. 10-03, 08-06)

C. Prior Finding (Failure to formally document support for GAAP reporting and maintain and monitor awards and grants)

The prior audit noted the Department had not formally organized and documented the financial information utilized in the preparation of its financial statements and GAAP reporting to the Illinois Office of the Comptroller. Additionally, the Department was not able to provide documentation of expenditures made under awards and grants.

During the current audit, auditors noted the Department had maintained and was able to provide in an organized manner documentation utilized in the preparation of its financial statements and GAAP reporting, including expenditures made under awards and grants. Support for documentation related to these items was readily supplied. As a result of these improvements, the prior finding is not repeated. (Finding Code No. 10-05)

D. Prior Finding (Inadequate controls over travel)

The prior audit noted the Department's procedures over the submission, review and approval of travel expenditures was not sufficient to ensure travel costs are in compliance with Travel Regulations and Department Administrative Directives.

During the current audit, auditors noted the Department made improvements relating to controls over travel expenditures. Although there were still minor exceptions noted and reported in the Department's Report of Immaterial Findings, this finding is not repeated. (Finding Code No. 10-20)

E. Prior Finding (Payment of another State agency's permanent improvements and failure to allocate joint postage expenses)

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

During the current audit, auditors noted the Department made improvements relating to controls over the payment of vouchers and the allocation of postage. Although there were still minor exceptions noted and reported in the Department's Report of Immaterial Findings, this finding is not repeated. (Finding Code No. 10-23)

F. Prior Finding (Failure to report required bilingual employee needs information)

The prior audit noted the Department failed to submit the Bilingual Needs and Pay Survey for fiscal year 2008 to the Department of Central Management Services (DCMS) which was necessary for DCMS to accurately prepare the State's 2009 Hispanic Employment Plan.

During the current audit, auditors noted the Bilingual Needs and Pay Survey for fiscal years 2010 and 2011 were filed in a timely manner. As a result, the finding is not repeated. (Finding Code No. 10-26, 08-40)

G. Prior Finding (Noncompliant General Education Development (GED) program administration and reporting)

The prior audit noted the Department failed to adequately administer the General Education Development (GED) program at all of the Correctional Centers and produce accurate internal reporting of its GED program results.

During the current audit, auditors noted that the four year period of initiative by the Department had expired. As a result, the finding is not repeated. (Finding Code No. 10-28)

H. Prior Finding (Noncompliance with the Sex Offender Registration Act)

The prior audit noted the Department failed to comply with the discharge requirements of the Sex Offender Registration Act (730 ILCS 150/4).

During the current engagement, auditors noted the Department made improvements relating to the discharge requirements under the Sex Offender Registration Act. Although there were still minor exceptions noted and reported in the Department's Report of Immaterial Findings, this finding is not repeated. (Finding Code No. 10-29)

I. Prior Finding (Correctional Center exceptions)

The prior audit noted a number of exceptions during testing at the Department of Corrections' Correctional Centers.

During the current engagement, auditors noted the Department made improvements relating to controls at Correctional Centers. Although there were still minor exceptions noted and reported in the Department's Report of Immaterial Findings, this finding is not repeated. (Finding Code No. 10-34)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

STATUS OF MANAGEMENT AUDIT
For the Years Ended June 30, 2012 and 2011

Program Audit of Funding Provided by or Through the State of Illinois to the Chicago Project for Violence Prevention for the CeaseFire Program

In August 2007, the Office of the Auditor General (OAG) released its report of the Program Audit of Funding Provided by or Through the State of Illinois to the Chicago Project for Violence Prevention for the CeaseFire Program. The audit included three recommendations (recommendations #2, #7, #9) for improvement which were specific to the Department of Corrections (Department). We followed up on the recommendations during the two years ended June 30, 2012.

We noted the Department has made progress in implementing the recommendations as follows:

- *The Department of Corrections should take the necessary steps to ensure that appropriate documentation is submitted, based on the funding agreement with the University of Illinois at Chicago, before providing funding for CeaseFire. Further, the Department of Corrections should improve its monitoring of the funding provided for the CeaseFire program. Chicago Project officials should only distribute funding to communities named in the funding agreement and should keep adequate documentation to show that funds were distributed to communities in the amounts contractually provided. Finally, the Department of Corrections should determine whether an administrative fee should be charged and, if determined to be appropriate, include that provision in the funding agreement. (Recommendation 2)*

  This recommendation is partially implemented. According to the terms of the 2011 grant agreement, the first payment is not contingent upon anything other than execution of the agreement. The first payment for fiscal year 2011 was made in September 2010, after the execution of the agreement.

  The Department withheld the second payment until the University of Illinois-Chicago (UIC) submitted adequate documentation of its expenditures. This payment was made on May 6, 2011. The Department also withheld the third payment until UIC submitted adequate documentation of it expenditures. The third payment was made on September 27, 2011.

  The fiscal year 2011 agreement was silent on an administrative fee, but the budget allowed for specific personnel and non-personnel costs such as supplies, telephones, travel, etc.

  According to the terms of the 2012 grant agreement, the first payment is not contingent upon anything other than execution of the agreement and is made "as soon as practical". The first payment for fiscal year 2012 was made in November 2011 after the execution of the agreement.

The Department withheld the second payment until UIC submitted adequate documentation of its expenditures. This payment was made on July 18, 2012.

The weaknesses noted in Finding 12-16 related to the 2 grants totaling $7,172,018 were paid to UIC for the CeaseFire program. As of the end of the auditor's testing, UIC owed the Department $531,339 in unexpended grant funds ($159,454 from fiscal year 2011 and $371,885 from fiscal year 2012). The Department has not yet started the recovery efforts.

- *The Department of Corrections, as the largest funding agency for the State for CeaseFire activity, should work with the Chicago Project to define reporting measures that accurately depict what the effect CeaseFire activity has on reducing shootings – including how CeaseFire activity, and not other programs operating in the same communities, has influenced the reduction. Finally, the Department should ensure that the Chicago Project also documents the selection criteria utilized when deciding how to spend State funding. (Recommendation 7)*

  This recommendation has been partially implemented. The fiscal year 2011 and 2012 agreements identified the following statistics to be provided by UIC to the Department:

  - Statistics related to changes in shootings and killings
  - Statistics related to clients and level of effort of the community partners
  - Statistics related to the building of staff and development
  - Statistics that may depict the effect Operation CeaseFire activity has on reducing shootings and killings.

  Subcriteria with these statistics appear to meet the requirements of the recommendation. The agreements also specified the selection of criteria to be utilized by UIC.

  Both the 2011 and 2012 agreements had appropriate deliverable wording in them. For the 2011 agreement, UIC submitted a final report which did not include all of the criteria noted above. The UIC submitted a final report in 2012 and it did include all of the required criteria noted in the agreement.

- *The Department of Corrections, as the largest funding agency for the State for CeaseFire activity, should require the Chicago Project to provide documentation to show how all its funding, from both State and non-State funds, is to be utilized. Additionally, the Department should determine whether any discretionary uses of State funds are to be allowed, and, if so, prescribe that in the written funding agreement with UIC for CeaseFire. (Recommendation 9)*

  This recommendation is implemented. Auditors obtained a copy of fiscal year 2009 and 2010 agreement between the Department and UIC. Included in each agreement was a budget created by UIC. The budget included documentation showing how all of its funding will be used.

Based upon the procedures performed during our compliance examination of the Department, it appears that the Department has successfully implemented one of the recommendations and partially implemented the remaining two recommendations. The Department's compliance with these requirements will be reviewed again during the next examination.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Corrections (Department) was performed by Sikich LLP as special assistants for the Auditor General.

Based on their audit, the auditors expressed a qualified opinion on the Department's basic financial statements. The qualified opinion was based on other auditors' report on the financial statements of the working Capital Revolving Fund (Correctional Industries). The other auditors' qualified the Correctional Industries opinion because they were unable to obtain sufficient appropriate audit evidence supporting the accounts receivable balance at June 30, 2012. In addition, the other auditors were unable to obtain sufficient appropriate audit evidence associated with revenues from the accounts receivable balances.

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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Corrections (the Department), as of and for the year ended June 30, 2012, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Working Capital Revolving Fund (Correctional Industries), which represents 100.0 percent of the assets and revenues of the Proprietary Fund and 2.3 percent of the net assets of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Correctional Industries, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The opinion of the other auditors on the financial statements of the Working Capital Revolving Fund (Correctional Industries) as of and for the year ended June 30, 2012 was qualified because they were unable to obtain sufficient appropriate audit evidence supporting the accounts receivable balance stated at $10,043 (in thousands) and revenues of $50,757 (in thousands) at June 30, 2012; nor were they able to satisfy themselves as to the accuracy of the balances by other auditing procedures.

In our opinion, based on our audit and the report of other auditors, except for the effects of such adjustments as described in the preceding paragraph, if any, as might have been determined to be necessary had the other auditors been able to examine evidence regarding the accuracy of the Working Capital Revolving Fund accounts receivable and revenues, the financial statements of the governmental activities and aggregate remaining fund information present fairly, in all material respects, the respective financial position of the governmental activities and aggregate remaining fund information of the Department as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the major fund of the Department, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12 to the financial statements, the Department restated its net assets and capital assets, net of depreciation, as of June 30, 2011 to reflect the transfer of the Thomson Correctional Center, including the land, buildings, and equipment, on August 1, 2010. The restatement totaled $98,347 (in thousands). Our opinion is not modified with respect to that matter.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 20, 2013 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted management's discussion and analysis and budgetary comparison information for any of its funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The combining nonmajor and Agency fund financial statements and the accompanying supplementary information for the year ended June 30, 2012, in the State Compliance Schedules 1 and 3 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining nonmajor and Agency fund financial statements and the accompanying supplementary information for the year ended June 30, 2012, in the State Compliance Schedules 1 and 3 through 11 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of such adjustments referred to above, if any, as might have been determined to be necessary had we been able to examine evidence regarding the accuracy of the Working Capital Revolving Fund accounts receivable as noted in Schedule 11, the combining nonmajor and Agency fund financial statements and the accompanying supplementary information for the year ended June 30, 2012, in the State Compliance Schedules 1 and 3 through 10 is fairly stated in all material respects in relation to the fund financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Department's basic financial statements for the year ended June 30, 2010 (not presented herein), and have issued our report thereon dated June 23, 2011, which contained an unqualified opinion on the respective basic financial statements of the Department. The accompanying supplementary information for the year ended June 30, 2010 in the State Compliance Schedules 3, 4, 6, and 8 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The accompanying supplementary information for the year ended June 30, 2010 in the State Compliance Schedules 3, 4, 6, and 8 has been subjected to the auditing procedures applied in the audit of the 2010 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2010 in the State Compliance Schedules 3, 4, 6, and 8 is fairly stated in all material respects in relation to the financial statements as a whole from which it has been derived.

The accompanying supplementary information for the year ended June 30, 2011 in the State Compliance Schedules 2 through 11 and the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and Department management, as is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Springfield, Illinois
March 20, 2013, except for Note 13 and State Compliance
Schedules 1 and 3 through 11 for which the date is
June 24, 2013

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

		Governmental Activities
ASSETS		
Unexpended appropriations	$	151,590
Cash equity with State Treasurer		4,495
Cash and cash equivalents		11,196
Other receivables, net		1,347
Due from other State funds		3,094
Due from Local government		52
Due from Federal government		34
Due from State of Illinois component units		176
Inventories		21,137
Prepaid expenses		43
Capital assets not being depreciated		59,183
Capital assets being depreciated, net		773,834
Other assets		-
Total assets		1,026,181
LIABILITIES		
Accounts payable and accrued liabilities		135,799
Due to other State funds		7,605
Due to Department fiduciary funds		2,979
Due to Local government		4,206
Due to Federal government		3,172
Due to State of Illinois component units		1,745
Unearned revenue		346
Long term obligations:		
Due within one year		5,253
Due subsequent to one year		70,833
Total liabilities		231,938
NET ASSETS		
Invested in capital assets, net of related debt		832,735
Unrestricted		(38,492)
Total net assets	$	794,243

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Corrections

Statement of Activities

For the Year Ended June 30, 2012 (Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Net (Expense) Revenue**
Governmental activities				
Public protection and justice	$ 1,295,981	$ 67,088	$ 8,202	$ (1,220,691)
Interest	43	-	-	(43)
Total governmental activities	$ 1,296,024	$ 67,088	$ 8,202	(1,220,734)
General revenues and transfers				
Appropriations from State Resources				1,255,425
Lapsed appropriations				(30,502)
Receipts collected and transmitted to State Treasury				(28,452)
Interest and investment income				22
Other revenues				17,074
Other expenses				(8)
Transfers-out				(487)
Total general revenues and transfers				1,213,072
Change in net assets				(7,662)
Net assets, July 1, 2011 as restated				801,905
Net assets, June 30, 2012				$ 794,243

The accompanying notes to the financial statements are an integral part of this statement.

