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STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

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STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

AGENCY OFFICIALS

Director	Salvador A. Godinez (05/02/11 through 12/31/14) Salvador A. Godinez, Acting (01/01/15 through 03/02/15) Bryan Gleckler, Acting (03/03/15 through 03/15/15) Donald Stolworthy, Acting (03/16/15 through 06/15/15) Gladyse Taylor, Acting (06/16/15 through 08/13/15) John R. Baldwin, Acting (08/14/15 through present)
Assistant Director	Gladyse Taylor (05/02/11 through 03/31/15) Vacant (04/01/15) Jason Garnett, Acting (04/02/15 through 12/29/15) Gladyse Taylor, Acting (12/30/15 through 06/28/16) Gladyse Taylor (06/29/16 through present)
Executive Assistant to the Director	Patrick McGuire (05/16/14 through 04/15/15) Vacant (04/16/15 through 05/31/15) Edwin “Bob” Bowen (06/01/15 through 06/21/15) Vacant (06/22/15 through present)
Chief of Staff	Bryan Gleckler (05/20/13 through 06/19/15) Vacant (06/20/15 through 06/21/15) Edwin “Bob” Bowen (06/22/15 through present)

AGENCY OFFICIALS (Continued)

Community Outreach Administrator	Markus King
Chief of Parole	Jason Garnett (06/16/14 through 04/05/15) Tim Christianson, Acting (04/06/15 through 02/29/16) Tim Christianson (03/01/16 through present)
Chief of Investigations and Intelligence	Darryl Johnson (06/16/14 through 08/31/15) Mark Delia, Acting (09/01/15 through present)
Chief Legal Counsel	William Barnes (11/16/12 through 01/16/15) Vacant (01/17/15 through 02/01/15) LaShonda Hunt (02/02/15 through 06/30/16) Camile Lindsay (07/01/16 through present)
Chief of Intergovernmental Relations	Michael Lane
Chief of Labor Relations	Ed Jackson
Chief of Operations	Joseph Yurkovich (06/10/13 to 06/19/15) Vacant (06/20/15 through 03/15/16) Mike Atchison (03/16/16 through present)
Administrator of Affirmative Action and Minority Recruitment	Fernando Chavarria
Chief Fiscal Officer	Jared Brunk
Chief Public Safety Officer	Brad Curry (02/08/13 through 01/16/15) Vacant (01/17/15 through 04/17/16) Carolyn Gurski (04/18/16 through present)
Chief Public Safety Liaison Officer	Joseph Rose (11/16/12 through 04/30/15) Vacant (05/01/15 through present)
Chief of Programs and Support Services	Shannis Stock (10/01/13 through 01/13/15) Vacant (01/14/15 through 04/17/16) Kim Butler (04/18/16 through present)

AGENCY OFFICIALS (Continued)

Chief Internal Auditor	Ron Faith (12/16/13 through 12/31/16) Vacant (01/01/17 through present)
Deputy Director Northern District	David Gomez (02/01/12 through 05/16/16) Nikki Robinson (05/16/16 through present)
Deputy Director Central District	Marcus Hardy (06/16/14 through03/15/16) Vacant (03/16/16 through 05/15/16) Sandy Funk (05/16/16 through present)
Deputy Director Southern District	Randy Davis (07/01/14 through 04/22/15) Vacant (04/23/15 through 07/16/15) Charles Peck (07/17/15 through present)
Chief Information Officer	Steven Matthews (02/01/12 through 05/06/15) Vacant (05/07/15 through 08/16/15) Vivek Ananda (08/17/15 through present)

DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES

Chief Executive Officer	Jen Aholt (12/01/12 through 02/15/16) Vacant (02/16/16 through 12/15/16) Jeff Bloemker (12/16/16 through present)
Assistant Chief Executive Officer	Rich Mautino
Chief Financial Manager	Caroline Hower (08/15/13 through 11/15/14) Vacant (11/16/14 to 03/15/15) Sitha Hun (03/16/15 through present)

Agency General Office is located at:

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

Bruce Rauner
Governor

John Baldwin
Acting Director

The Illinois Department of Corrections

1301 Concordia Court, P.O. Box 19277 • Springfield, IL 62794-9277 • (217) 558-2200 TDD: (800) 526-0844

April 19, 2017

Adelfia LLC
400 East Randolph Street
Suite 705
Chicago, Illinois 60601

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, 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, 2016. Based on this evaluation, we assert that during the years ended June 30, 2015 and June 30, 2016, 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

SIGNED ORIGINAL ON FILE

Mr. John R. Baldwin, Acting Director

SIGNED ORIGINAL ON FILE

Mr. Jared Brunk, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Ms. Camile Lindsay, Chief Legal Counsel

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

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, 2016.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, but does contain a qualified opinion on compliance and material weaknesses over internal control.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report (Department)	Prior Report** (Industries)
Findings	43	34	6
Repeated Findings*	31	28	4
Prior recommendations implemented or not repeated*	9	11	9

* Illinois Correctional Industries (Industries) repeated findings are combined with Department current findings. Three repeat findings (two Industries and one Department) were consolidated with three other repeat findings.

** Examined by other special assistant auditors. See Illinois Correctional Industries Prior Findings Follow-up for details.

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.

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		GOVERNMENT AUDITING STANDARDS	
2016-001	18	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
2016-002	22	Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property/fixed assets	Material Weakness
2016-003	29	Lack of control over computer systems	Material Weakness and Noncompliance
2016-004	31	Inadequate administration of locally held funds at the Correctional Centers	Significant Deficiency and Noncompliance
2016-005	37	Inadequate controls over commodity and commissary inventory	Significant Deficiency and Noncompliance
		STATE COMPLIANCE	
2016-006	42	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
2016-007	44	Failure to properly conduct metal detector searches of inmates	Significant Deficiency and Noncompliance
2016-008	45	Improper management of addiction recovery services	Significant Deficiency and Noncompliance
2016-009	47	Inaccurate offender records	Significant Deficiency and Noncompliance
2016-010	49	Continued lack of fiscal controls over Offender 360 project	Significant Deficiency and Noncompliance
2016-011	51	Lack of project management over Offender 360 project	Significant Deficiency and Noncompliance
2016-012	54	Failure to develop a formal fraud risk assessment program	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS

STATE COMPLIANCE (Continued)

Item No.	Page	Description	Finding Type
2016-013	55	Failure to provide mandated information to visitors	Significant Deficiency and Noncompliance
2016-014	56	Failure to implement Evidence-Based Programming System	Significant Deficiency and Noncompliance
2016-015	58	Failure to timely submit interagency accounts receivable write-offs report to the Office of the Comptroller	Significant Deficiency and Noncompliance
2016-016	59	Failure to update Administrative Directives	Significant Deficiency and Noncompliance
2016-017	60	Failure to document compliance with statutory medical consent waivers	Significant Deficiency and Noncompliance
2016-018	62	Noncompliance with inmate grievance procedures	Significant Deficiency and Noncompliance
2016-019	64	Failure to comply with Administrative Directives regarding submission of required reports	Significant Deficiency and Noncompliance
2016-020	66	Noncompliance with the Murderer and Violent Offender Against Youth Registration Act	Significant Deficiency and Noncompliance
2016-021	68	Weaknesses over issuance of temporary identification cards	Significant Deficiency and Noncompliance
2016-022	70	Payroll timekeeping system not automated	Significant Deficiency and Noncompliance
2016-023	72	Inadequate controls over disbursements from the Springfield Employee's Benefit Fund	Significant Deficiency and Noncompliance
2016-024	74	Policies and procedures regarding operation of State vehicles not followed	Significant Deficiency and Noncompliance
2016-025	79	Inadequate controls over request for leaves of absence	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS

STATE COMPLIANCE (Continued)

Item No.	Page	Description	Finding Type
2016-026	81	Noncompliance with applicable portions of the Arsonist Registration Act	Significant Deficiency and Noncompliance
2016-027	83	Inadequate controls over issuance and revocation of telecommunication devices	Significant Deficiency and Noncompliance
2016-028	85	Inadequate controls over voucher processing	Significant Deficiency and Noncompliance
2016-029	87	Employee performance evaluations not performed timely	Significant Deficiency and Noncompliance
2016-030	89	Inadequate documentation of employee training	Significant Deficiency and Noncompliance
2016-031	91	Taking paid leave time and working overtime on the same day	Significant Deficiency and Noncompliance
2016-032	93	Compensatory time accrual in violation of federal law and compensatory time payments in violation of union agreement	Significant Deficiency and Noncompliance
2016-033	96	Failure to properly transfer unclaimed inmate cash account balances	Significant Deficiency and Noncompliance
2016-034	98	Noncompliance with the required transfers of profits from DOC Commissary Funds	Significant Deficiency and Noncompliance
2016-035	101	Weaknesses in change control management	Significant Deficiency and Noncompliance
2016-036	103	Weaknesses regarding the security and control of confidential information	Significant Deficiency and Noncompliance
2016-037	105	Adult Transition Center records not properly maintained	Significant Deficiency and Noncompliance
2016-038	110	Operation and maintenance of cash box funds at Correctional Centers	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS

STATE COMPLIANCE (Continued)

Item No.	Page	Description	Finding Type
2016-039	112	Inadequate controls over computer inventory	Significant Deficiency and Noncompliance
2016-040	114	Lack of disaster contingency planning or testing to ensure recovery of computer systems	Significant Deficiency and Noncompliance
2016-041	115	Lack of due diligence over inventory conversion	Significant Deficiency and Noncompliance
2016-042	117	Weaknesses with Payment Card Industry Data Security Standards	Significant Deficiency and Noncompliance
2016-043	119	Computer security weakness	Significant Deficiency and Noncompliance

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
2016-001	18	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
2016-002	22	Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property/fixed assets	Material Weakness and Material Noncompliance
2016-003	29	Lack of control over computer systems	Material Weakness and Material Noncompliance
2016-004	31	Inadequate administration of locally held funds at the Correctional Centers	Significant Deficiency and Noncompliance
2016-005	37	Inadequate controls over commodity and commissary inventory	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

Item No.	Page	Description
A	121	Cash receipts and refunds not paid into the State Treasury on a timely basis as required by State law
B	121	Failure to prepare and submit reports as required by State statute
C	122	Weaknesses in Adult Transition Center food services contract
D	122	Failure to properly establish mechanism to track access to inmate master records
E	122	Noncompliance with the Illinois Procurement Code

ILLINOIS CORRECTIONAL INDUSTRIES PRIOR FINDINGS FOLLOW-UP

2014-001	123	Lack of control over information technology
2014-002	123	Failure to submit report to Office of the Comptroller
2014-003	124	Noncompliance with property control procedures
2014-004	124	Failure to timely process cash receipts
2014-005	124	Untimely posting of expenditures
2014-006	125	Records were unavailable

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at exit conferences on February 16, 2017 and March 27, 2017. Attending were:

DEPARTMENT OF CORRECTIONS

Gladyse Taylor	Assistant Director
Jared Brunk	Chief Fiscal Officer
Camile Lindsay*	Chief Legal Counsel

Robert Fanning**	Senior Public Service Administrator, Legal
Christa Bull	Assistant Deputy Director, Fiscal Accounting Compliance
Vivek Ananda**	Chief Information Officer
Steve Kerr**	Property Control Manager
Emily Glynn**	Assistant Deputy Director, Fiscal Operations
Devin Murphy	Public Service Administrator, Fiscal Accounting Compliance
Jennifer Lokaitis*	Public Service Administrator, Fiscal Strategic Planning
Trudy Malkey*	Public Service Administrator
Robert Booth*	Accounts Payable Manager
Jonathan Swager	Internal Auditor
Molly Wilcockson*	Internal Auditor
Satu Allen**	Internal Auditor

ILLINOIS CORRECTIONAL INDUSTRIES

Jeff Bloemker*	Chief Executive Officer
Rich Mautino**	Assistant Chief Executive Officer
Wanda Burnett	Fiscal Accounting Manager
Sitha Hun	Chief Financial Manager

OFFICE OF THE AUDITOR GENERAL

Elvin Lay	Audit Manager
Kathy Lovejoy	Audit Manager
Michael Paoni*	Audit Manager
Brian Metzger*	Audit Supervisor

ADELFIA LLC

Stella Marie Santos	Managing Partner
Jennifer Roan	Partner
Maria Divina Valera*	Partner
Annabelle Abueg	Principal
Andrew Guerrero*	Supervisor
Carl Ong*	Supervisor

* present only at exit conference on March 27, 2017
** present only at exit conference on February 16, 2017

The responses to the recommendations on 2016-001 through 2016-005 were provided by Jared Brunk, Chief Financial Officer, in a letter dated February 16, 2017. The responses to the recommendations on 2016-006 through 2016-043 were provided by Satu Allen, Internal Auditor, in a letter dated April 11, 2017.

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INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Corrections' (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, 2016. 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 2016-001 through 2016-003 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, 2016. 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 2016-004 through 2016-043.

Internal Control

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 to determine the examination procedures that are appropriate in the circumstances 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 the Department's 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in 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 internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, 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 described in the accompanying schedule of findings as items 2016-001 through 2016-003 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a 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 described in the accompanying schedule of findings as items 2016-004 through 2016-043 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.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
April 19, 2017

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INDEPENDENT AUDITOR'S 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 Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Corrections (Department), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated February 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 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. We consider the deficiencies described in the accompanying schedule of findings as items 2016-001 through 2016-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2016-004 and 2016-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2016-003 through 2016-005.

Department's Responses to Findings

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
February 16, 2017

SCHEDULE OF FINDINGS

CURRENT FINDINGS
(*GOVERNMENT AUDITING STANDARDS*)

2016-001 **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) 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 (Comptroller).

During the audit of the Department's June 30, 2016 financial statements, the auditors noted the Department used manually compiled capital asset summaries and depreciation calculations to prepare GAAP Reporting forms related to capital assets and in determining the amounts reported in the financial statements. The conversion of its legacy capital asset system, the Automated Property Control System (APCS), to the Central Management Services' Central Inventory Control System (CIS), was not fully implemented at the time of financial statement preparation and the APCS was no longer being utilized as of March 2016.

We noted the following inaccuracies in the originally submitted GAAP Reporting forms and financial statements:

- The Department did not properly report capitalized transfers-in from the Capital Development Board (CDB) in the proper fiscal year. Transfers-in that met the capitalization threshold for capital assets totaling $4,311,303 from Fiscal Year 2013 through Fiscal Year 2015 were not included in the capital assets balance and as capital transfers-in in the government-wide financial statements for the proper fiscal year. Accordingly, depreciation totaling $402,267 through Fiscal Year 2016 was not reported. In addition, CDB transfers for Fiscal Year 2015 totaling $2,349,227 were only reported in Fiscal Year 2016 (see Finding 2016-002).