Balance Sheet - Governmental Funds

June 30, 2012 (Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	$ 145,446	$ 6,144	$ 151,590
Cash and cash equivalents	-	11,196	11,196
Other receivables, net	-	553	553
Due from other Department funds	-	8,345	8,345
Due from other State funds	-	554	554
Due from Federal government	-	34	34
Due from State of Illinois component units	-	29	29
Due from Local government	-	1	1
Inventories	11,843	2,497	14,340
Total assets	$ 157,289	$ 29,353	$ 186,642
LIABILITIES			
Accounts payable and accrued liabilities	$ 127,542	$ 5,761	$ 133,303
Due to other Department funds	6,800	8,056	14,856
Due to other State funds	5,992	107	6,099
Due to Department fiduciary funds	2,698	33	2,731
Due to Federal government	3,133	2	3,135
Due to Local government	3,205	1,000	4,205
Due to State of Illinois component units	1,101	643	1,744
Unavailable revenue	-	-	-
Unearned revenue	-	346	346
Total liabilities	150,471	15,948	166,419
FUND BALANCES (DEFICITS)			
Nonspendable for inventories	11,843	2,497	14,340
Restricted	-	4	4
Unrestricted:			
Committed	-	13,401	13,401
Unassigned	(5,025)	(2,497)	(7,522)
Total fund balances (deficits)	6,818	13,405	20,223
Total liabilities and fund balances (deficits)	$ 157,289	$ 29,353	$ 186,642

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Corrections
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2012
(Expressed in Thousands)

Total fund balances-governmental funds			$	20,223
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				830,829
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.				-
Internal service funds are used to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported as governmental activities in the Statement of Net Assets.				18,064
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These activities consist of:				
Capital lease obligations	$	(232)		
Compensated absences		(74,641)		
				(74,873)
Net assets of governmental activities			$	794,243

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Corrections

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
REVENUES			
Federal government	$ -	$ 8,260	$ 8,260
Interest and other investment income	-	22	22
Other	3	16,467	16,470
Other charges for services	57	50,042	50,099
Other operating grants	-	4	4
Total revenues	60	74,795	74,855
EXPENDITURES			
Public protection and justice	1,200,810	69,133	1,269,943
Debt service - principal	191	-	191
Debt service - interest	43	-	43
Capital outlays	2,236	99	2,335
Total expenditures	1,203,280	69,232	1,272,512
Excess (deficiency) of revenues over (under) expenditures	(1,203,220)	5,563	(1,197,657)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	1,222,425	33,000	1,255,425
Lapsed appropriations	(19,847)	(10,655)	(30,502)
Receipts collected and transmitted to State Treasury	(130)	(28,322)	(28,452)
Transfers-in	-	5,526	5,526
Transfers-out	-	(6,013)	(6,013)
Proceeds from capital lease financing	336	-	336
Net other sources (uses) of financial resources	1,202,784	(6,464)	1,196,320
Net change in fund balances	(436)	(901)	(1,337)
Fund balances, July 1, 2011	5,779	13,990	19,769
Increase for changes in inventories	1,475	316	1,791
FUND BALANCES, JUNE 30, 2012	$ 6,818	$ 13,405	$ 20,223

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Corrections
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2012
(Expressed in Thousands)

Net change in fund balances	$	(1,337)
Change in inventories		1,791
		454
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation in the current period exceeded capital outlays.		(21,062)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		191
Some capital additions were financed through other financing arrangements. In governmental funds these other financing arrangements are considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.		(336)
Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported as governmental activities in the Statement of Activities.		1,487
Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, the book value of capital assets which are sold or scrapped are also reported. This is the book value of capital assets which were sold or scrapped.		-
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(62)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities.		
Decrease in compensated absences obligation		11,666
Change in net assets of governmental activities	$	(7,662)

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Corrections

Statement of Net Assets - Proprietary Fund

June 30, 2012 (Expressed in Thousands)

	Governmental Activities - Internal Service Fund Working Capital Revolving Fund
ASSETS	
Cash equity with State Treasurer	$ 4,495
Other Receivables, net	794
Due from other Department funds	6,511
Due from other State funds	2,540
Due from Local government	51
Due from State of Illinois component units	147
Inventories	6,797
Prepaid expenses	43
Other assets	-
Total current assets	21,378
Capital assets being depreciated, net	2,188
Total assets	23,566
LIABILITIES	
Accounts payable and accrued liabilities	2,496
Due to other State funds	1,506
Due to Department fiduciary funds	248
Due to Local government	1
Due to Federal government	37
Due to State of Illinois component units	1
Current portion of long-term obligations	299
Total current liabilities	4,588
Noncurrent portion of long-term obligations	914
Total liabilities	5,502
NET ASSETS	
Invested in capital assets, net of related debt	2,138
Unrestricted	15,926
Total net assets	$ 18,064

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Governmental Activities - Internal Service Fund Working Capital Revolving Fund
OPERATING REVENUES	
Charges for sales and services	$ 50,757
Total operating revenues	50,757
OPERATING EXPENSES	
Cost of sales and services	26,460
General and administrative	22,783
Depreciation	623
Total operating expenses	49,866
Operating income	891
NONOPERATING REVENUES (EXPENSES)	
Other revenues	604
Interest expense	(8)
Net income/(loss)	1,487
Net assets, July 1, 2011	16,577
NET ASSETS, JUNE 30, 2012	$ 18,064

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Department of Corrections

Statement of Cash Flows - Proprietary Fund

For the Year Ended June 30, 2012 (Expressed in Thousands)

		Governmental Activities - Internal Service Fund
		Working Capital Revolving Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and services to third parties	$	1,519
Cash received from sales and services to other State funds		57,682
Cash payments to suppliers for goods and services		(47,070)
Cash payments to employees for services		(10,105)
Cash receipts from other operating activities		598
Net cash provided by operating activities		2,624
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(918)
Principal paid on capital debt		(7)
Interest paid on capital debt		(8)
Proceeds from the sale of equipment		7
Net cash used by capital and related financing activities		(926)
Net increase in cash and cash equivalents		1,698
Cash equity with State Treasurer, July 1, 2011		2,797
CASH EQUITY WITH STATE TREASURER, JUNE 30, 2012	$	4,495
Reconciliation of operating income to net cash provided by operating activities:		
OPERATING INCOME	$	891
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		623
Cash receipts from other nonoperating income		598
Changes in assets and liabilities:		
Decrease in other receivables		157
Increase in due from local governments		(4)
Decrease in due from other funds		8,190
Increase in due from State of Illinois component units		(125)
Decrease in inventory		450
Increase in prepaid expenses		(33)
Decrease in accounts payable and accrued liabilities		(8,000)
Increase in intergovernmental payables		12
Increase in due to other funds		224
Decrease in due to State of Illinois component units		(2)
Decrease in other liabilities		(357)
Total adjustments		1,733
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	2,624
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Gain (loss) on disposal of capital assets	$	1

The accompanying notes to the financial statements are an integral part of this statement

State of Illinois
Department of Corrections

Statement of Fiduciary Net Assets

June 30, 2012 (Expressed in Thousands)

	Agency Fund DOC Resident's Trust
ASSETS	
Cash and cash equivalents	$ 4,484
Due from other Department funds	2,979
Other receivables	6
Total assets	$ 7,469
LIABILITIES	
Other liabilities	$ 7,469
Total liabilities	$ 7,469

The accompanying notes to the financial statements are an integral part of this statement.

(1) Organization

The Department of Corrections (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of, and review by, the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the General Fund, the Department of Corrections Reimbursement Fund and the Working Capital Revolving Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of the DOC Commissary Funds Fund, DOC Resident's and Employee's Benefit Fund, Moms and Babies Fund and DOC Resident's Trust Fund, which are locally held funds, and various petty cash funds, which are under the direct control of the Department.

The Department was created by the 76th General Assembly and became operational on January 1, 1970. The Department has the authority to carry out certain duties and to execute certain responsibilities within the following areas:

- The care, custody, treatment and rehabilitation of persons committed by the courts of the State of Illinois;
- The maintenance and administration of all State correctional institutions and facilities under its control;
- The establishment of new institutions and facilities;
- The development of a system of supervision and guidance of committed persons in the community;
- The development of standards and programs for better correctional services in the State.

(2) Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are significant accounting policies.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

2) Fiscal dependency on the primary government.

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Corrections, are intended to present the financial position, changes in financial position, and cash flows of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2012 and the changes in financial position for the year then ended, and the cash flows in conformity with accounting principles generally accepted in the United States of America.

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of net assets presents the assets and liabilities of the Department's governmental activities with the difference being reported as net assets. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year.

The statement of activities presents a comparison between direct expenses and program revenues for the public protection and justice function of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Department's funds, including the Department's fiduciary fund. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on the major governmental fund displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Department administers the following major governmental fund (or portions thereof in the case of shared funds – see note 2(d)).

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. The services which are administered by the Department and accounted for in the General Fund include public protection and justice.

Additionally, the Department administers the following fund types:

Governmental Fund Types:

Special Revenue – These funds are used to account for and report the proceeds of specific revenue sources that are *restricted or committed to expenditure for specific purposes* other than debt service or capital assets. The Department does not have any major special revenue funds to disclose.

Proprietary Fund Types:

Internal Service – This fund accounts for revenues and expenses derived from goods or services produced by manufacturing, food, and service programs charged to State agencies and other entities.

Fiduciary Fund Types:

Agency – This fund accounts for monies deposited by and on behalf of individual residents for the personal use of the individual resident while they are in the care and custody of the Department.

(c) Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental grants. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include interest and other charges for services. All other revenue sources are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The State also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected not to follow subsequent private-sector guidance as it relates to the Department's operations.

(d) Shared Fund Presentation

The financial statement presentation for the General Fund and the Department of Corrections Reimbursement Fund represents only the portion of shared funds that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

Unexpended Appropriations

This "asset" account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records. For State fiscal year 2012, the Illinois General Assembly extended the lapse period from August 31 to December 31, 2012, to allow for the liquidation of all expenditure transactions for the year.

Receipts Collected and Transmitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

(e) *Eliminations*

Eliminations have been made in the government-wide statement of net assets to minimize the "grossing-up" effect on assets and liabilities within the Department. As a result, amounts reported in the funds as departmental interfund receivables and payables have been eliminated in the government-wide statement of net assets. Amounts reported in the funds as receivable from or payable to fiduciary funds have been included in the statement of net assets as receivable from and payable to external parties, rather than as internal balances. Eliminations have also been made in the statement of activities to remove the "doubling-up" effect of departmental internal service fund activity.

(f) *Cash and Cash Equivalents*

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents also include cash on hand and cash in banks for locally held funds.

(g) *Inventories*

Inventories, consisting primarily of raw materials, work in process, finished goods, and operating supplies are valued at the lower of cost or market, principally on the first-in, first-out (FIFO) method. At year-end, physical counts are taken of significant inventories, consisting primarily of food and supplies maintained at the Correctional Centers. For governmental funds, the Department recognizes the costs of material inventories as expenditures when purchased. For proprietary funds, inventories are recorded as expenditures when consumed or sold rather than when purchased.

(h) *Interfund Transactions*

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

Services provided and used—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. At year end, unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet, government-wide statement of net assets, or fund statements of net assets.

Reimbursements—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

(i) *Capital and Intangible Assets*

Capital and intangible assets, which include property, plant, equipment, and purchased computer software are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital and intangible assets are depreciated and amortized using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

Capital and Intangible Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Land	$100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	20
Buildings	100,000	50
Building Improvements	25,000	20
Equipment	5,000	3-10
Purchased Computer Software	25,000	10

(j) *Compensated Absences*

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated vacation, holiday and sick leave balances for Department employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare tax).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

(k) *Fund Balances*

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. The following funds comprise nonspendable fund balances for inventories as of June 30, 2012: General Fund and DOC Commissary Funds Fund.

Restricted – This consists of amounts that are restricted to specific purposes; that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The Moms and Babies Fund had restricted fund balances as of June 30, 2012 of $4 thousand.

Committed – This consists of amounts with self-imposed constraints or limitations that have been placed through enabling legislation imposed by the Illinois State Legislature and the Governor, the highest level of decision making authority. The following funds comprise committed fund balances as of June 30, 2012: Department of Corrections Reimbursement Fund and DOC Resident's and Employee's Benefit Fund. The Department of Corrections Reimbursement Fund is restricted through enabling legislation but has been subject to fund sweeps in previous years and therefore is classified as committed. These committed funds cannot be used for any other purpose unless the Department removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This consists of net amounts that are constrained by the Department's intent to be used for specific purposes, but are neither restricted nor committed. There are no assigned fund balances as of June 30, 2012.

Unassigned – This consists of amounts that are available financial resources and are not designated for a specific purpose. This classification is only reported in the General Fund, except in cases of negative fund balances reported in other governmental funds which are reported as unassigned. The following funds comprise unassigned fund balances as of June 30, 2012: General Fund and DOC Commissary Funds Fund.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed. Unrestricted resources which are committed are generally used before assigned resources, and assigned resources are generally used before unassigned resources.

(l) *Net Assets*

In the government-wide and proprietary fund financial statements, equity is displayed in two components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) New Accounting Pronouncements

Effective for the year ending June 30, 2012, the State adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. There was no impact on the Department's financial statements as a result of adopting this statement.

(o) Future Adoption of GASB Statements

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* (an amendment of GASB Statement No. 14 and No. 34), which modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as though they are a part of the primary government using the blending method. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which standardizes the financial statement presentation of deferred outflows of resources and deferred inflows of resources, and their effects on a government's net position. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2014, the State will adopt GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2014, the State will adopt GASB Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which improves accounting and financial reporting for a governmental financial reporting entity by resolving the conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.* This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straightline basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2014, the State will adopt GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25,* which improves financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics: (1) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable, (2) pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms and (3) pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2015, the State will adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statements No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through the activities of pension plans that are administered through trusts that have the following characteristics: (1) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable, (2) pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms and (3) pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions are also addressed. The Department has not yet determined the impact on its financial statements as a result of adopting this statement.

(3) Deposits

The State Treasurer is the custodian of the Department's deposits and investments for funds maintained in the State Treasury. The Department independently manages deposits and investments maintained outside the State Treasury.

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2012 represent amounts due from other Department and State of Illinois funds.

	Due from		
Fund	**Other Department Funds**	**Other State Funds**	**Description/Purpose**
Nonmajor governmental funds	$ 8,345	$ 554	Due from other Department funds for inmate payments, commissary salaries and reimbursements and other State funds for unreimbursed grant expenditures.
Internal service funds	6,511	2,540	Due from other Department funds and other State funds for purchases of goods and services.
Fiduciary funds	2,979	-	Due from other Department funds for reimbursements of expenditures and accrued inmate payroll.
	$ 17,835	$ 3,094	

The following balances (amounts expressed in thousands) at June 30, 2012 represent amounts due to other Department and State of Illinois funds.