- The manually summarized asset details added to the Department's APCS report contained various errors: duplicate non-equipment items totaling $1,767,169 and equipment items totaling $24,142; input error of $9,503; CDB transfers not matching the turnover reports totaling $239,917; missing capitalizable purchases amounting to $36,240 and $121,282 for Fiscal Years 2015 and 2016, respectively; and missing deletions totaling $70,523. The related accumulated depreciation errors for these items amounted to an overstatement of $65,508 (see Finding 2016-002).

- Our tests of depreciation and accumulated depreciation balances identified the following computation errors: depreciation in excess of book value totaling $826,214 and assets not depreciated for the correct depreciation period causing a net understatement totaling $242,614. In addition, current year depreciation totaling $389,200 and prior year depreciation totaling $278,481 related to Fiscal Year 2015 asset items added to the worksheets were not included in the work forward depreciation analysis for Fiscal Year 2016. Also, accumulated depreciation totaling $1,105,163 on prior years' CDB transfers included in APCS in Fiscal Year 2016 were not included in the depreciation work forward analysis (see Finding 2016-002).

  The effects of these errors were an understatement for Fiscal Year 2016 in capital assets of $2,340,337 and accumulated depreciation of $1,526,003. The Department did not consider the net effect of these errors amounting to $814,334 to be material to the financial statements and it has not been corrected as of June 30, 2016.

- We also noted the Department did not evaluate changes in circumstances affecting capital assets to determine whether impairment occurred and did not properly account for and report capital asset impairments and disclose idle assets in the financial statements.

  The Department closed the Joliet Correctional Center in February 2002 and the capital assets were still being depreciated and maintained on the books as of June 30, 2016 instead of being analyzed for impairment and adjusted to the lower of carrying value or fair value on the date the permanent impairment occurred. After the impairment issue was brought to the attention of the Department by the auditors, an assessment was performed to determine if the impairment was temporary or permanent. The Department determined the impairment to be permanent and adjusted the facility's reported amount to its fair value of $1,887,333 instead of the carrying value of $14,978,767.

  The Department also subsequently recorded and reported a prior period adjustment for the loss on impairment on Joliet Correction Center of $12,751,947. The actual loss of $13,091,434 should have instead been recorded; however, the misrecording resulted in an understatement of $339,487. We further noted the Department understated the current fiscal year depreciation reversal by $422,235. The net effect of these errors was an $82,748 overstatement of the Fiscal Year 2016 net position. The Department did not consider the net effect of these errors to be material to the financial statements and, therefore, did not post a correction as of June 30, 2016.

The Department also assessed three additional closed facilities (Rushville, Dwight, and Tamms) to determine if those capital assets were temporarily or permanently impaired. The final determination by the Department was to consider the centers as temporarily impaired and continue to assess in future reporting periods. As a result, no reporting changes were necessary.

- The Department did not record and properly report pension expenses for Fiscal Year 2015 totaling $4,164,263 and Fiscal Year 2016 on-behalf payments made by the State of Illinois for pension amounting to $344,584,944.

  The Department subsequently adjusted the financial statements to correct these errors and also revised the notes to the financial statements to properly disclose the idle facilities.

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 Departmental financial statements. GAAP Reporting Package instructions are specified in the Comptroller's Statewide Accounting Management System (SAMS) Manual, Chapter 27.

SAMS (Procedure 29.10.30) on CDB Activity states costs associated with remodeling, renovation and rehabilitation projects are to be recorded by the agency in their capital records as a repair and maintenance cost for that period. The Department should also follow the guidance for distinguishing between repairs and maintenance and capital items in SAMS (Procedure 03.30.10).

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall 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 and statistical reports and to maintain accountability over the State's resources. Good internal control procedures require adequate management oversight and review of accounting policies and procedures as well as an overall review of financial reporting for accuracy and compliance with GAAP.

Governmental Accounting Standards Board (GASB) Statement No. 42 – *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires entities to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred by identifying potential impairments and testing for impairment. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. The Statement also states the loss should be recognized when the impairment event or change in circumstance occurs.

GASB Statement No. 42 also requires that the amount of the impairment loss, a general description, and the financial statement classification should all be disclosed in the financial statement notes if not readily apparent on the face of the statements. The carrying amount of impaired capital assets that are idle at year-end should be disclosed, regardless of whether the impairment is considered permanent or temporary.

Governmental Accounting Standards Board (GASB) Statement No. 24 – *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* requires employer governments to recognize revenue and expenditures or expenses for on-behalf payments for fringe benefits.

The Department attributed the exceptions to inherent limitations of the Department's legacy APCS, which changed during March 2016, staff turnovers, staff limitations, competing priorities, human error, and employee oversight.

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.

These exceptions, if not detected and corrected, 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 may have on the Statewide financial statements. (Finding Code No. 2016-001, 2014-001, 12-01, 10-01, 08-01)

RECOMMENDATION:

We recommend the Department implement the new capital asset system as soon as practicable and perform tests of the capital asset transaction processing and reporting in CIS. The Department should also 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.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will continue devoting the resources necessary to complete the GAAP reporting as required by taking all possible steps to ensure the GAAP Reporting Packages and financial statements are prepared in an accurate manner.

2016-002 **<u>FINDING:</u>** (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 errors and inadequacies in the Department's property/fixed asset recordkeeping process and reporting in the GAAP Packages:

- We noted the following Capital Development Board (CDB) capitalizable transfers were not included in either the Automated Property Control System (APCS) records as of March 2016 or the manually summarized property transactions as of June 30, 2016. As a result, these transfers were not reported in the capital asset balances in the proper fiscal years and the related current depreciation and prior year accumulated depreciation amounts were understated. The following table presents the amounts not reported related to these unrecorded CDB transfers:

Transfer Year	Capitalizable Transfers Amount	Fiscal Year 2016 Depreciation	Prior Year Depreciation	Fiscal Year 2016 Accumulated Depreciation
2013	$ 219,770	$ 10,988	$ 25,102	$ 36,090
2014	736,805	36,840	45,450	82,290
2015	3,354,728	167,736	116,151	283,887
Total	$ 4,311,303	$ 215,564	$ 186,703	$ 402,267

- The Department did not update its property records timely. We noted additions/corrections totaling $1,492,150, deletions/transfers to surplus totaling $1,680,860 and CDB capitalized transfers totaling $12,291,525 that were reflected in the capital asset amounts in the financial statements but not entered in APCS or to the Central Management Services' Central Inventory Control System (CIS).

- We noted some building improvement costs that were entered in APCS as part of the original building asset item and the depreciation for the improvement costs was calculated from the acquisition date of the original item rather than being depreciated as a new asset or over the remaining useful life of the building.

- We also noted the following in the manually summarized asset details added to the APCS report:

    - Asset items already recorded in APCS totaling $1,767,169 were still included in the items added to the June 30, 2016 capital asset balances.

    - CDB transfers totaling $239,917 were not supported by CDB turnover reports.

    - Duplicate amount added for equipment items totaling $24,142 and an overstatement error in the amount listed compared to the supporting report by $9,503.

    - Capitalizable purchases in accounts payable at year end that were not included in the worksheets totaling $36,240 and $121,282 for Fiscal Years 2015 and 2016, respectively. The related depreciation for the missing items amounted to $5,015.

    - Deleted items in the property items summarized by the Centers totaling $70,523 that were fully depreciated were not deducted in the work-forward analysis.