	Due to			
Fund	Other Department Funds	Other State Funds	Department Fiduciary Funds	Description/Purpose
General	$ 6,800	$ 5,992	$ 2,698	Due to other Department funds for purchases and for reimbursements, to other State funds for services provided and to Department fiduciary funds for reimbursements of expenditures and accrued inmate payroll.
Nonmajor governmental funds	8,056	107	33	Due to other Department funds for commissary profits, other State funds for unspent grant proceeds, and to Department fiduciary funds for reimbursements of expenditures.
Internal service funds	-	1,506	248	Due to State funds for operating expense reimbursements and due to Department fiduciary funds for reimbursements of expenditures and accrued payroll.
	$ 14,856	$ 7,605	$ 2,979	

(b) *Transfers to/from Other Funds*

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2012, were as follows:

	Transfers in from	
Fund	**Other Department Funds**	**Description/Purpose**
Nonmajor governmental funds	$ 5,526	Transfers from other Department nonmajor governmental funds for commissary profits and salaries
	$ 5,526	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2012, were as follows:

	Transfers out to		
Fund	**Other Department Funds**	**Other State Funds**	**Description/Purpose**
Nonmajor governmental funds	$ 5,526	$ 487	Transfers to other Department funds for commissary profits and salaries and to other State funds for debt service
	$ 5,526	$ 487	

(c) *Balances Due to/from State of Illinois Component Units*

The following balances (amounts expressed in thousands) at June 30, 2012 represent amounts due from State of Illinois Component Units for reimbursements for expenses incurred.

	Due From Component Units		
Fund	Illinois Toll Highway Authority	Eastern Illinois University	University of Illinois
Internal service funds	$ 8	$ 81	$ 58
Nonmajor governmental funds	-	-	29
	$ 8	$ 81	$ 87

The following balances (amounts expressed in thousands) at June 30, 2012 represent amounts due to State of Illinois Component Units for reimbursements for expenses incurred.

	Due to Component Units	
Component Unit	Illinois Toll Highway Authority	University of Illinois
General fund	$ 4	$ 1,097
Nonmajor governmental funds	-	643
Internal service funds	1	-
	$ 5	$ 1,740

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

Notes to Financial Statements

June 30, 2012

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011 Restated	Additions	Deletions	Net Transfers	Balance June 30, 2012
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	$ 59,183	$ -	$ -	$ -	$ 59,183
Total capital assets not being depreciated	59,183	-	-	-	59,183
Capital assets being depreciated:					
Site improvements	85,404	219	-	-	85,623
Buildings and building improvements	1,372,119	111	499	12,977	1,384,708
Equipment	82,167	2,816	594	(2,316)	82,073
Capital leases - equipment	195	336	21	-	510
Software	161	-	-	-	161
Total capital assets being depreciated	1,540,046	3,482	1,114	10,661	1,553,075
Less accumulated depreciation:					
Site improvements	57,317	3,243	-	-	60,560
Buildings and building improvements	612,641	30,307	35	142	643,055
Equipment	75,493	2,629	589	(2,316)	75,217
Capital leases - equipment	56	213	21	-	248
Software	161	-	-	-	161
Total accumulated depreciation	745,668	36,392	645	(2,174)	779,241
Total capital assets being depreciated, net	794,378	(32,910)	469	12,835	773,834
Governmental activity capital assets, net	$ 853,561	$ (32,910)	$ 469	$ 12,835	$ 833,017

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2012 was charged as follows:

Public protection and justice	$ 36,392

(6) Long-Term Obligations

(a) *Changes in Long-Term Obligations*

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2012 were as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 87,827	$ 64,921	$ 76,944	$ 75,804	$ 5,115
Capital lease obligations	144	336	198	282	138
Total	$ 87,971	$ 65,257	$ 77,142	$ 76,086	$ 5,253

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees.

(b) *Capital lease obligations*

The Department leases office and computer equipment with a historical cost and accumulated depreciation of $510 thousand and $248 thousand, respectively, under capital lease arrangements. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting. The following is a schedule of future minimum lease payments (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Total
2013	$ 138	$ 45	$ 183
2014	93	21	114
2015	31	5	36
2016	13	2	15
2017	7	-	7
	$ 282	$ 73	$ 355

(7) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2012 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2012, the employer contribution rate was 34.19%.

Certain Department employees working in the Office of Adult Education and Vocational Services participate in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contribution from participating employers and members are also required. The TRS Board of Trustees is responsible for the System's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. Active TRS members are required to contribute 9.4% of their creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and state funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2012. The report may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253.

(8) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

However, Public Act 97-0695, effective, July 1, 2012, alters the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act. This Act requires the Director of Central Management Services to, on an annual basis, determine the amount that the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant, survivor, or retired employee.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

(9) Fund Balances

At June 30, 2012, the Department's fund balances were classified as follows:

	General Fund	Non-major Governmental Funds	Total
Nonspendable:			
Inventory	$ 11,843	$ 2,497	$ 14,340
Restricted purposes:			
Public protection and justice	-	4	4
Committed purposes:			
Public protection and justice	-	13,401	13,401
Unassigned	(5,025)	(2,497)	(7,522)
Total fund balances	$ 6,818	$ 13,405	$ 20,223

(10) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e., self insured) for these risks.

(11) Commitments and Contingencies

(a) Operating leases

The Department leases certain office facilities and equipment, under the terms of noncancelable operating lease agreements that require the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases (amount expressed in thousands) was $17,737 for the year ended June 30, 2012.

The following is a schedule of future minimum lease payments under operating leases (amounts expressed in thousands):

Year Ending June 30	Amount
2013	$ 6,716
2014	6,341
2015	5,034
2016	3,282
2017	3,330
	$ 24,703

(b) Federal Funding

The Department receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2012 there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Department believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

(c) Litigation

The Department is routinely involved in a number of legal proceedings and claims that cover a wide range of matters. In the opinion of management, the outcome of these matters, with the exception of the legal proceeding below, is not expected to have any material adverse effect on the financial position or results of operations of the Department.

In State of Illinois (Illinois Department of Central Management Services) v. American Federation of State, County, and Municipal Employees, Council 31 ("AFSCME"), Case No. 11 CH 31591 (Cir. Ct. Cook County), the State of Illinois seeks to vacate and AFSCME seeks to confirm an arbitration award for certain FY2012 wage increases allegedly owed to State employees in bargaining units represented by AFSCME at six State agencies. The State has contested the obligation to pay the wage increases on Constitutional and public policy grounds, and the matter is currently pending before the Circuit Court of Cook County. Dependent on whether, or to what extent, the arbitration award is confirmed, and the related impact of an adverse decision, the estimated possible loss ranges from $0 to $38.210 million.

In Fox v. Peters, USDC NDIL No. 09-5453, the case went to trial in January 2013. The jury found for the plaintiff and returned a verdict for the plaintiff in the amount of $12 million. As of the date of this report, the plaintiff has already received $3 million from the insurance carrier of the medical personnel. The Department has filed a post-trial motion, challenging the verdict and seeking an off-set for money the plaintiff has already received, and may receive in the future, from the medical defendants. The Department's liability in regards to the verdict should not exceed $12 million.

(12) Restatement

The net assets as of June 30, 2011 of the Department were restated to reflect the transfer of the Thomson Correctional Center, including the land, buildings and equipment, to the Department of Central Management Service (DCMS) on August 1, 2010. As a result of the restatement, total capital assets, net of depreciation, was reduced by $98,347. This restatement affected the Statement of Net Assets and Note 5, Capital Assets, as follows (expressed in thousands):

Net assets, June 30, 2011, as previously reported	$	900,252
Restatement to reflect transfer of Thomson Correctional Center to DCMS		(98,347)
Net assets, June 30, 2011, as restated	$	801,905
Capital assets, net, June 30, 2011, as previously reported	$	951,908
Restatement to reflect transfer of Thomson Correctional Center to DCMS		(98,347)
Capital assets, net, June 30, 2011, as restated	$	853,561

(13) Subsequent Events

The Department closed Tamms Correctional Center, Decatur Adult Transition Center, Southern Illinois Adult Transition Center and Westside Adult Transition Center on January 4, 2013. The Department closed Dwight Correctional Center on March 30, 2013.

SUPPLEMENTARY INFORMATION

State of Illinois
Department of Corrections

Combining Balance Sheet - Non-major Governmental Funds

June 30, 2012 (Expressed in Thousands)

	Special Revenue				
	Department of Corrections Reimbursement	DOC Commissary Funds	DOC Resident's and Employee's Benefit	Moms and Babies	Total
ASSETS					
Unexpended appropriations	$ 6,144	$ -	$ -	$ -	$ 6,144
Cash and cash equivalents	763	6,711	3,718	4	11,196
Other receivables, net	-	21	532	-	553
Due from other Department funds	881	-	7,464	-	8,345
Due from other State funds	554	-	-	-	554
Due from Federal government	34	-	-	-	34
Due from State of Illinois component units	29	-	-	-	29
Due from Local government	1	-	-	-	1
Inventories	-	2,497	-	-	2,497
Total assets	$ 8,406	$ 9,229	$ 11,714	$ 4	$ 29,353
LIABILITIES					
Accounts payable and accrued liabilities	$ 4,442	$ 1,309	$ 10	$ -	$ 5,761
Due to other Department funds	8	7,574	474	-	8,056
Due to other State funds	107	-	-	-	107
Due to Department fiduciary funds	-	-	33	-	33
Due to Federal government	2	-	-	-	2
Due to Local government	1,000	-	-	-	1,000
Due to State of Illinois component units	643	-	-	-	643
Unavailable revenue	-	-	-	-	-
Unearned revenue	-	346	-	-	346
Total liabilities	6,202	9,229	517	-	15,948
FUND BALANCES (DEFICITS)					
Nonspendable for Inventories	-	2,497	-	-	2,497
Restricted	-	-	-	4	4
Committed	2,204	-	11,197	-	13,401
Unassigned	-	(2,497)	-	-	(2,497)
Total fund balances	2,204	-	11,197	4	13,405
Total liabilities and fund balances	$ 8,406	$ 9,229	$ 11,714	$ 4	$ 29,353

State of Illinois
Department of Corrections

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Special Revenue				
	Department of Corrections Reimbursement	DOC Commissary Funds	DOC Resident's and Employee's Benefit	Moms and Babies	Total
REVENUES					
Federal government	$ 8,260	$ -	$ -	$ -	$ 8,260
Interest and other investment income	-	5	17	-	22
Other	13,709	-	2,754	4	16,467
Other charges for services	-	50,042	-	-	50,042
Other operating grants	4	-	-	-	4
Total revenues	21,973	50,047	2,771	4	74,795
EXPENDITURES					
Public protection and justice	22,717	44,837	1,579	-	69,133
Capital outlays	99	-	-	-	99
Total expenditures	22,816	44,837	1,579	-	69,232
Excess (deficiency) of revenues over (under) expenditures	(843)	5,210	1,192	4	5,563
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	33,000	-	-	-	33,000
Lapsed appropriations	(10,655)	-	-	-	(10,655)
Receipts collected and transmitted to State Treasury	(28,322)	-	-	-	(28,322)
Transfers-in	5,319	-	207	-	5,526
Transfers-out	(487)	(5,526)	-	-	(6,013)
Net other sources (uses) of financial resources	(1,145)	(5,526)	207	-	(6,464)
Net change in fund balances	(1,988)	(316)	1,399	4	(901)
Fund balances, July 1, 2011	4,192	-	9,798	-	13,990
Increase for changes in inventories	-	316	-	-	316
FUND BALANCES, JUNE 30, 2012	$ 2,204	$ -	$ 11,197	$ 4	$ 13,405

State of Illinois
Department of Corrections

Statement of Changes in Assets and Liabilities
Agency Fund

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
DOC Resident's Trust				
ASSETS				
Cash and cash equivalents	$ 2,511	$ 21,222	$ 19,249	$ 4,484
Due from other Department funds	5,779	8,287	11,087	2,979
Other receivables	2	9	5	6
Total assets	$ 8,292	$ 29,518	$ 30,341	$ 7,469
LIABILITIES				
Other liabilities	$ 8,292	$ 18,426	$ 19,249	$ 7,469
Total liabilities	$ 8,292	$ 18,426	$ 19,249	$ 7,469

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
  - Schedule of Appropriations, Expenditures and Lapsed Balances
    - Fiscal Year 2012
    - Fiscal Year 2011
  - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances by Object – All Funds
  - Comparative Schedule of Expenditures by Correctional Center – All Funds
  - Schedule of Changes in State Property
  - Comparative Schedule of Cash Receipts
  - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
  - Analysis of Significant Variations in Expenditures
  - Analysis of Significant Variations in Receipts
  - Analysis of Significant Lapse Period Spending
  - Analysis of Accounts Receivable (Unaudited)

- Analysis of Operations:
  - Agency Functions and Planning Program (Unaudited)
  - Average Number of Employees (Unaudited)
  - State Housing Benefits (Unaudited)
  - Analysis of Employee Overtime (Unaudited)
  - Annual Cost Statistics and Notes (Unaudited)
  - Participating Educational Institutions (Unaudited)
  - Emergency Purchases (Unaudited)
  - Memorandums of Understanding (Unaudited)
  - Inmate Assaults on Staff at Adult Correctional Centers (Unaudited)
  - Service Efforts and Accomplishments (Unaudited)

The Independent Auditor's Report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states Schedules 1 and 3 through 10 for the year ended June 30, 2012 and Schedules 3, 4, 6 and 8 for the year ended June 30, 2010 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accompanying supplementary information for the year ended June 30, 2011 in State Compliance Schedules 2 through 11 and the Analysis of Operations Section is presented for Additional Analysis and is not a required part of the financial statements. Such information has not be subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2012

Fourteen Months Ended August 31, 2012

Public Acts 97-0053; 97-0065; 97-0642	Appropriations (Net After Transfers)	Expenditures Through June 30, 2012	Approximate Lapse Period Expenditures July 1, 2012 to August 31, 2012	Approximate Total Expenditures	Approximate Balances Lapsed
GENERAL REVENUE FUND - 0001					
General Office:					
Personal services	$ 18,625,600	$ 17,656,369	$ 865,703	$ 18,522,072	$ 103,528
State contributions to social security	1,424,900	1,346,133	65,058	1,411,191	13,709
Contractual services	9,678,600	7,488,828	2,069,038	9,557,866	120,734
Travel	210,000	145,888	43,715	189,603	20,397
Commodities	808,100	317,170	432,008	749,178	58,922
Printing	14,400	10,193	1,195	11,388	3,012
Equipment	22,800	3,084	16,966	20,050	2,750
Electronic data processing	6,409,200	4,240,508	793,183	5,033,691	1,375,509
Telecommunications services	8,361,500	2,126,452	6,123,795	8,250,247	111,253
Operation of automotive equipment	215,800	180,036	27,676	207,712	8,088
Tort claims	760,700	48,220	505	48,725	711,975
Statewide hospitalization services	6,682,400	5,887,759	(66)	5,887,693	794,707
Sheriffs' fees for conveying prisoners	337,400	262,646	74,621	337,267	133
State's share of Assistant State's Attorneys' salaries	376,400	224,477	62,343	286,820	89,580
Repairs, maintenance and other capital improvements	3,000,000	1,101,776	1,620,026	2,721,802	278,198
	56,927,800	41,039,539	12,195,766	53,235,305	3,692,495
Adult Education:					
Personal services	13,356,400	12,114,098	609,794	12,723,892	632,508
Student, member and inmate compensation	10,000	5,684	2,373	8,057	1,943
State contributions to state teachers' retirement system	2,800	1,903	101	2,004	796
State contributions to social security	954,300	830,563	41,649	872,212	82,088
Contractual services	6,297,100	4,864,922	885,482	5,750,404	546,696
Travel	7,500	3,760	2,274	6,034	1,466

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2012

Fourteen Months Ended August 31, 2012

Public Acts 97-0053; 97-0065; 97-0642	Appropriations (Net After Transfers)	Expenditures Through June 30, 2012	Approximate Lapse Period Expenditures July 1, 2012 to August 31, 2012	Approximate Total Expenditures	Approximate Balances Lapsed
GENERAL REVENUE FUND-0001 (continued)					
Adult Education (continued):					
Commodities	$ 152,200	$ 47,225	$ 66,185	$ 113,410	$ 38,790
Printing	29,000	13,631	10,920	24,551	4,449
Telecommunications services	5,500	4,392	460	4,852	648
Operation of automotive equipment	5,000	2,463	334	2,797	2,203
	20,819,800	17,888,641	1,619,572	19,508,213	1,311,587
Field Services:					
Personal services	54,508,400	52,120,453	2,384,235	54,504,688	3,712
Student, member and inmate compensation	80,200	63,000	10,994	73,994	6,206
State contributions to social security	4,142,300	3,884,985	178,095	4,063,080	79,220
Contractual services	38,640,400	30,737,382	6,868,675	37,606,057	1,034,343
Travel	190,000	149,556	20,073	169,629	20,371
Travel and allowance for prisoners	34,100	27,157	1,286	28,443	5,657
Commodities	282,500	159,460	52,947	212,407	70,093
Printing	5,300	3,662	512	4,174	1,126
Equipment	147,300	46,441	50,577	97,018	50,282
Telecommunications services	6,758,500	5,849,080	755,187	6,604,267	154,233
Operation of automotive equipment	3,085,000	2,652,101	355,806	3,007,907	77,093
Operation Ceasefire	4,861,600	3,509,055	-	3,509,055	1,352,545
	112,735,600	99,202,332	10,678,387	109,880,719	2,854,881
Correctional Centers - Consolidated:					
Personal services	695,725,500	654,278,881	37,504,483	691,783,364	3,942,136
Student, member and inmate compensation	7,441,000	6,536,115	641,138	7,177,253	263,747
State contributions to social security	52,537,300	48,382,919	2,804,161	51,187,080	1,350,220
Contractual services	192,894,500	172,279,408	17,079,431	189,358,839	3,535,661
Travel	646,500	412,546	131,947	544,493	102,007

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2012

Fourteen Months Ended August 31, 2012

Schedule 1

Public Acts 97-0053; 97-0065; 97-0642	Appropriations (Net After Transfers)	Expenditures Through June 30, 2012	Approximate Lapse Period Expenditures July 1, 2012 to August 31, 2012	Approximate Total Expenditures	Approximate Balances Lapsed
GENERAL REVENUE FUND-0001 (continued)					
Correctional Centers - Consolidated (continued):					
Travel and allowance for prisoners	$ 655,400	$ 524,943	$ 46,574	$ 571,517	$ 83,883
Commodities	71,277,100	62,669,516	6,635,582	69,305,098	1,972,002
Printing	538,000	452,722	41,907	494,629	43,371
Equipment	3,603,400	269,189	3,100,933	3,370,122	233,278
Telecommunications services	2,308,600	1,761,907	335,006	2,096,913	211,687
Operation of automotive equipment	4,314,200	3,581,930	482,108	4,064,038	250,162
	1,031,941,500	951,150,076	68,803,270	1,019,953,346	11,988,154
Total General Revenue Fund	1,222,424,700	1,109,280,588	93,296,995	1,202,577,583	19,847,117
DEPARTMENT OF CORRECTIONS REIMBURSEMENT FUND - 0523					
General Office:					
School district programs	5,000,000	1,958,234	75,311	2,033,545	2,966,455
Federal programs	5,000,000	953,510	115,400	1,068,910	3,931,090
Miscellaneous programs	23,000,000	13,291,406	5,951,733	19,243,139	3,756,861
Total Department of Corrections Reimbursement Fund	33,000,000	16,203,150	6,142,444	22,345,594	10,654,406
TOTAL APPROPRIATED FUNDS	$ 1,255,424,700	$ 1,125,483,738	$ 99,439,439	$ 1,224,923,177	$ 30,501,523

Notes: All data in this schedule has been obtained from Department records and reconciled to those of the State Comptroller. No balances were reappropriated as of July 1, 2012. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor. Approximate lapse period expenditures do not include interest payments approved for payment by the Department and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Eighteen Months Ended December 31, 2011

Public Act 96-0956	Appropriations (Net After Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures July 1, 2011 to December 31, 2011	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND - 0001					
General Office:					
Operation expenses, awards, grants, and permanent improvements	$ 14,968,000	$ 14,129,883	$ 549,342	$ 14,679,225	$ 288,775
Operation expenses	1,099,911,600	1,053,911,429	41,492,327	1,095,403,756	4,507,844
	1,114,879,600	1,068,041,312	42,041,669	1,110,082,981	4,796,619
Governor's Discretionary Appropriations:					
Governor's Discretionary Appropriations	95,000,000	39,403,967	55,593,624	94,997,591	2,409
	95,000,000	39,403,967	55,593,624	94,997,591	2,409
Total General Revenue Fund	1,209,879,600	1,107,445,279	97,635,293	1,205,080,572	4,799,028
DEPARTMENT OF CORRECTIONS REIMBURSEMENT FUND - 0523					
General Office:					
School district programs	15,000,000	1,981,368	432,936	2,414,304	12,585,696
Federal programs	27,000,000	918,710	76,128	994,838	26,005,162
Miscellaneous programs	23,000,000	16,024,532	1,836,080	17,860,612	5,139,388
	65,000,000	18,924,610	2,345,144	21,269,754	43,730,246
Federal Stimulus - ARRA					
Federal Recovery - ARRA	5,000,000	416,339	-	416,339	4,583,661
Total Department of Corrections Reimbursement Fund	70,000,000	19,340,949	2,345,144	21,686,093	48,313,907
TOTAL APPROPRIATED FUNDS	$ 1,279,879,600	$ 1,126,786,228	$ 99,980,437	$ 1,226,766,665	$ 53,112,935

Notes: All data in this schedule has been obtained from Department records and reconciled to those of the State Comptroller. No balances were reappropriated as of July 1, 2011. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Schedule 3

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES BY OBJECT - ALL FUNDS

For the Fiscal Years Ended June 30, 2012, 2011, and 2010

	Fiscal Year		
	2012	2011	2010
	P.A. 97-0053, 97-0065 & 97-0642	P.A. 96-0956	P.A. 96-0042, 96-0046 & 96-0890
ALL FUNDS			
Appropriations (Net after Transfers)	$ 1,255,424,700	$ 1,279,879,600	$ 1,261,772,700
Expenditures			
Personal services	789,193,283	781,395,226	757,200,344
Retirement	1,147,250	1,120,326	1,368,847
Social security	57,798,640	57,212,717	55,454,828
Group insurance	781,892	879,697	983,201
Contractual services	261,184,212	275,373,402	265,274,852
Travel	1,010,948	1,042,545	1,030,011
Travel and allowances for committed, paroled, and discharge prisoners	761,102	604,580	639,850
Commodities	70,895,652	64,959,682	62,676,730
Equipment	5,685,822	4,790,032	3,888,965
Electronic data processing	33,275	2,066,591	471,229
Telecommunications services	16,955,240	10,858,629	11,152,254
Operation of automotive equipment	7,272,110	6,901,401	6,468,397
Lump sums and other purposes	1,123,417	4,773,801	3,267,673
Awards and grants	11,071,559	14,592,778	12,389,836
Permanent improvements	4,653	185,352	115,711
Refunds	4,122	9,906	14,067
Total Expenditures	1,224,923,177 (1)	1,226,766,665	1,182,396,795 (1)
Lapsed Balances	$ 30,501,523 (1)	$ 53,112,935	$ 79,375,905 (1)

Notes: (1) Approximate lapse period expenditures do not include interest payments by the Department and submitted to the Comptroller for payment after August.

The comparative schedule of net appropriations, expenditures and lapsed balances by object code does not include State Officers' salaries paid by the Office of the Comptroller. For the years ended June 30, 2012, 2011 and 2010, State Officers' salaries were as follows:

	2012	2011	2010
Director	$ 150,228	$ 143,383	$ 150,228
Assistant Director	127,739	46,686	121,294
	$ 277,967	$ 190,069	$ 271,522

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPARATIVE SCHEDULE OF EXPENDITURES BY CORRECTIONAL CENTER - ALL FUNDS

For the Fiscal Years Ended June 30, 2012, 2011 and 2010

	Fiscal Year		
	2012	2011	2010
	P.A. 97-0053, 97-0065 & 97-0642	P.A. 96-0956	P.A. 96-0042, 96-0046 & 96-0890
CORRECTIONAL CENTER:			
Big Muddy River	$ 31,453,838	$ 30,367,937	$ 29,632,997
Centralia	31,491,120	31,326,909	31,023,470
Danville	29,803,305	28,836,956	28,222,596
Decatur	19,831,612	19,607,304	17,668,436
Dixon	56,236,499	55,828,832	52,001,871
Dwight	36,674,469	37,281,081	38,003,424
East Moline	26,213,201	25,502,587	23,278,575
Graham	39,402,294	39,698,370	36,546,881
Hill	30,169,071	30,042,587	28,942,925
Illinois River	33,763,102	32,572,120	32,042,049
Jacksonville	35,965,088	35,499,831	35,434,651
Lawrence	38,722,311	38,897,246	37,363,535
Lincoln	22,306,829	22,500,060	21,985,208
Logan	31,680,950	31,483,402	30,662,323
Menard	74,009,618	70,832,885	68,920,579
Pinckneyville	42,907,923	42,475,003	41,342,393
Pontiac	54,356,136	53,229,869	49,628,595
Robinson	23,972,792	23,468,881	23,075,664
Shawnee	33,420,446	32,950,954	32,602,724
Sheridan	45,293,082	46,719,842	43,952,772
Southwestern Illinois	27,061,306	28,325,532	27,635,802
Stateville	106,156,686	104,178,447	103,379,320
Tamms	25,174,877	26,116,520	25,309,841
Taylorville	23,666,141	23,749,686	22,835,136
Thomson	-	-	5,611,319
Vandalia	31,299,181	31,886,020	28,288,770
Vienna	33,564,450	32,132,712	28,763,242
Western Illinois	35,357,019	34,424,178	33,161,926
Total	$ 1,019,953,346	$ 1,009,935,751	$ 977,317,024

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

Schedule 5

SCHEDULE OF CHANGES IN STATE PROPERTY

For the Fiscal Years Ended June 30, 2011 and 2012

	Equipment	Land and Land Improvements	Buildings	Site Improvements	Capital Lease Equipment	Total
Balance at July 1, 2010	$ 151,873,471	$ 68,446,346	$ 1,497,683,372	$ 87,011,518	$ 2,084,841 (1)	$ 1,807,099,548
Additions	3,314,857	-	664,385	-	92,336	4,071,578
Deletions	264,784	-	1,640,051	27,052	1,183,754	3,115,641
Net Transfers	(4,466,538)	-	5,736,499	-	(858,798)	411,163
Balance at June 30, 2011	$ 150,457,006	$ 68,446,346	$ 1,502,444,205	$ 86,984,466	$ 134,625	$ 1,808,466,648
Balance at July 1, 2011	$ 150,457,006	$ 68,446,346	$ 1,502,444,205	$ 86,984,466	$ 134,625	$ 1,808,466,648
Additions	5,389,552	-	59,437	190	-	5,449,179
Deletions	1,536,366	-	30,832	-	-	1,567,198
Net Transfers	(4,996,050)	-	10,445,394	-	-	5,449,344
Balance at June 30, 2012	$ 149,314,142	$ 68,446,346	$ 1,512,918,204	$ 86,984,656	$ 134,625	$ 1,817,797,973

Note: (1) This balance agrees to the June 30, 2010 compliance examination report. The Department did not accurately carryforward these balances to the first quarter fiscal year 2011 Form C-15. The Department reported the beginning balance in this category as $131,414 and could not provide the auditors with an explanation for the difference. The Department corrected the error in the first quarter of fiscal year 2011. The June 30, 2011 and 2012 balances of this schedule agree to the Form C-15s submitted by the Department.