- In addition, our tests of the recorded depreciation and accumulated depreciation balances as of Fiscal Year 2016, noted the following:

    - Some property items were depreciated more than their remaining net book value in Fiscal Year 2016 resulting in an overstatement of depreciation and accumulated depreciation totaling $826,214.

    - The depreciation calculations on some items in APCS were for an additional four months instead of only three months from April to June 2016 since APCS already calculated depreciation through March 2016. On other items, the worksheets only included the depreciation amounts manually calculated from April to June 2016 and did not include the APCS depreciation calculated from July 2015 to March 2016. The net depreciation understatement totaled $242,614.

    - Depreciation totaling $389,200 and prior-year depreciation totaling $278,481 on Fiscal Year 2015 asset items added to the worksheets were not included in the work-forward depreciation analysis for Fiscal Year 2016.

    - Accumulated depreciation totaling $1,105,163 on prior years' CDB transfers included in APCS in Fiscal Year 2016 were not included in the depreciation work-forward analysis.

- Transfers-in from the Capital Development Board (CDB) in Fiscal Year 2015 of $2,349,227 that met the capitalization threshold for capital assets in the SCO-538 capital assets balance were reported only in Fiscal Year 2016.

In relation to our detailed testing of State property items, the following exceptions were noted:

- During testing of the quarterly Agency Report of State Property (C-15) reports, we noted that the beginning balance reported on the first quarter of Fiscal Year 2015 for building and building improvements was understated by $136,320 compared to the ending balance as of June 30, 2014. In addition, we noted that the beginning balance reported on the first quarter of Fiscal Year 2016 for equipment was overstated by $3,351,627 compared to the ending balance as of June 30, 2015. There were no supporting documents for any adjustments made on these balances.

- During testing of the C-15 reports, we noted that additions reported during Fiscal Years 2015 and 2016 did not agree with the total State property expenditures reported with the Office of the Comptroller's Object Expense/Expenditures by Quarter (SA02) report. The Department reported total additions of $6,731,349 in Fiscal Year 2015 while the SA02 report had total property expenditures of $15,983,584, resulting in a difference of $9,252,235. The Department reported total additions of $3,441,268 in Fiscal Year 2016 while SA02 report has total property expenditures of $680,329, resulting in a difference of $2,760,939.

- During testing of the Annual Facility Certification of Inventory of items $500 or more for the 32 divisions/centers for both Fiscal Years 2015 and 2016, we noted five division/centers did not have the inventory listing on file to support the amount reported on the annual certification; all 32 divisions/centers included items under $500 in the calculation of equipment inventory; and closed centers (Dwight and Tamms) still had property items reported in those locations.

- During our property testing at the Department's Concordia Court campus, we noted the following:

    - We were unable to locate 8 of 60 (13%) totaling $11,691 items from the property listing. The items that could not be located were: siren, facsimile machine, acoustical hood, duplicator, camera, switch, projector, television, cable fault locator, copier, two printers, and a side chair.

    - We were unable to trace 7 of 60 (12%) items to the property listing. The items that could not be traced were: paper cutter, one cabinet, converter, case, cordless response system, light meter, and credenza. The total amount for the items not traced to property listing could not be determined.

    - We noted 13 of 60 (22%) items that were located in the General Office were not tagged. The total amount for the items not tagged could not be determined.

    - During property testing of 60 deletions, we noted the following:

        - seven deletions totaling $47,049 were approved over three to four months after the date prepared of the Request for Change of Status of Equipment (DOC 0013) was prepared;
        - three deletions totaling $15,928 were approved prior to the receipt of the DOC 0013;
        - five equipment items totaling $151,881 were transferred to the Department of Central Management Services (CMS) in Fiscal Years 2011, 2013, and 2014 but were not removed from the Department's property records until Fiscal Year 2015;
        - three equipment items totaling $4,402 were transferred to CMS in Fiscal Years 2013 and 2015 but were removed from the Department's property records only in Fiscal Year 2016;
        - two equipment deletions totaling $11,439 were classified incorrectly; and
        - one equipment deletion for $437 was not supported by proper documentation and was therefore not able to test the value deleted.

    - We extended our sample selection and noted 11 equipment items totaling $11,828 were disposed of, but had not been removed from the property listing and 77 equipment items totaling $80,754 were transferred within the Department; however, the locations were not updated in the property listing.

    - During testing of 60 equipment vouchers, we noted 8 vouchers totaling $654,731 with equipment items that were not included in the property listing.

    - During property testing of 60 additions, we noted the following exceptions:

        - one item for $228 was classified as newly acquired, but supporting documentation stated that is was acquired from CMS (transferred in);
        - one item for $132 erroneously included sales tax in its value;
        - one item for $457 was missing all information on the transfer of equipment;
        - one item for $1,500 did not include shipping charges;
        - five items totaling $2,777 had no invoice available and were priced as like-items rather than actual purchase price;
        - one item for $336 was incorrectly entered into the property system as $3,356, which resulted in a difference of $3,020; and
        - one item for $600 was incorrectly entered into the property system as transferred, but was not received by the requesting Center (Stateville).

- During detailed testing of State property items at 10 Illinois Correctional Industries shops, we were unable to trace 2 of 60 (5%) items to the property listing. The items that could not be traced were: baler and a miter saw.

- During the detailed testing of State property items in 25 Correctional Centers and 4 Adult Transition Centers, the following exceptions were noted:

- Ten items, totaling $11,632, were unable to be located at East Moline, Logan, Menard, Stateville, and Vandalia Correctional Centers.

- Stateville Correctional Center reported 926 missing items, totaling $765,705.

- The property listing was not properly updated for Big Muddy, Danville, Dixon, East Moline, Graham, Hill, Illinois River, Jacksonville, Lincoln, Menard, Sheridan, Stateville, Taylorville, Vandalia, Vienna, and Western Illinois Correctional Centers. Auditors also noted this issue at Crossroads, Fox Valley, North Lawndale, and Peoria Adult Transition Centers. The property listing included property items valued at $100, deleted items, and missing items. The property listing excluded additions, transfers-in, and items that were scheduled to be transferred out but were still on site. In addition, the auditors noted property items with incorrect location codes as well as untimely removal of disposed items.

- Damaged goods, obsolete and surplus equipment items that were not properly disposed of through CMS were observed in facilities. These facilities were: Danville, Dixon, Hill, Menard, Sheridan, Stateville, Vandalia, and Western Illinois Correctional Centers. Auditors also noted this issue in North Lawndale and Fox Valley Adult Transition Centers. In addition, 478 items totaling $144,079 were assigned to four condemned buildings throughout the Stateville Correctional Center.

- Missing supporting documents and missing approvals on supporting documents were noted for deletions and transfers at Danville, Hill, and Stateville Correctional Centers.

- Fifteen property items, totaling $43,654, were not properly tagged at Big Muddy, Decatur, Dixon, East Moline, Graham, Hill, Stateville, Vienna, and Western Illinois Correctional Centers. Auditors also noted 22 property items, totaling $45,699, were not properly tagged in Crossroads, North Lawndale, and Peoria Adult Transition Centers.

The State Property Control Act (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 Act (30 ILCS 605/6.03) requires the record for each item of property shall contain such information as will in the discretion of the administrator provide for the proper identification thereof. The Act (30 ILCS 605/4) requires every responsible officer of state government to be accountable for the supervision, control, and inventory of all items under their jurisdiction.

The State Records Act (5 ILCS 160/8) requires the head of each agency to make and preserve records containing adequate and proper documentation of essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency’s activities.

The Comptroller's Statewide Accounting Management System (SAMS) Manual (Procedure 29.10.10) provides agencies with guidance on how to maintain such records and states that detailed 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.

The SAMS Manual (Procedure 29.10.30) on CDB Activity states cost associated with remodeling, renovation and rehabilitation projects are to be recorded by the agency in their capital records as a repair and maintenance cost for that period and to follow the guidance for distinguishing between repairs and maintenance and capital items in SAMS 03.30.10.

The SAMS Manual (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 State Finance Act (30 ILCS 105/20) defines equipment to include all expenditures having a unit value exceeding $100.

The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.210) requires agencies to mark each piece of State-owned equipment in their possession with a unique six digit identification number; 44 Ill. Adm. Code 5010.230 requires agencies to maintain records including identification number, location code number, description, date of purchase, purchase price, object code, and voucher number.

Administrative Directive (A.D.) (02.70.105) requires the Center to identify or tag each piece of State-owned controlled property in its possession with a unique identification number. A.D. (02.70.115) states property that is no longer needed by a facility shall be identified as either transferable, non-transferable, trade-in, or demolition. Transferable property is property that is in good condition and that may be useful to another facility or agency. Non-transferable is property that is no longer useful due to condition or requires costly repairs. A.D. (02.70.150) requires the signatures of the Responsible Officer, Receiving Officer, the respective Deputy Director or Chief, the Assistant Deputy Director of Fiscal Operations, and the Property Control Manager.

Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires all State agencies to 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.

The Code (44 Ill. Admin. Code 5010.400) requires agencies to adjust property records within 30 days of acquisition, change or deletion of equipment items.

The Department converted its capital asset system from the APCS to the CIS and shut down the APCS in March 2016. However, the conversion was not completed and no entries were made to the CIS to enable the Department to use the CIS information for its capital asset reporting for Fiscal Year 2016. The Department used the APCS report from March and manually summarized the property transactions from all the Centers and locations and prepared the capital asset and depreciation work forward analysis to June 30, 2016 as a basis for the capital asset reports and amounts reported in the financial statements.

The Department attributed the exceptions to inherent limitations of the Department's APCS, which changed during March 2016, staff turnovers, staff limitations, competing priorities, human error, and employee oversight.

The Department had property and equipment totaling approximately $1.8 billion as reported on the Form C-15 at June 30, 2016 decentralized throughout the State. Failure to maintain adequate fixed asset records and inaccurate reporting of capital assets 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. 2016-002, 2014-002, 12-02, 10-04, 08-07)

RECOMMENDATION:

We recommend the Department:

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

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will continue devoting the resources necessary, within the limitations of the current technology and budget constraints to ensure that capital asset information is properly recorded and maintained. IDOC is working to update the current Central Inventory Control System (CIS) to reflect accurate amounts. Fiscal will also work with Capital Development Board (CDB) to try to make sure all necessary information will be captured in the future.

2016-003 **<u>FINDING:</u>** (Lack of control over computer systems)

The Department of Corrections (Department) failed to implement or document the controls over its computing environment to ensure 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 Offender Tracking, Juvenile Tracking (until December 13, 2015), Offender 360 (commencing on December 14, 2015), 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 and the Department's finances.

In the prior audit, the auditors determined the Department had not implemented adequate controls over its computing environment. During the current audit, the auditors determined the Department had not taken appropriate actions to correct these weaknesses.

During testing, the auditors noted:

- The Department had not implemented a formal change management process to control changes to its environment and applications.
- The Department had not developed a disaster recovery plan or conducted testing.
- The Department did not have controls in place to ensure only authorized individuals had access or had appropriate access to its applications.

Department management stated that the exceptions were due to oversight and understaffing of support personnel to monitor and document the controls for the computer systems.

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

Due to the severity of the deficiencies noted, auditors were unable to rely upon the IT environment controls. As such, the auditors consider the weakness to be a material weakness in the Department's internal control over financial and fiscal operations. (Finding Code No. 2016-003, 2014-005, 12-08)

<u>RECOMMENDATION:</u>

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

DEPARTMENT RESPONSE:

Recommendation accepted. Department of Corrections (IDOC) will continue working to ensure that IT internal controls are implemented and documented over its computing environment to provide for sufficient protection. This work will include collaborating with DoIT to formally update all of the policies and procedures covering the controls over the computer environment.

2016-004 **<u>FINDING:</u>** (Inadequate administration of locally held funds at the Correctional Centers)

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

As part of performing the financial audit of the Department, auditors performed tests of the locally held funds at the Department's 25 Correctional Centers. The specific locally held funds tested included the DOC Commissary Funds (Commissary Fund), DOC Resident's Trust Fund (Trust Fund), DOC Resident's and Employee's Benefit Fund (Resident Benefit Fund and Employee Benefit Fund), and Travel and Allowance Revolving Fund.

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

- Centers could not provide minutes from the committee meetings or committee meeting minutes did not include approval of the expenditures for the Employee Benefit Fund at Robinson, Southwestern Illinois, and Stateville Correctional Centers.

  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. The minutes must be maintained for each meeting. The A.D. also 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.

- Decatur, East Moline, Lincoln, Logan, Sheridan, Stateville, and Western Illinois Correctional Centers did not properly perform monthly reconciliations on some of their locally held funds. Outstanding checks were not timely voided at Graham, Lincoln, Sheridan, and Stateville Correctional Centers.

  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. Once completed, the reconciliation is to be submitted to the Center's Business Administrator and Chief Administrator for review and signature.

  A.D. (02.40.104) states that checks outstanding for three months shall be reviewed. A Stop Payment request shall be submitted to the bank unless the bank assesses a charge for processing a "stop payment" that is equal to or greater than fifty percent of the value of the check. Then a stop payment shall not be issued. The check shall remain open for a period of 14 months, at which time the check shall be voided and the payable deleted.

- Auditors noted the following exceptions related to accrual of profits and required transfers in compliance with the Unified Code of Corrections (Code) (730 ILCS 5/3-4-3c). The Department utilizes a Commissary Fund Cash Review Form (DOC 0075) to calculate and effectuate the transfers.

  We performed a 100% summary review of the DOC 0075's completed during Fiscal Years 2015 and 2016 and noted the following:

  - Four centers completed the DOC 0075 but did not follow the instructions as to how much funds were to be transferred. These were noted at Graham, Lawrence, Lincoln, and Robinson Correctional Centers.
  - Five centers completed the DOC 0075 but determined transfer amount according to an alternative methodology. These were noted at Logan, Menard, Pinckneyville, Stateville, and Western Illinois Correctional Centers.
  - Three centers completed the DOC 0075 and partially followed the form's transfer amount methodology. These were noted at Centralia, Dixon, and Pontiac Correctional Centers.
  - Six centers completed the DOC 0075 but the determined amounts to transfer were not made accurately. These were noted at Decatur, East Moline, Hill, Southwestern Illinois, Taylorville, Vandalia, and Vienna Correctional Centers.
  - Inmate Benefit Fund's mandated 40% share of Inmate Commissary Fund's profits totaled $3,810,104 and $3,929,661 during Fiscal Years 2015 and 2016, respectively. However, the Centers transferred $1,954,297 and $2,304,394 only during Fiscal Years 2015 and 2016, respectively.
  - Employee Benefit Fund's mandated 40% share of Employee Commissary Fund's profits totaled $77,142 and $82,026 during Fiscal Years 2015 and 2016, respectively. However, the Centers transferred $22,999 and $52,352 only during Fiscal Years 2015 and 2016, respectively.