Note: (2) As indicated in Finding 12-02, the Department could not provide the auditors with summary worksheets for the first 3 quarters of fiscal year 2011 Form C-15 submissions. Due to this lack of detailed reports, auditors were unable to test the composition of the transactions reported on the Form C-15s in fiscal year 2011.

Note: (3) Totals on this schedule do not agree to totals in the Department's financial statements due to timing differences and differences in capitalizing fixed assets for financial statement purposes.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For Fiscal Years Ended June 30, 2012, 2011 and 2010

	2012	2011	2010
Fund 0001 - General Revenue Fund			
General Office:			
Jury duty	$ -	$ -	$ 1,175
Concession and vending revenue	10,676	8,727	6,095
Prior year refunds	279,103	59,998	114,658
Miscellaneous	78	-	6,413
Adult Field Services:			
Dormant trust accounts	249	327	375
Jury duty	4,185	899	463
Correctional Centers:			
Jury duty	4,615	5,391	10,520
Dormant trust accounts	1,400	7,954	9,983
Copy fees, subpoena fees, and contraband	3,373	7,608	3,746
Rent, jury duty, phone calls, palletts, and recycling	25,820	6,691	4,114
Witness fees	11,220	5,604	169
Replacement badges	-	921	3,264
Involuntary withholding collection	48,518	1,702	11,279
Inmate commissary sales	-	625	-
Miscellaneous	19,071	36,548	14,338
Total - Fund 0001	408,308	142,995	186,592
Fund 0523 - Department of Corrections Reimbursement Fund			
Court ordered reimbursement	97,282	29,443	9,876
Inmate maintenance work release	1,786,257	1,433,710	1,137,748
Illinois Department of Public Health	228,997	206,721	179,783
Library reimbursement	100,419	83,878	73,682
Inmate reimbursement - miscellaneous	802,136	676,901	645,109
Recovered workers' compensation	10,263	8,684	11,053
U.S. Department of Justice	6,599,245	5,518,559	7,243,633
National Institute of Justice	95,887	727,866	628,139
Illinois Criminal Justice Information Authority	556,992	713,622	909,593
Electronic device monitoring	-	5,286	5,760
Illinois Department of Human Services	262,338	171,405	242,853
Private organizations	278,151	271,899	341,067
College tuition reimbursement	1,660	1,470	3,830
U.S. Social Security Administration	298,400	312,200	353,400
Illinois Community College Board	2,968,299	949,772	1,856,665
Telephone commissions	4,858,326	4,858,326	5,299,992
Illinois Emergency Management Agency	97,998	16,975	114,762

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For Fiscal Years Ended June 30, 2012, 2011 and 2010

	2012	2011	2010
Fund 0523 - Department of Corrections Reimbursement Fund (continued)			
Inmate commissary sales profit	$ 8,945,691	$ 7,132,670	$ 6,149,926
University of Illinois	93,679	74,836	-
Miscellaneous	-	78,078	146,845
Federal Stimulus Package	-	390,000	4,588,434
Reimbursements	228,125	-	-
Prior year refunds	1,144	-	27,061
Total - Fund 0523	28,311,289	23,662,301	29,969,211
Total All Funds	$ 28,719,597	$ 23,805,296	$ 30,155,803

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

For the Fiscal Years Ended June 30, 2012 and 2011

	Fund 0001 General Revenue Fund	Fund 0523 Department of Corrections Reimbursement Fund	Total
Fiscal Year 2012			
Receipts per Department records	$ 408,308	$ 28,311,289	$ 28,719,597
Deposits in-transit to the State Comptroller:			
Beginning of year	(11,206)	(441,601)	(452,807)
End of year	17,125	11,449	28,574
Adjustments due to differences in treatment	11,206	441,601	452,807
Deposits recorded by the State Comptroller	$ 425,433	$ 28,322,738	$ 28,748,171
Fiscal Year 2011			
Receipts per Department records	$ 142,995	$ 23,662,301	$ 23,805,296
Deposits in-transit to the State Comptroller:			
Beginning of year	-	-	-
End of year	11,206	441,601	452,807
Deposits recorded by the State Comptroller	$ 154,201	$ 24,103,902	$ 24,258,103

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Fiscal Years Ended June 30, 2012 and 2011

The Department of Corrections' (Department) explanations for significant fluctuations in expenditures greater than 25% of total expenditures for that category and $250,000 as presented in the Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances by Object – All Funds are detailed below. Other fluctuations were also included that fell outside of that threshold because they were thought to be qualitatively significant by the auditors.

Personal Services

Personal services expenditures increased in fiscal year 2011 from 2010 as a result of required bargaining agreement raises.

Contractual Services

Expenditures for contractual services increased in fiscal year 2011 from 2010 due to increases in the medical contract and other professional services contracts. More "placements", or inmates requiring medical services, occurred in fiscal year 2011 than in fiscal year 2010. Contractual services expenditures decreased from fiscal year 2011 to fiscal year 2012 as a result of a reduction in rent for the General Office and in utilities. Additionally, medical expenditures decreased by nearly $3 million and pharmaceutical costs were reduced due to the new hepatitis C contract with the University of Illinois-Chicago.

Electronic Data Processing

Expenditures for electronic data processing increased in fiscal year 2011 from fiscal year 2010 due to additional computers and associated peripherals purchased during the year. Expenditures decreased in fiscal year 2012 because the majority of the Department's IT Department moved to the Department of Central Management Services in fiscal year 2012, thereby reducing expenditures for this object code.

Telecommunications Services

Telecommunications services expenditures increased from fiscal year 2011 to fiscal year 2012 due to the purchase of Star-com radios and associated equipment for the Stateville and Pontiac Correctional Centers. This equipment was purchased in conjunction with the mandate for narrow-banded radios.

Lump Sums and Other Purposes

Lump sum expenditures increased in fiscal year 2011 from fiscal year 2010 due to a combination of reduced ARRA spending and increased Ceasefire and Statewide Hospitalization expenditures. Expenditures decreased from fiscal year 2011 to fiscal year 2012 as a result of a decrease of $3.2 million in prompt payment interest charges.

Awards and Grants

Expenditures for awards and grants decreased in fiscal year 2012 from 2011 due to the decrease in Statewide Hospitalization costs of $3.6 million from fiscal year 2011.

Permanent Improvements

Permanent improvements expenditures decreased in fiscal year 2012 from 2011 because of the additional spending that occurred in fiscal year 2011 related to water service repairs for the Department's forensic lab in the Joliet Correctional Center did not occur in fiscal year 2012.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Fiscal Years Ended June 30, 2012 and 2011

The Department of Corrections' (Department) explanations for significant fluctuations greater than 25% of total receipts for that category and $250,000 as presented in the Comparative Schedule of Cash Receipts are detailed below. Other fluctuations were also included that fell outside of that threshold because they were thought to be qualitatively significant by the auditors.

Department of Corrections Reimbursement Fund – 0523

Receipts for Inmate Maintenance Work Release increased from fiscal year 2011 to fiscal year 2012 due to the timing of when receipts were received between the end of fiscal year 2011 and the beginning of fiscal year 2012.

Receipts for the U.S. Department of Justice decreased from fiscal year 2010 to fiscal year 2011 as a result of a reduction of Residential Substance Abuse Treatment (RSAT) funding and Justice Assistance Grants.

Receipts for the National Institute of Justice decreased in fiscal year 2012 from fiscal year 2011. The Department received money for the Working and Community Transition for Incarcerated Youth Offenders through the Youthful Offender Grant. The grant ended in September 2011. The program was funded for a full year during fiscal year 2011 and only three months of fiscal year 2012.

Receipts for the Illinois Community College Board decreased from fiscal year 2010 to fiscal year 2011 due to the payment for the fiscal year 2011 Career to Education Initiative (CTEI) Adult Grant of $894,450 not being received until fiscal year 2012. Because the amount spent in the Adult Education and Family Literacy (AEFL) Grant decreased, the amount of the grant decreased. During fiscal year 2012, funding increased from fiscal year 2011 as a result of the fiscal year 2011 CTEI Adult Grant payment being received in fiscal year 2012. $204,500 additional AEFL Grant funds were received during fiscal year 2012 than in fiscal year 2011.

Receipts for the Inmate Commissary Sales Profit increased from fiscal year 2011 to fiscal year 2012 due to an increase in the inmate population which resulted in increased commissary revenues.

In fiscal year 2011, Federal Stimulus Package receipts decreased because the Department received the majority of its $5.0 million awarded federal stimulus ARRA funds during fiscal year 2010.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

Schedule 10

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Fiscal Years Ended June 30, 2012 and 2011

The Department of Corrections' (Department) explanations for significant lapse period spending greater than 25% of total expenditures for that category and $100,000 as presented in the Schedule of Appropriations, Expenditures and Lapsed Balances for fiscal years 2012 and 2011 are detailed below. Other fluctuations were also included that fell outside of that threshold because they were thought to be qualitatively significant by the auditors.

General Revenue Fund – 0001

Governor's Discretionary Appropriations

Late fiscal year 2011 payrolls were paid from this appropriation. Additionally, the June 2011 invoices for the inmate health services contract were paid from this appropriation. Payments for both of these items did not occur until the lapse period of fiscal year 2011.

General Office - Commodities

The majority of the fiscal year 2012 lapse period spending was for ammunition vouchered at the end of June and August 2012. Ammunition is typically delivered late in the fiscal year.

General Office – Equipment

The majority of fiscal year 2012 lapse period expenditures for this appropriation were for office furniture purchased from Illinois Correctional Industries. The invoice for this purchase was not received until August 2012.

General Office – Telecommunication Services

The Department purchased nearly $5 million of Star-com radios for Pontiac and Stateville Correctional Centers. These radios are part of the narrow-band radio purchase the Department was required to make to comply with FCC regulations. The radios were not delivered until late in fiscal year 2012 and invoices were not received until August 2012.

General Office – Repairs, Maintenance, and Other Capital Improvements

Approximately $1.4 million of the invoices for repairs and maintenance were received at the end of June 2012 or later. As a result, the majority of these payments were vouchered during the lapse period for fiscal year 2012.

Field Services – Equipment

The majority of the fiscal year 2012 lapse period spending was for one voucher for armored vests for nearly $40,000.

Correctional Centers – Equipment

Over $3 million was for vehicle invoices that were not received until late June 2012. Therefore, they were not paid until the fiscal year 2012 lapse period. Invoices for vehicles are typically delivered in late June of the fiscal year in which they were ordered due to the procurement process for vehicles.

Department of Corrections Reimbursement Fund - 0523

General Office – Miscellaneous Programs

Significant expenditures that contributed to this amount included four months, or $2,590,021, of the University of Illinois – Chicago hepatitis C contract that were paid during the fiscal year 2012 lapse period based on the end of year reconciliation process. The invoice for the Department's Certificates of Participation, amounting to $2,613,747, was received in late June 2012 and paid during the lapse period. Additionally, $1,000,000 was paid to the Cook County Boot Camp for an invoice received in July 2012.

ANALYSIS OF ACCOUNTS RECEIVABLE

(Unaudited)

For the Fiscal Years Ended June 30, 2012 and 2011

Accounts receivable for the Department consist primarily of receivables from federal and State grant reimbursements and formula payments due from grantor agencies and payments for the purchases of goods and services. The principal grantor agencies are other State agencies; therefore, the Department's receivables are all considered fully collectible.

Weaknesses were noted concerning the Department's controls over accounts receivable and its collection efforts over farm leases. Details related to these weaknesses are contained in Findings 12-06 and 12-07. The auditors expressed a qualified opinion on the Department's basic financial statements based upon the conditions noted in these two findings concerning the Department's accounts receivable within the Working Capital Revolving Fund (Correctional Industries).

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF OPERATIONS

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

Mission Statement

The mission of the Department of Corrections (Department) 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 offenders' reentry into society.

Organization

The Department was established in 1970 and operates under the powers and duties established by the Unified Code of Corrections (730 ILCS 5). Effective June 1, 2006, Public Act 94-0696 established the Department of Juvenile Justice. This Act transferred certain rights, powers, duties, and functions that were exercised by the Juvenile Division of the Department of Corrections. Effective July 1, 2006 the Department of Corrections' school district was transferred to the Department of Juvenile Justice. The Department of Corrections' retained the Adult Education and Vocational Services area which provides the services to the adult population.

Michael P. Randle was the Department Director until he resigned on September 18, 2010. After that time, Gladyse Taylor was appointed Acting Director. She served in this capacity until May 1, 2011. Salvador A. Godinez was appointed Director effective May 2, 2011. The Director's office is located at the Concordia Complex, 1301 Concordia Court, P.O. Box 19277, Springfield, Illinois 62794-9277.