  We further reviewed the detail of the transfers at the tested Correctional Centers and noted the following:

  - Jacksonville Correctional Center did not properly accrue profits on sales from the Employee Commissary Fund (ECF) when booking liabilities to the Department's Reimbursement Fund (Fund 523) and Employee Benefit Fund (EBF) for 5 of 6 (83%) months tested totaling $2,055 and $1,145 respectively. The total dollar value of statutory profits not transferred from ECF to EBF at the Center during Fiscal Years 2015 and 2016 were $3,749 and $3,792, respectively. The Center also did not make transfers from ECF to Fund 523 during Fiscal Years 2015 and 2016. The total dollar value of statutory profits not transferred from ECF to Fund 523 at the Center during Fiscal Years 2015 and 2016 were $5,623 and $5,687, respectively.

  - Logan Correctional Center did not perform profit transfers during Fiscal Year 2016. The Center's due from the ICF to the IBF totaled $830,656 at June 30, 2016. The Center's due from the ECF to the EBF totaled $21,121 at June 30, 2016.

- Menard Correctional Center was not accumulating the correct amount of liabilities from ECF to Fund 523 and EBF during Fiscal Years 2015 and 2016. We noted the total amount due from ECF to EBF at the Center totaled $25,034 and $20,205 at June 30, 2015 and June 30, 2016, respectively.

- Stateville Correctional Center did not make the required transfers to IBF of $429,282 in Fiscal Years 2015 and $100,429 in Fiscal Year 2016; and to Fund 523 of $58 in Fiscal Year 2016. The Center also did not timely transfer profits to Fund 523 in 13 of 24 (54%) months, ranging from two to 29 days late.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

The Code (730 ILCS 5/3-4-3c) states forty percent of the profits on sales from commissary stores shall be expended by the Department for the special benefit of committed persons which shall include but not be limited to the advancement of inmate payrolls, for the special benefit of employees, and for the advancement or reimbursement of employee travel, provided that amounts expended for employees shall not exceed the amount of profits derived from sales made to employees by such commissaries, as determined by the Department. The remainder of the profits from sales from commissary stores must be used first to pay for wages and benefits of employees covered under a collective bargaining agreement who are employed at commissary facilities of the Department and then to pay the costs of dietary staff.

A.D. (02.44.110) specifies once per month, 40% of the net profit of the Employee Commissary shall be accrued to Employee Benefit Fund while 60% of the net profit shall be distributed to the Department of Corrections 523 – Salary Reimbursement Fund. The checks made payable to the Department of Corrections Fund 523 – Salary Reimbursement Fund are to be prepared expeditiously, allowing sufficient time to ensure receipt by the 20th of the month at the office of the Central Account Section.

A.D. (02.44.110) also states that once per month, the Business Administrator shall determine the excess cash available in the ICF and ECF, if applicable, and authorize payment to the appropriate benefit fund. Sufficient funds shall be retained in the commissary fund to maintain operation of the commissary. The Business Office shall complete the reconciliation using the Commissary Fund Cash Review Form (Form), DOC 0075, and submit the form to the Business Administrator. The Business Administrator shall review and approve the Commissary Fund Cash Review Form prior to any payments of excess cash from the commissary funds.

- Auditors noted the following exceptions at the Correction Centers related to the recording of financial transactions:

- Accounts payables were not properly recorded at Centralia, Decatur, Jacksonville, Lincoln, Logan, Menard, Shawnee, Southwestern Illinois, Stateville, Taylorville, Vandalia, and Vienna Correctional Centers. Accounts payable was understated by $48,815 and overstated by $11,994 in Fiscal Year 2015, and understated by $23,391 in Fiscal Year 2016.

- Stateville Correctional Center did not properly record the receipt or sale of gift cards. Certain vendors were allowed to sell their products in the Center. In exchange, a percentage of the profits from the vendors' sales are received by the Employee Benefit Fund in the form of gift cards. The gift cards are placed in baskets as part of raffle fundraisers. The Employee Benefit Fund does not properly record the receipt or sale of the gift cards.

FCIAA (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.

- Big Muddy, Decatur, Dixon, East Moline, Jacksonville, Lawrence, Lincoln, Logan, Menard, Shawnee, Sheridan, Southwestern Illinois, Stateville, Vandalia, and Vienna Correctional Centers did not deposit locally held fund receipts timely. Receipts were deposited between 2 to 46 days late. Auditors also noted receipts were missing proper date received stamps and therefore were unable to determine the timeliness for some of the deposits. This exception was noted at East Moline, Jacksonville, and Vandalia Correctional Centers.

  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.

- Weaknesses in segregation of duties were noted as follows:

  - Decatur, Logan, and Stateville Correctional Center did not properly cancel or update signature authority for individuals who were no longer employed for the corresponding Center.

  - The same employee was responsible for performing the bank reconciliation and had responsibilities of writing checks or signing checks. This exception was noted at Big Muddy, Shawnee, and Vandalia Correctional Center.

  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 the following exceptions related to disbursements and receipts:

  - 38 of 143 (27%) disbursements totaling $53,384 were not adequately supported. These were noted at Big Muddy, Decatur, Logan, Southwestern Illinois, Vandalia, Vienna, and Western Illinois Correctional Centers for Employee Benefit Fund disbursements; at Stateville Correctional Center for Commissary Fund disbursements; and Logan and Stateville Correctional Centers for Travel and Allowance Revolving Fund disbursements.

  - 25 of 61 (41%) receipts totaling $35,222 were not adequately supported. These were noted in Logan and Stateville Correctional Centers for Employee Benefit Fund receipts; in Shawnee Correctional Center for Commissary Fund receipts; in East Moline and Logan Correctional Centers for Resident Trust Fund receipts; and Stateville Correctional Center for Travel and Allowance Revolving Fund receipts.

  A.D. (02.95.105) requires records to be properly identified for ready access, stored, and safeguarded at the facility.

- Stateville Correctional Center did not have collateral at the bank for the bank balance amount over the Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000. The Center had two accounts for the Inmate Commissary Fund and the Travel and Allowance Fund at the bank at the end of Fiscal Year 2015, totaling $371,652, and Fiscal Year 2016, totaling $462,330. The Center did not have collateral for the $121,652 in Fiscal Year 2015 and $212,330 in Fiscal Year 2016 amounts over the FDIC insurance limit.

  A.D. (02.40.102) establishes if the sum of locally held funds excluding offender trust funds on deposit at a single financial institution exceeds $100,000, the Business Administrator shall request pledged collateral to equal the amount in excess of the $100,000 Federal Insurance maximum. On July 22, 2010, the Federal Insurance maximum increased from $100,000 to $250,000.

- During receipts testing, auditors noted at Graham Correctional Center that 9 of 10 (90%) transfers totaling $1,277,568, to the Inmate Commissary Fund from the Inmate Trust Fund were made 16 to 55 days late. The auditors also noted the same exceptions at Shawnee Correctional Center for 10 of 10 (100%) transfers, totaling $364,620, were made 10 to 45 days late.

  A.D. (02.42.105) requires the Center to write a check payable from the Inmate Trust Fund to the Inmate Commissary Fund for commissary purchases at least weekly.

- Auditors noted disbursements included the payment of sales tax at Decatur, East Moline, and Vandalia Correctional Centers.