As of the report date, the Department operates the following adult correctional centers, which are listed by security level:

Security Level	**Center Name**
Maximum	Menard; Pontiac; Stateville
Medium	Big Muddy River; Centralia; Danville Dixon; Graham; Hill; Illinois River; Lawrence Lincoln; Logan; Pinckneyville; Shawnee Sheridan; Western Illinois
Minimum	Decatur; East Moline; Jacksonville; Robinson Southwestern Illinois; Taylorville Vandalia; Vienna

Security Level	Center Name
Work Camp	East Moline Jacksonville (Greene County & Pittsfield) Shawnee (Hardin County) Southwestern Western Illinois (Clayton)
Medium Security Unit	Menard; Pontiac
Minimum Security Unit	Stateville
Impact Incarceration Program	Pinckneyville (DuQuoin) Vienna (Dixon Springs)
Transitional	Crossroads Adult Transition Center Fox Valley Adult Transition Center North Lawndale Adult Transition Center Peoria Adult Transition Center
Mental Health Unit	Pontiac
Psychiatric Unit	Dixon
Special Treatment Center	Dixon

During the audit period, the Department also operated Tamms Correctional Center (maximum and work camp), Dwight Correctional Center (maximum), Decatur Adult Transition Center, Southern Illinois Adult Transition Center (ATC), and West Side Adult Transition Center. Tamms Correctional Center closed on January 4, 2013, Dwight Correctional Center closed on March 26, 2013, and Decatur, Southern Illinois and West Side ATCs closed on January 4, 2013.

Internal Organization

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 performs other functions necessary to meet the provisions of the Code and provides administrative services to the Department of Juvenile Justice as detailed in an interagency agreement.

The function of Adult Education is to provide academic and vocational training programs in the adult institutions and other functions necessary to meet the provisions of the Code. The mission of the Adult Education Division is to enhance the quality and scope of education for inmates within the Department of Corrections so that 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 (Field Services) is to provide basic needs, custody, and program opportunities for adults sentenced by the Illinois courts. The Adult Transition 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.

Strategic Planning and Priorities

The Department had four major programs:

1. Bureau of Operations
2. Adult Institutions/Adult Transition Centers
3. Parole
4. Program Services

Nearly 80-85% of the Department's efforts relate to the Bureau of Operations and Adult Institutions/Adult Transition Centers programs. The Bureau of Operations includes intelligence, investigations, and the central office functions. Included within Program Services is Women and Family Services.

The Department establishes, reviews and updates its goals on a regular basis. Department goals are developed through continuing sources of information derived through operations, changes in legislation, census statistics, innovations in programs, inmate population makeup, and availability of resources. Senior management of the various divisions consolidate the information. The Planning and Research Unit assists to formalize statements and plans, which detail the goals of the Department.

The Adult Education Division submits annual vocational and special education reports to the Illinois State Board of Education. Long range planning goals are submitted to the Program Services Unit as well as the School Board. Short range goals are determined at weekly management meetings and relayed during Education Facility meetings. Annual in-services plans are also developed.

When new programs, policies, and procedures are developed, they are formalized through the development of the Department's Administrative Rules and Directives. These rules and directives are subject to audits by Internal Audit and institution staff. An annual review of programs, performed by program staff, is also reported at the end of each fiscal year.

The Department utilizes its Annual Report to depict its progress toward the above objectives.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

AVERAGE NUMBER OF EMPLOYEES

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

The following table, prepared from Department records, presents the average number of employees by the divisions and the Correctional Centers (excluding Illinois Correctional Industries) for the fiscal years ended June 30, 2012 and 2011.

	Fiscal Year	
Division	2012	2011
General Office	241	265
Education Services	214	237
Statewide and Field Services	657	688
Correctional Centers		
Big Muddy River	300	300
Centralia	347	348
Danville	271	277
Decatur	207	206
Dixon	531	536
Dwight	327	346
East Moline	263	270
Southwestern Illinois	225	220
Graham	388	411
Illinois River	300	312
Hill	280	288
Jacksonville	399	398
Lawrence	362	383
Lincoln	213	221
Logan	327	331
Menard	784	787
Pinckneyville	435	433
Pontiac	583	597
Robinson	243	240
Shawnee	333	331
Sheridan	329	351
Tamms	287	294

Correctional Centers	Fiscal Year 2012	Fiscal Year 2011
Stateville	1,031	1,046
Taylorville	226	235
Vandalia	326	328
Vienna	325	330
Western Illinois	348	353
Total average full-time employees	11,102	11,362

The following table, prepared from Department records, presents the average number of correctional officers for the fiscal years ended June 30, 2012 and 2011. Correctional officers are included in the total average full time employees presented above.

Correctional Centers	Fiscal Year 2012	Fiscal Year 2011
Big Muddy River	229	230
Centralia	275	280
Danville	212	215
Decatur	134	136
Dixon	406	406
Dwight	259	275
East Moline	185	185
Southwestern Illinois	178	168
Graham	297	316
Illinois River	230	238
Hill	218	229
Jacksonville	307	308
Lawrence	288	299
Lincoln	162	170
Logan	252	255
Menard	597	610
Pinckneyville	332	336
Pontiac	482	493
Robinson	188	182
Shawnee	259	256
Sheridan	252	272
Tamms	214	217
Stateville	814	825

Correctional Centers	Fiscal Year 2012	2011
Taylorville	169	179
Vandalia	240	241
Vienna	240	242
Western Illinois	270	276
Total average correctional officers	7,689	7,839

STATE HOUSING BENEFITS

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

The Department houses employees on the grounds of many of its correctional facilities in guard dormitories or warden's houses. Currently there are approximately 13 employees living in dormitory rooms and approximately 44 employees living in houses. This total decreased from approximately 200 at June 30, 2010 because the Department closed the employee dorms at Stateville and Pontiac during the audit period. The Department has established rates for the housing dependent upon costs for utilities and the appraised value of the property. While the Department initially pays for the utilities and maintenance, the employees pay a monthly fee that includes utility charges. Additionally, in accordance with Internal Revenue Service Regulations, the appraised value of the property is added to the employees' compensation as a taxable fringe benefit. The policies for housing are documented in the Department's Administrative Directives. The Department does not provide housing to non-employees and does not require employees to pay security deposits.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF EMPLOYEE OVERTIME

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

Certain employees are eligible for overtime if the hours worked during the day exceed the employees standard work hours. Correctional Officers receive a ¼-hour of overtime for each day they stand for roll call. The roll call overtime is paid at straight time for all but Correctional Lieutenants who receive 1 ½ times normal pay.

Overtime is to be distributed as equally as possible among employees who normally perform the work in the position in which the overtime is needed. An employee's supervisor must approve any overtime. In most cases, except for roll call, employees are compensated at 1 ½ times their normal hourly rate for overtime hours worked. Employees have the opportunity to be compensated either in pay for the overtime or receive compensatory time off.

The following tables, prepared from Department records, present the paid overtime and used compensatory time incurred during fiscal years 2012 and 2011.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF EMPLOYEE OVERTIME

For the Fiscal Year Ended June 30, 2012

(Unaudited)

Division	Overtime Hours Paid	$ Value of Overtime Hours Paid	Compensatory Hours Used	$ Value of Compensatory Hours Used	Total Overtime & Compensatory Hours	Total $ Value of Overtime & Compensatory Hours
General Office	9,278	$ 402,028	-	$ -	9,278	$ 402,028
Adult Education	99	3,711	-	-	99	3,711
Field Services	33,008	1,728,438	8,252	304,575	41,260	2,033,013
Big Muddy River	9,903	466,854	13,683	398,932	23,586	865,786
Centralia	18,579	797,858	14,285	417,052	32,864	1,214,910
Danville	19,350	878,096	20,015	620,599	39,365	1,498,695
Decatur	11,553	561,335	13,302	415,609	24,855	976,944
Dixon	49,004	2,202,549	42,051	1,262,940	91,055	3,465,489
Dwight	71,914	3,068,432	16,081	458,582	87,995	3,527,014
East Moline	13,255	589,759	26,361	774,755	39,616	1,364,514
Graham	19,223	873,051	21,486	638,191	40,709	1,511,242
Hill	20,357	953,596	18,302	553,112	38,659	1,506,708
Illinois River	17,413	785,116	29,078	868,538	46,491	1,653,654
Jacksonville	13,975	672,532	19,761	616,977	33,736	1,289,509
Lawrence	43,763	1,947,995	23,719	696,192	67,482	2,644,187
Lincoln	20,940	893,213	6,141	168,750	27,081	1,061,963
Logan	20,801	941,437	13,672	395,845	34,473	1,337,282
Menard	54,929	2,500,323	48,540	1,455,561	103,469	3,955,884
Pinckneyville	19,220	857,595	24,596	730,514	43,816	1,588,109
Pontiac	34,645	1,617,298	25,793	744,781	60,438	2,362,079
Robinson	9,018	396,487	14,020	420,704	23,038	817,191
Shawnee	17,890	812,844	15,795	451,122	33,685	1,263,966
Sheridan	52,576	2,297,115	24,994	732,465	77,570	3,029,580
Southwestern Illinois	4,199	197,529	9,965	301,891	14,164	499,420
Stateville	133,182	6,067,965	103,689	3,156,209	236,871	9,224,174
Tamms	2,734	124,450	9,462	294,425	12,196	418,875
Taylorville	15,447	711,875	11,805	354,622	27,252	1,066,497
Vandalia	22,956	1,045,523	27,436	813,443	50,392	1,858,966
Vienna	39,613	1,818,460	27,853	840,125	67,466	2,658,585
Western Illinois	13,021	631,505	22,270	696,067	35,291	1,327,572
Correctional Industries	12,492	589,217	-	-	12,492	589,217
TOTAL	824,337	$ 37,434,186	652,407	$ 19,582,578	1,476,744	$ 57,016,764

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF EMPLOYEE OVERTIME

For the Fiscal Year Ended June 30, 2011

(Unaudited)

Division	Overtime Hours Paid	$ Value of Overtime Hours Paid	Compensatory Hours Used	$ Value of Compensatory Hours Used	Total Overtime & Compensatory Hours	Total $ Value of Overtime & Compensatory Hours
General Office	6,105	$ 372,212	-	$ -	6,105	$ 372,212
Adult Education	389	13,075	123	3,379	512	16,454
Field Services	35,084	1,737,614	7,677	282,506	42,761	2,020,120
Big Muddy River	14,541	648,510	16,655	479,636	31,196	1,128,146
Centralia	20,336	868,925	13,925	404,574	34,261	1,273,499
Danville	11,447	536,808	17,137	540,491	28,584	1,077,299
Decatur	10,864	532,775	14,315	450,669	25,179	983,444
Dixon	46,999	2,063,304	34,960	1,066,192	81,959	3,129,496
Dwight	64,678	2,777,829	13,763	397,853	78,441	3,175,682
East Moline	12,030	533,355	23,503	695,516	35,533	1,228,871
Graham	10,853	488,902	19,906	585,979	30,759	1,074,881
Hill	19,475	882,905	14,100	434,114	33,575	1,317,019
Illinois River	12,981	589,822	24,298	724,687	37,279	1,314,509
Jacksonville	15,896	746,210	23,161	737,704	39,057	1,483,914
Lawrence	33,133	1,444,737	24,794	730,052	57,927	2,174,789
Lincoln	24,103	1,053,029	6,478	184,263	30,581	1,237,292
Logan	17,480	831,237	15,340	470,979	32,820	1,302,216
Menard	40,310	1,866,630	44,196	1,350,249	84,506	3,216,879
Pinckneyville	22,999	1,020,037	28,115	833,342	51,114	1,853,379
Pontiac	34,271	1,585,385	24,198	710,718	58,469	2,296,103
Robinson	11,532	503,545	15,418	470,862	26,950	974,407
Shawnee	21,037	957,345	18,871	540,457	39,908	1,497,802
Sheridan	32,156	1,432,052	21,108	619,905	53,264	2,051,957
Southwestern Illinois	7,669	340,818	16,201	493,660	23,870	834,478
Stateville	132,049	5,859,040	103,664	3,158,768	235,713	9,017,808
Tamms	4,376	193,237	10,113	308,615	14,489	501,852
Taylorville	10,241	459,851	10,557	318,389	20,798	778,240
Vandalia	41,283	1,859,710	34,140	1,036,566	75,423	2,896,276
Vienna	25,385	1,234,858	22,296	692,954	47,681	1,927,812
Western Illinois	15,786	721,575	26,516	834,704	42,302	1,556,279
Correctional Industries	11,459	529,694	-	-	11,459	529,694
TOTAL	766,947	$ 34,685,026	645,528	$ 19,557,783	1,412,475	$ 54,242,809

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANNUAL COST STATISTICS

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

	2012			2011		
	Rated Capacity June 30, 2012	Average Daily Population	Average Yearly Cost per Resident [(1)]	Rated Capacity June 30, 2011	Average Daily Population	Average Yearly Cost per Resident [(1)]
Adult Institutions:						
Maximum Security						
Dwight	684	986	$ 37,761	684	1,078	$ 34,578
Menard	3,098	3,609	20,478	3,098	3,573	19,775
Pontiac	1,800	1,722	31,545	1,800	1,700	31,276
Stateville	3,162	3,631	29,203	3,162	3,609	28,857
Tamms	700	388	66,965	700	403	64,782
Total - Maximum Security	9,444	10,336	28,781	9,444	10,363	28,114
Medium Security						
Big Muddy River	952	1,903	15,572	952	1,905	17,128
Centralia	950	1,540	20,533	950	1,542	20,316
Danville	896	1,816	16,368	896	1,824	15,790
Dixon	1,430	2,350	23,900	1,430	2,259	24,642
Graham	1,174	1,873	21,313	1,174	1,915	20,726
Hill	896	1,820	16,920	896	1,825	16,461
Illinois River	1,011	2,067	16,264	1,011	2,069	15,731
Lawrence	2,257	2,304	16,781	2,257	2,332	16,668
Lincoln	500	1,000	22,422	500	999	22,515
Logan	1,074	1,970	16,043	1,074	1,957	16,084
Pinckneyville	2,434	2,447	17,525	2,434	2,439	17,413
Shawnee	1,046	2,021	16,537	1,046	2,026	16,240
Sheridan	1,304	1,628	27,773	1,304	1,586	29,454
Western Illinois	1,102	2,060	17,249	1,102	2,080	16,548
Total - Medium Security	17,026	26,799	18,790	17,026	26,758	18,603