The Illinois Administrative Code (86 Ill. Adm. Code 150.330) exempts governmental bodies from paying sales tax on purchases.

- Auditors noted disbursements did not have the required authorization signatures at Danville, Decatur, Logan, Vandalia, and Western Illinois Correctional Centers.

  A.D. (02.40.102) requires two signatures on all checks.

- Auditors noted the Center loaned money from the Inmate Commissary Fund to the Travel and Allowance Fund without obtaining written approval of the Chief Administrative Officer (CAO) at Jacksonville and Vienna Correctional Centers.

  A.D. (02.40.108) states loans may be made to the Travel and Allowance Fund if an emergency exists; written approval must be obtained from the CAO for monies to be loaned from the Inmate Commissary Fund.

The Department indicated the exceptions noted were due to staff turnovers, staff limitations, competing priorities, human error, and employee oversight at the Correctional Centers. Further, due to the statewide budget crisis, commissary profit transfers were ceased or delayed to help balance and maintain cash flows among the locally held funds.

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. 2016-004, 2014-004, 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.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will continue working with Center staff on the requirements related to the operation and maintenance of locally held funds and is striving for continual improvements in the IDOC's centralized oversight and audit function by recommending improvements and the maintaining of accuracy of locally held funds at the Centers. The IDOC is currently reviewing directives related to locally held funds and is processing revisions as necessary. In addition, Fiscal Accounting Compliance is reviewing and revising the FACTS manual. Fiscal staff conducts monthly conference calls with business office staff to discuss relevant issues and concerns to assist is communicating proper procedures and ensuring understanding among staff.

2016-005 **FINDING:** **(**Inadequate controls over commodity and commissary inventory)

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

The inventory balance reported by the Department at June 30, 2016 totaled $14.4 million, excluding 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 25 Correctional Centers. The determination of sampling which Correctional Centers to test was made based upon an analysis of the Correctional Centers' inventory, capital assets, and locally held fund balances.

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

- The inventory counts completed by Center personnel did not agree to the accounting records in The Inventory Management System (TIMS) or the Fund Accounting and Commissary Trading System (FACTS) due to errors in unit of measure and quantity at Graham, Logan, Southwestern Illinois, and Western Illinois Correctional Centers.

- Auditors noted errors in encoding in TIMS or FACTS regarding cost and units per item based on supporting documents at East Moline, Graham, Logan, Pontiac, and Southwestern Illinois Correctional Centers.

- Auditor test counts did not agree or were unable to agree to agency records at Centralia, Danville, Dixon, Hill, Illinois River, Logan, Shawnee, Southwestern Illinois, Stateville, Vienna, and Western Illinois Correctional Centers. The total net understatement amount was $1,049 and differences in total units ranged between 1 to 384.

- East Moline, Logan, and Southwestern Illinois Correctional Center failed to include items, totaling $5,894, in inventory in the proper period.

- Auditors observed Stateville Correctional Center personnel performing physical inventory counts in the inmate commissary using the TIMS Item Status Report to see if the counts were correct instead of using a blank count sheet.

- Stateville Correctional Center did not complete the year-end commodities inventory on June 30, 2016. As a result, the Center could not provide the final Fiscal Year 2016 commodities inventory reports until July 7, 2016. By not providing the inventory as close as possible to year-end, auditors were unable to perform an accurate test count on a sample basis and could not ensure proper cut-off of the final inventory report.

- Auditors noted the June 30, 2015 and June 30, 2016 TIMS Historical Item Status Report commodity inventory balances did not agree with the TIMS Item Usage Report balances at Graham Correctional Center. The difference noted was $1,695 and $1,610 for Fiscal Years 2015 and 2016, respectively. The Item Usage Report is used to determine figures that are reported to the General Office.

- Auditors identified access control weaknesses associated with TIMS at Lawrence, Logan, Sheridan, 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 also noted that employees utilizing TIMS were not given adequate training on TIMS at Stateville Correctional Center.

- Auditors noted weaknesses in segregation of duties for inventory procedures at Stateville Correctional Center. Employees performing the year-end counts, including the Correctional Supply Supervisor, have access to accounting records in TIMS and FACTS. The Correctional Supply Supervisor has custody of the inventory and is also responsible for updating the inventory records when items are sold or disposed.

- Logan and Stateville Correctional Centers were unable to provide the Item Status Report for Fiscal Year 2015 relating to the commissary or the commodities. In addition, auditors noted items which were improperly included as an inventory item or did not agree to items on the final item status report at Graham Correctional Center. One item was purchased as a supply item for use in the commissary, not as an item carried for sale to inmates, and should not have been recorded in the inventory counts, causing an overstatement of $76.

- Auditors noted exceptions related to inventory receiving documents as follows:

    - East Moline Correctional Center did not finalize inmate commissary receiving reports in chronological order in FACTS. The quantities received per receiving reports at the end of the Fiscal Year 2016 did not match first-in, first-out (FIFO) layers included in the Center's year-end physical inventory. Further analysis indicates FACTS "sold" items out of the later FIFO layers, as earlier receiving reports were not finalized and added to FACTS records until a subsequent date. The effects on the Center's cost of goods sold and final inventory balances were negligible due to extremely small fluctuations in unit cost for these particular items.

    - Stateville Correctional Center did not properly enter receiving documents in the appropriate period.

- Auditors noted that final priced inventory balances did not match the Trial Balance in FACTS for June 30, 2015 or 2016 at East Moline and Stateville Correctional Centers. Furthermore, Stateville Correctional Center was unable to provide explanations for inventory item balances totaling $118,953.

- Auditors noted stockpiling of inventory totaling $216,683 at Centralia, Dixon, Illinois River, Sheridan, Southwestern Illinois, Stateville, and Western Illinois Correctional Centers. Stockpiling is defined as maintaining a supply greater than the level needed for a twelve-month period.

- Stateville Correctional Center made inventory adjustments in TIMS totaling a net decrease amount of $5,672 that were not adequately supported and properly approved. In addition, the Center also made a large quantity of adjustments to agree its records within TIMS and FACTS: 15 items adjusted to Fiscal Year 2016 commodities inventory resulting in a net negative adjustment of $16,470, and 161 items adjusted to Fiscal Year 2016 commissary inventory resulting in a net positive adjustment of $90. Furthermore, the Center's transaction register recording issues for Fiscal Year 2015/2016 did not reflect the amount on supporting documentation.

- Logan Correctional Center did not distribute and follow written procedures during year-end inventory for the inmate commissary, employee commissary, and commodities inventory. Furthermore, the inmate commissary year-end inventory count sheets were not printed from FACTS and did not include all inventory items, the product number, or the unit. During inventory counts, auditors noted inventory was not arranged in an orderly manner to facilitate an accurate count. Items within the inmate commissary were organized together, but there was no labeling system to identify the inventory. Further, the commodities inventory was not labeled or organized. Items were sporadically placed throughout the warehouse with the count from the inventory system on the front of skids.

The Department has established several Administrative Directives (A.D.'s) concerning inventory procedures and the above noted weaknesses as follows:

- 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. (02.82.120) requires the Center to review inventory records at least once a year to determine if any items in stock are surplus to current needs.

- 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. (02.82.114A-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.

- A.D. (02.95.105) requires records to be properly identified for ready access and to be stored and safeguarded at the facility.

- A.D. (02.85.110) requires the Center to perform inventory counts on June 30. If June 30 falls on a weekend, the inventory shall be performed on the last work day proceeding June 30.