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANNUAL COST STATISTICS

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

	2012			2011		
	Rated Capacity June 30, 2012	Average Daily Population	Average Yearly Cost per Resident (1)	Rated Capacity June 30, 2011	Average Daily Population	Average Yearly Cost per Resident (1)
Minimum Security						
Decatur	500	686	$ 28,885	500	658	$ 29,793
East Moline	688	1,261	20,716	688	1,214	20,984
Jacksonville	1,100	1,580	22,820	1,100	1,600	22,170
Robinson	600	1,205	19,967	600	1,207	19,429
Southwestern Illinois	600	696	38,854	600	686	41,284
Taylorville	600	1,198	19,742	600	1,200	19,767
Vandalia	1,100	1,691	18,511	1,100	1,711	18,623
Vienna	925	1,897	17,638	925	1,815	17,703
Total - Minimum Security	6,113	10,214	21,687	6,113	10,091	21,805
Adult Transition Centers (ATC)						
State-operated						
Decatur	80	108	21,556	80	109	22,304
Fox Valley	100	125	17,219	100	125	15,309
Peoria	200	217	17,000	200	193	18,728
Southern Illinois	60	62	25,028	60	62	25,028
West Side	190	187	26,352	190	180	27,377
Total - ATC State-operated	630	699	20,957	630	669	23,862

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANNUAL COST STATISTICS

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

	2012			2011		
	Rated Capacity June 30, 2012	Average Daily Population	Average Yearly Cost per Resident [1]	Rated Capacity June 30, 2011	Average Daily Population	Average Yearly Cost per Resident [1]
Contractual						
Crossroads	250	327	$ 21,737	250	326	21,138
North Lawndale	200	198	24,663	200	197	24,797
Total - ATC Contractual	450	525	22,840	450	523	22,516
Total	33,663	48,573		33,663	48,404	
(Under)/over capacity		14,910			14,741	

[1] Net Expenditures/Average Daily Population. Net Expenditures for Correctional Centers equals expenditures from funds appropriated to each center less equipment expenditures. Net Expenditures do not include any allocations from the General Office, Adult Education or Field Services divisions.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

NOTES TO ANNUAL COST STATISTICS

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

The average daily population of adult institutions (maximum, medium and minimum security) has increased from 47,212 for fiscal year 2011 to 47,349 for fiscal year 2012. This represents an increase of 137 inmates for fiscal year 2012. The rated capacity of adult institutions at June 30, 2012 was 32,583.

The average yearly cost per resident is summarized as follows for fiscal years 2012 and 2011:

	2012	2011
Adult Institution	$ 21,596	$ 21,375
Adult Transition Centers (excludes Crossroads and North Lawndale)	20,957	23,862

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

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

Adult Transition Centers: Approximately 1,200 inmates were housed during the engagement period in seven adult transition centers (ATCs) throughout the State. Inmates who are nearing the conclusion of their sentences and have made a satisfactory adjustment while confined to a prison may be eligible for participation in the work release program. Inmates housed in an ATC are expected to become employed or participate in some other worthwhile endeavor such as attending school. Participation in the work release program is considered a privilege and those inmates who do not abide by the strict rules and regulations enforced at the ATCs are transferred back to prison.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

PARTICIPATING EDUCATIONAL INSTITUTIONS

For the Fiscal Years ended June 30, 2012 and 2011

(Unaudited)

The Department provided post-secondary academic and vocational training programs to enrolled inmates at educational facilities through contractual agreements with the following colleges during the audit period:

Educational Institution	Educational Facilities Served
Danville Area Community College	Danville
Kaskaskia College	Centralia
Lake Land Community College	Big Muddy River, Danville, Dixon, Dwight, East Moline, Graham, Hill, Illinois River, Jacksonville, Lawrence, Pinckneyville, Robinson, Shawnee, Sheridan, Southwestern Illinois, Taylorville, Vandalia, Vienna and Western Illinois
Richland Community College	Decatur, Lincoln, Logan and Pontiac
Southwestern Illinois College	Menard

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

EMERGENCY PURCHASES

(Unaudited)

For the Fiscal Years Ended June 30, 2011 and 2012

The Department reported the following emergency purchases to the Office of the Auditor General during fiscal years 2011 and 2012:

Description	Estimated Amount	Actual Amount
Fiscal Year 2011		
Three month extension of a contract in order to allow time for a procurement of the renewal contract to prevent loss of direct services to incarcerated and paroled youth.	$ 60,013	$ 44,001
Replacement of the emergency generator for the boiler house which provides hot water and heat to the inmate housing units in the event of a power outage.	50,000	37,786
Emergency purchase of McAfee Web Gateway Appliance and Software.	-	51,806
Due to problems with a master contract vendor through the Department of Central Management Services (DCMS), the Department of Corrections will need additional time to perform background checks and drug tests on the new security guard vendor's employees before utilizing the master contract. Failure to provide security at the Concordia Complex will result in an increase in vandalism and threatens the safety of staff working after hours.	31,000	32,875
Repair box production machinery at the Danville Correctional Industries box factory.	-	47,100
Replacement of high voltage power poles, transformers, concrete pads for the transformers, and parts at the Vandalia Correctional Center.	55,000	-
To purchase coal in order to maintain a fully functional facility, without it Vienna Correctional Center would have to shut down. Coal provides the energy source to produce hot water as well as air circulation.	60,000	60,321
Emergency purchase of 40 Lenovo ThinkPad laptops for new Parole Agents.	55,680	63,250
Replacement of an air conditioning chiller compressor within the Dietary Building and General Stores area of East Moline Correctional Center. The high temperatures inside the buildings are causing additional equipment failures to printing equipment and refrigerated coolers and freezers.	40,000	39,508

Description	Estimated Amount	Actual Amount
Continue to provide case management services to incarcerated and paroled men for the grant-funded Adult Male Reentry Program at the West Side Adult Transition Center.	$ 51,218	$ 39,172
Continue to provide substance abuse services to incarcerated and paroled men for the grant-funded Adult Male Reentry Program at the West Side Adult Transition Center.	62,242	54,510
An extension to the current programmatic contract to avoid disruption in substance abuse screenings and assessments for inmates during intake at Stateville, Menard, Dwight, and Graham Correctional Centers. An extension would allow time for a competitive selection process for the replacement of the current contract.	103,550	97,572
A three month extension to the current contract at Dwight Correctional Center is requested to avoid disruption in the dual diagnosis treatment program. An extension would allow time for the application materials to be approved by the Illinois Criminal Justice Information Authority (ICJIA) and for the competitive selection process to replace the current contract.	50,092	45,387
A three month extension to the current job prep contract at Sheridan Correctional Center is requested to avoid the interruption of services at the Center and with Center parolees in the community seeking employment. An extension would allow time for a competitive selection process for the replacement of the current contract.	800,000	763,894
Replacement of the van to transport handicapped inmates to and from court appearances and medical furloughs. The Dixon Correctional Center is the Reception and Classification Facility for Northern Region Wheelchair inmates and has an average of 20 wheelchair inmates.	34,143	34,143
Continue to provide janitorial services through the end of the fiscal year at the Concordia Complex in accordance with a newly executed lease until the services can be contracted to a service provider.	-	45,654
Necessary replacement of the domestic hot water line to maintain the domestic hot water supply.	-	10,783
Replacement of roof to prevent further leaking and growth of mold in several classrooms and computer labs	-	235,656
Water control replacement with water softener upgrade and fire pump replacement.	-	227,207

Description	Estimated Amount	Actual Amount
Replacement of all out-dated piping located in the utility tunnel to minimize frequent breaks which interrupt the hot water supply.	$ -	$ 187,817
Replacement of unreliable dietary boiler and piping which provides various food services to over 1,800 inmates at the Danville Correctional Center.	-	359,522
Replacement of water heater coil pack at the Dwight Correctional Center to prevent future leaks.	-	22,520
Replacement of two leaking water heaters.	-	12,050
Replacement of refrigeration units engineered for today's gases for both freezers and coolers in Dietary.	-	55,400
Purchase of compartment foam trays for the Menard Correctional Center as a result of a depletion in the supply of trays due to the master contract vendor being on non-delivery status.	38,952	36,045
An extension to the current programmatic contract to avoid disruption in substance abuse screenings and assessments for inmates during intake at Stateville, Menard, Dwight, and Graham Correctional Centers. An extension would allow time for a competitive selection process for the replacement of the current contract.	98,000	77,481
Due to contract issues, Illinois Correctional Industries does not have cardboard for several lines of the box operation at the Danville Correctional Industries box factory which is at a stand still.	50,000	25,893
A three month extension to the current community re-entry program contract is requested to allow for restructuring in order to competitively bid in the future. The project provides job preparedness training and job placement services to reduce recidivism and create prison bed space for more violent offenders.	133,900	89,977
Replacement of sliding windows in 5 guard towers to prevent safety issues during emergencies.	35,000	24,934
Purchase of material for sheets and pillowcases which are cut at the garment shop located at Sheridan Correctional Center and sewn at Dwight Correctional Industries.	57,000	57,000
Replacement of roof and related mechanical equipment in order to make the space inhabitable.	200,000	-

Description	Estimated Amount	Actual Amount
Due to problems with a master contract vendor through DCMS, the Department of Corrections is requesting purchase of 50 Lenovo ThinkPad laptops for new parole agents to be able to complete their job.	$ -	$ 63,250
Due to issues with the contracted vendor, the shipment of NFDM Grade A powder has ceased leading to the depletion of inventory. ICI must have NFDM Grade A powder to reconstitute and process for the Department of Corrections and Department of Human Services.	-	499,800
Replacement of two Brocade Switches which are old, obsolete and no longer supported by Brocade.	-	39,131
Purchase of material for boxer shorts which are cut at the garment shop located at Sheridan Correctional Center and sewn at Dwight Correctional	183,800	182,339
Due to problems with a master contract vendor through DCMS, the Department of Corrections is requesting for the purchase of canned goods to eliminate the possibility of running out of food to feed approximately 1,650 inmates.	34,294	62,066
Due to problems with a master contract vendor through DCMS, the Department of Corrections is requesting for the purchase of equipment for parole agent cadets for their new positions.	-	86,105
Purchase of vegan burger mix in order to fulfill the Illinois Correctional Industries commitment to current and future orders with the Department of Corrections throughout the State of Illinois.	-	44,400
Replacement of the R-3 cell house building transformer, additional generator to supply electricity, and fuel for the generator.	40,000	42,159
Continue to provide substance abuse treatment services. The required documentation has been submitted, however, approval for posting to competitive selection has not been attained.	-	64,839
Due to problems with a master contract vendor through DCMS, the Department of Corrections ammunition supply, which is used for training, parole agents, and at all facilities, has been depleted.	-	519,805
Stateville Correctional Center's food warmer carts were infested by pests leaving many food warmers no longer usable. Due to sanitary issues, the Center is required to serve food at certain temperatures, which require food warmers to maintain the temperature.	-	69,184

Description	Estimated Amount	Actual Amount
Due to issues with the contracted vendor, the shipment of lenses to the Department has ceased leading to the depletion of inventory. These lenses are needed to ensure the safety and health of recipients of State Aid.	$ -	$ 143,723
Replacement of inoperable dish washing machine in order to properly wash trays and other related food utensils.	-	94,226
This is the second emergency filed for the purchase of compartment foam trays for the Menard Correctional Center as a result of an inoperable dish washing machine.	-	38,934
The Dietary Building is without a dish/tray machine to properly sanitize utensils, cups, dishes, and trays used by inmates and staff. This is a health and safety issue.	109,013	109,013
The purchase of various collagen casings and cookbags due to the expiration of the State contract. These bags and casings are used in the production of various meat products.	-	59,574
Due to issues with the contracted vendor, the shipment of NFDM Grade A powder has ceased leading to the depletion of inventory. ICI must have NFDM Grade A powder to reconstitute and process for the Department of Corrections' and Department of Human Services. Original contract still tied up in legal. A public hearing was held of 12-30-10 and an extension of 120 days was granted by the Chief Procurement Officer.	725,000	-
Due to issues with the contracted vendor refusing delivery, Illinois Correctional Industries does not have cardboard. Without access to cardboard sheeting, the meat and eyeglasses production will be at a standstill along with boxes provided to various State agencies.	103,000	-
Replacement of make-up air handling units and hot water supply and return lines in Building BC0138.	-	53,314
For Vienna Correctional Center to be in compliance with EPA standards and regulations, repairs to the Sewer Plant are mandated. This includes replacing the secondary clarifier, the aerator, and five submersible pumps.	38,689	39,209
Purchase of blue twill for pants and coats which are cut at the garment shop located at Sheridan Correctional Center and sewn at Dwight Correctional Industries.	53,750	-
Continue to provide substance abuse treatment services at Big Muddy Correctional Center. The required documentation has been submitted, however, approval for posting to competitive selection has not been attained.	-	64,839

Description	Estimated Amount	Actual Amount
Selection of vendors for the "Career Technologies" course program in correlation with the standardized curriculum approved by the Illinois Community College Board. Reimbursements are generated for each offender completing the course and every day the program remains inactive, the Department is losing reimbursement.	$ 178,000	$ 174,642
Purchase of juice concentrate at Hill Correctional Industries. A shortage in supply could affect the security and safety of inmates incarcerated at Correctional Centers throughout the State of Illinois.	-	86,136
Purchase of soy products for Western Illinois Correctional Industries due to the vendor refusing to deliver based upon lack of payment. Without the soy products it will cause a major disruption in State services.	111,345	-
Purchase of orange and grapefruit juice concentrate at Hill Correctional Industries due to the vendor refusing to deliver at the contracted price. A shortage in supply could affect the security and safety of inmates incarcerated at Correctional Centers throughout the State of Illinois.	-	168,358
The purchase of various callogen casings and cookbags due to the expiration of the state contract. These bags and casing are used in the product of various meat products.	49,470	-
Purchase of two - 60 pan revolving tray ovens at Menard Correctional Center. Currently the facility has 3 ovens. Only 1 oven is operable at this time and is used to prepare 3 meals a day for approximately 3,100 inmates.	-	149,854
Due to serious mechanical breakdown at the Danville Correctional Industries box factory, production has halted. Without boxes, the Correctional Industries Food Division will not be able to continue production and provide the meat and bakery items.	-	43,331
An extension to the current programmatic contract to avoid disruption in substance abuse screenings and assessments for inmates during intake at Stateville, Menard, Dwight, and Graham Correctional Centers. An extension would allow time for a competitive selection process for the replacement of the current contract.	140,000	70,349
Failure of the air cooled condensing units at Stateville Correctional Center	-	120,398

Description	Estimated Amount	Actual Amount
A three month extension to the current job prep contract at Sheridan Correctional Center is requested to avoid the interruption of services at the Center and with Center parolees in the community seeking employment. An extension would allow time for a competitive selection process for the replacement of the current contract.	$ -	$ 806,258
Due to problems with a master contract vendor through DCMS, the Department of Corrections supply of gasohol at Menard Correctional Center, which is used for its vehicles, is extremely low.	51,706	51,706
Due to contracting issues, the current purchase of care contract is set to expire on 6/27/11. A three month extension will allow time for procurement of the new contract, including the competitive selection process. In addition to preventing the loss of direct services to incarcerated and paroled juvenile males.	51,216	39,551
Emergency purchase is for continuation of Job Prep contractual services at the Sheridan and Southwestern Correctional Centers. Contract lapses at the end of June 2011, this will allow time for a new contract to be bid.	1,377,309	-
Total Fiscal Year 2011	$ 5,312,382	$ 6,865,757
Fiscal Year 2012		
Due to serious mechanical breakdown at the Danville Correctional Industries box factory, production has halted. Without boxes, the Correctional Industries Food Division will not be able to continue production and provide the meat and bakery items.	$ -	$ 46,352
Purchase of three compartment foam trays for the Menard Correctional Center as a result of a depletion in the supply of trays due to the master contract vendor being on non-delivery status.	-	40,284
Purchase of 12/1 sock yarn and rubber thread used for the production of issued socks for Department of Corrections inmates; navy blue acrylic yard used for the production of sock hats.	-	73,170
Correctional Center. This unit supplies the cooling capabilities to the housing unit which is considered a closed environment since all the windows are completely sealed.	34,000	45,501

Description	Estimated Amount	Actual Amount
Repair of the blast freezers at Hill Correctional Industries. Failure to initiate the repair may cause quality issues in as all of the food products produced are perishable, proper refrigeration and freezer temperatures are a must.	$ 40,000	$ -
To purchase yeast in order to meet Correctional Industries needs. Yeast is a needed raw material for the production of bread, buns, and other food staples required to provide meals to other State agencies.	-	42,578
Due to contract bidding issues, Illinois Correctional Industries' supply of orange and grapefruit juice concentrate is in danger of a serious shortage. This shortage could affect the security and safety of inmates incarcerated at Correctional Centers throughout the State.	-	124,256
Due to issues with the contracted vendor, Illinois Correctional Industries is in need of materials for insulated coats provided to the Department of Corrections and Department of Transportation. These items are cut at the cut at the garment shop located at Sheridan Correctional Center and Decatur Sewing Shop.	128,700	-
This contract is due to expire 9/30/11 and the facility is in the process of preparing a Request for Proposal to bid this out. This emergency extension is necessary to prevent an interruption of critical State services to offenders housed at Graham Correctional Center.	151,000	311,070
Purchase of 20,000 yards of blue poplin material to be sewn into inmate shirts.	52,500	-
A three month extension to the current substance abuse program contract is requested to avoid disruption in services. An extension would allow time for a competitive selection process for the replacement of the current contract.	51,624	-
A three month extension to the current substance abuse education contract at Taylorville Correctional Center is requested to avoid disruption in services. An extension would allow time for a request for professionals services to be finalized.	87,000	-
Centers need special made classification folders in order to be in compliance with the Department's Administrative Directive.	36,720	-
Purchase of fleece by Illinois Correctional Industries to produce sweatshirts and sweatpants for Department of Corrections inmates.	108,460	-

Description	Estimated Amount	Actual Amount
Purchase of approximately 13,000 lbs. of boneless turkey roast to serve the inmate population as well as staff for Thanksgiving and Christmas.	$ 51,350	$ -
A three month extension to the current vending contract is requested in order to allow time for a Memorandum of Understanding to be drafted with the Department of Human Services in accordance with the Blind Vendors Act.	66,519	-
A four month extension to the current substance abuse program contract has been approved to avoid disruption in services. An extension would allow time for the procurement process to be completed for the replacement of the current contract.	68,833	-
This contract is due to expire 12/29/11 and the facility is in the process of preparing a Request for Proposal to bid this out. This emergency extension is necessary to prevent an interruption of critical State services to offenders housed at Graham Correctional Center.	201,300	-
Purchase of 75,000 yards of dark blue twill to produce inmate pants and coats.	163,688	-
Due to delays in presenting paperwork to the General Office, an extension of the substance abuse counseling services contract is requested to avoid a disruption in services.	93,073	-
Replacement of a lens generator machine used in the production of eye glasses at Dixon Correctional Industries. Currently there are approximately 30,000 jobs in house and there are problems in keeping up with production demands.	70,000	-
A three month extension to the current substance and drug abuse programs contract at Decatur Correctional Center is requested to avoid disruption in services. An extension would allow time for the competitive selection process to be finalized.	93,073	-
Replacement of a lens generator machine used in the production of eye glasses at Dixon Correctional Industries.	70,000	-
Purchase of eyeglass frame kits for Dixon Correctional Industries is requested to avoid serious disruption to State services.	70,000	-
Purchase of optical lenses used in the production of eye glasses.	170,000	-
An additional six month extension is requested in order to utilize the Blind Vendors Act as mandated by ILCS 2421/1. An emergency 90 day extension to the Compass Group was previously approved for vending services for the period 11/16/11-02/13/12.	133,038	-

Description	Estimated Amount	Actual Amount
Replacement of 4 of the 6 facilities housing unit water heaters at Robinson Correctional Center. These provide hot water for showers and laundry for 200 inmates on a daily basis.	$ -	$ 129,406
Purchase of a new dishwasher at Sheridan Correctional Center to replace one that is 20 years old. There are chronic problems with the unit and it needs to be replaced. The facility serves 1,650 inmates and 400 staff.	100,000	-
Purchase of styrofoam trays for Stateville Correctional Center due to issues with the contracted vendor refusing to deliver.	52,200	-
Replace of hot water heater and backup hot water heaters at Tamms Correctional Center. These units are leaking and have caused violations from the State Fire Marshal's Office.	-	39,550
A four month extension to the current substance abuse education contract at Taylorville Correctional Center is requested to avoid disruption in services. An extension will allow for a new contract to be finalized.	116,000	-
Purchase of raw materials for sock production at Illinois Correctional Industries.	34,650	-
Due to the announced closing of the Dwight Correctional Center and the transfer of male offenders from the Logan Correctional Center to the Sheridan Correctional Center, installation of 38 toilets in Building C-8 is needed to accommodate transfer of Logan population to Sheridan.	47,500	-
Replacement of plastic plumbing valve bodies with new brass Air-Trol valve bodies at Big Muddy Correctional Center.	64,000	-
Replacement of a compressor unit in Housing Unit 4 at Robinson Correctional Center. This unit supplies the cooling capabilities to the housing unit which is considered a closed environment since all the windows are completely sealed.	-	48,267
Replacement of dietary kitchen equipment in order to provide meals to approximately 600 inmates at the Pittsfield Work Camp and Greene County Work Camp.	-	56,299
Total Fiscal Year 2012	$ 2,355,228	$ 956,733

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

MEMORANDUMS OF UNDERSTANDING

For the Fiscal Years Ended June 30, 2012 and 2011
(Unaudited)

FY	MOU # or Name	Parties Involved Other Than The Department	Dates Involved	Description of Memorandum Requirements
2011	911009	Cook County	10/19/10-6/30/11	This is a single-year Memorandum of Understanding for the renovation of Holding Area for use at Cook County Jail Complex between Cook County and the Department of Corrections. Cook County will lead the project and be responsible for procuring, supervising, and coordinating all aspects of the project. The Department of Corrections will finance the project.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

INMATE ASSAULTS ON STAFF
AT ADULT CORRECTIONAL CENTERS

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

Security Level	Fiscal Year 2012	Fiscal Year 2011
Level 1 - Maximum		
Dwight	21	23
Menard	36	21
Pontiac	98	122
Stateville	57	95
Tamms	7	21
Level 2 - Secure Medium		
Hill	5	5
Lawrence	23	26
Pinckneyville	23	22
Western Illinois	10	23
Level 3 - High Medium		
Big Muddy River	24	10
Danville	4	4
Dixon	51	56
Illinois River	2	14
Shawnee	12	18
Level 4 – Medium		
Centralia	2	3
Decatur	0	2
Graham	4	8
Lincoln	11	3
Logan	11	7
Sheridan	7	17
Level 5 - High Minimum		
Jacksonville	3	2
Robinson	2	2
Taylorville	1	0
Level 6 - Minimum		
East Moline	3	1
Southwestern Illinois	3	4
Vandalia	5	8
Vienna	6	0
Totals	**431**	**517**

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Fiscal Years Ended June 30, 2012 and 2011

(Unaudited)

Mission and Organization

The Illinois Department of Corrections (Department) is responsible for providing care, custody, treatment, and rehabilitation for adult offenders committed by the courts. During the engagement period the Department maintained and administered 27 correctional centers and managed a parole system for formerly incarcerated persons in the community. There is also an Adult Advisory Board and a Subcommittee on Women Offenders to provide guidance to the Department.

ACHIEVEMENTS AND ACCOUNTABILITY

Implemented an Employee Cost-Savings Suggestion Program - This program is designed to save millions of dollars through reduced spending. The program, which was implemented in July 2009, is featured on the Department website where employees are encouraged to identify opportunities to cut costs. Thus far, approximately $2.5 million in cost-saving measures have been implemented.

Reduced overtime costs – The overtime costs decreased in fiscal year 2011 from fiscal year 2010.

Continued community based re-entry programs for inmates released back into society - These programs are designed to provide a wide array of services required by the parolee population to increase the likelihood of a successful reintegration into the community. Working in conjunction with the re-entry programs are the Transitional Jobs Program and the Statewide Job Preparation Program. These programs are designed to place parolees into everyday job programs and provide them the necessary skills to find employment.

STRATEGIC INITIATIVES AND PRIORITIES

Continue to reduce overtime expenses - The Department will continue the initiative, started in fiscal year 2010, to increase the frontline staff of the Department as part of an effort to reduce overtime payroll costs, address the effects of attrition, and to improve the safety of Department facilities. The Department will continue to reduce overtime expenditures over the next several fiscal years.

Implement Adult Redeploy Illinois (ARI) - The Department is working in conjunction with various other State agencies to obtain grant funding to implement the ARI program. The purpose of this initiative is to treat offenders in the community instead of sending them to State prisons. In exchange for reducing the number of people they send to the Department, grants are provided to counties or groups of counties/judicial circuits to increase programming in their areas. The ARI program is an example of a national best practice called performance incentive funding, which other states are adopting in different ways.

Overhaul the agency's information technology infrastructure, partnering with IT experts in sister agencies, as part of an ongoing multi-year process to modernize all hardware and software systems. Modernizing IT resources is a key component of a new emphasis on prioritizing expenditures on the basis of measurable outcomes. The Department will adopt uniform standards of data collection in facilities management, parole and programmatic expenditures. This will enable the Department to mandate and ensure accountability on the basis of numeric measures of performance.

Department of Corrections

Mission Statement: 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 offenders' reentry into society.

Program Goals:

1. The Department is responsible for providing care, custody, treatment, and rehabilitation for adult offenders committed by the courts.

Objectives:

a. Reduce recidivism, the number of people who return to prison within three years of release
b. Continually improve staff and offender safety and security

Source of Funds: General Revenue Fund
Working Capital Revolving Fund
Department of Corrections Reimbursement Fund

Statutory Authority: 730 ILCS 5

	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual	Fiscal Year 2012 Target /Projected	Fiscal Year 2012 Actual	Fiscal Year 2013 Target /Projected
Input Indicators					
• Total expenditures – all sources (in thousands)	$ 1,227,735.7	$ 1,270,998.2	$ 1,299,983.3	$ 1,281,903.9	$ 1,174,975.5
• Total expenditures – state appropriated funds (in thousands)	$ 1,227,735.7	$ 1,270,998.2	$ 1,299,983.3	$ 1,281,903.9	$ 1,174,975.5
• Average monthly full-time equivalents	11.174.0	11,741.0	11,741.0	11,233.0	10,906.0
Output Indicators					
• Percentage of adults reincarcerated within 3 years of release	47.8%	47.0%	47.0%	47.1%	45.1%
• Number of parolees returned to prison each month as a percent of average daily parole population	45.2%	47.5%	46.5%	40.8%	39.8%
• Number of offenders transferred to a lower security level due to good behavior (per 1,000 offenders per month)	1.9	1.6	1.8	1.8	1.9
• Number of offenders whose security level was increased due to discipline for problem behavior (per 1,000 offenders per month)	2.8	2.9	2.6	2.8	2.5
• Number of contraband confiscations (per 1,000 offenders per month)	30.0	31.0	28.0	29.0	26.0
• Number of offender-on-staff assaults (per 1,000 staff per month)	3.1	3.6	3.3	3.2	2.9
• Number of offender on offender assaults (per 1,000 offenders per month)	3.1	3.1	2.8	3.1	2.8