The Statewide Accounting Management System (SAMS) Manual (Procedure 03.60.20) requires the Department to 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 State Records Act (5 ILCS 160/8 and 160/9) requires the Center to preserve records containing adequate and proper documentation of the essential transactions of the Center 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.

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

The Department indicated the exceptions noted were due to staff turnovers, staff limitations, competing priorities, human error, and employee oversight at the Correctional Centers.

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. 2016-005, 2014-003, 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. IL Department of Corrections (IDOC) continues working with Centers in maintaining and accounting for inventory with the Inventory Management System (TIMS) and Fund Accounting and Commissary Trading System (FACTS) and is striving to continue making improvements in the IDOC's centralized oversight function and the inventory accounting and maintenance within the Centers.

SCHEDULE OF FINDINGS

CURRENT FINDINGS
(STATE COMPLIANCE)

2016-006 **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.

During Fiscal Years 2015 and 2016, the Office of Internal Audit has not performed internal audits for all major systems for the past two fiscal years. The Department failed to conduct a review of the design of the new major electronic data processing system, Offender 360.

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 stated they were unable to comply fully with the Act because of limited internal audit resources and the Department not having Information Technology audit staff during most of the two-year period ending June 30, 2016.

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 computer systems and major modifications to those systems could result in undetected security and integrity problems in new or modified systems. (Finding Code No. 2016-006, 2014-006, 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. Further, the Department should develop an effective process to identify new major computer systems or major modifications of existing computer systems.

DEPARTMENT RESPONSE:

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

2016-007 **FINDING:** (Failure to properly conduct metal detector searches of inmates)

The Department of Corrections (Department) failed to properly conduct metal detector searches of inmates.

During on-site audits of Correctional Centers, auditors noted at Danville, Dixon, Hill, Lincoln, Logan, Menard, Sheridan Vandalia, and Western Illinois Correctional Centers that inmates assigned to mechanical areas where tools and metal are present were not subjected to searches with metal detectors upon exiting the area.

The Department's Administrative Directive (A.D.) (05.01.113) states that any inmate in the Adult Division who works on an assignment or enters any area where metal or metal products are used will be searched with a metal detector upon exiting the area.

Department management stated the exceptions noted were due to oversight. Inmates are subject to pat downs when exiting the area instead of being searched with a metal detector. Some Centers do not have metal detectors due to budget constraints and attempt to comply by utilizing hand-held wands.

Failure to properly conduct metal detector searches of inmates upon leaving areas where metal is present poses multiple safety and liability concerns for Center employees and inmates. (Finding Code No. 2016-007, 2014-021)

RECOMMENDATION:

We recommend the Department properly conduct metal detector searches of inmates who are assigned to mechanical areas where tools and metals are present, in accordance with the Department's Administrative Directive.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure searches of inmates are being performed per the Department's Administrative Directive. To that measure, the Department will identify any needs for acquisition of additional pass-through or handheld metal detector equipment and is also planning a system-wide security check in which this issue will be tested among other potential vulnerabilities. Additionally, the Department is reviewing Administrative Directives pertaining to tools to better identify tools and assignments that would require pass-through or handheld metal detectors.

2016-008 **<u>FINDING</u>:** (Improper management of addiction recovery services)

The Department of Corrections (Department) did not properly manage the addiction recovery services as required by the Unified Code of Corrections (Code) (730 ILCS 5/3-6-2(m)).

During on-site audits of Correctional Centers, auditors identified the following deficiencies in testing the addiction recovery services provided:

- Logan Correctional Center was unable to provide a complete population of offenders enrolled in addiction recovery programs for Fiscal Years 2015 and 2016. In addition, the Center was unable to provide attendance sign-in sheets from Fiscal Year 2015. Center officials stated the attendance records had been moved and they were unable to be located.

- Voluntary addiction recovery meetings held at Logan and Jacksonville Correctional Center exceeded the statutory limit of 40 attendees per meeting. Attendees exceeded the statutory limit ranged from 15 to 29 for the meetings tested.

- Sheridan Correctional Center did not maintain documentation for the following:
  - Documentation showing the date of review of 1 of 2 (50%) volunteer applications it received during Fiscal Year 2015 and Fiscal Year 2016.
  - Administration of a tuberculosis test for 1 of 2 (50%) volunteers providing addiction recovery services during Fiscal Year 2015 and Fiscal Year 2016.
  - Request for background investigation for 1 of 2 (50%) volunteers providing addiction recovery services during Fiscal Year 2015 and Fiscal Year 2016.
  - Volunteer orientation training for 2 of 2 (100%) volunteers providing addiction recovery services during Fiscal Year 2015 and Fiscal Year 2016.

The Unified Code of Corrections (730 ILCS 5/3-6-2(m)) 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. It also states the number of persons attending an addiction recovery meeting shall not exceed 40 during any session held at the correctional institution or facility.

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

The Department's Administrative Directive (04.01.122 Section II.G.3.b.2) requires the facility to ensure orientation is completed and documented on the Volunteer Services Orientation Checklist (DOC 0042) before volunteer services begin for each approved volunteer.

Department management stated the exceptions were due to oversight and staff changes.

Allowing committed persons to attend addiction recovery services will aid in their rehabilitation while incarcerated within the Department. However, failure to properly manage the addiction recovery services in accordance with the Code and Department Directives represents noncompliance. (Finding Code No. 2016-008, 2014-013, 12-37, 10-31)

RECOMMENDATION:

We recommend the Department properly manage the addiction recovery services and comply with the State mandate and Department Directives.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure addiction recovery services are provided and properly documented at facilities as required.

2016-009 **<u>FINDING</u>:** (Inaccurate offender records)

The Department of Corrections (Department) lacked controls over offender records.

On December 14, 2016, the Department replaced their legacy applications with Offender 360, which maintains offenders' records. As a result of the weaknesses noted in Finding 2016-011 and weaknesses noted during examinations at the correctional centers the auditors selected a sample of data to determine the accuracy of the offender's information.

As part of their examination of Correctional Centers, the auditors tested the Department's compliance with a sample of mandates. The Sex Offender Registration Act (730 ILCS 150/4) requires the Department to inform offenders who have been deemed a sexual predator or sexual offender of their responsibility to register as a sex offender. However, due to information within the offenders' records being incorrectly migrated from the legacy system to Offender 360, the auditor could not conduct testing. During the migration of records, offenders were flagged as sexual predators, when they were not.

Additionally, the Sex Offender Registration Act (730 ILCS 150/7) requires offenders to register as a sex offender for life. This is required for offenders who had previously been registered as a sex offender, completed the registration period requirements, but were recommitted for sexual offenses. However, Offender 360 did not allow the Department to override the expiration of the previous registration in order to reactivate the lifetime registration requirement.

As a result, the auditors requested from the Department a dataset of all offenders' records from Offender 360 as of June 30, 2016. Although the auditor could not verify the completeness and accuracy of the information, they tested all offenders to determine if required offenders were registered as a sex offender within the Sex Offender Registry. The auditors noted:

- 441 of 2,526 offenders appeared in the registry data, but did not appear to have offenses which required registration.

The Department reviewed a sample of 80 from the 441 exceptions noted by the auditors, noting one offender should not have been listed on the Sex Offender Registry. The Department stated the remaining 79 offenders had prior offenses that required registration. However, complete information had not been provided to the auditors in order to make such a determination.

- 13 of 31,965 offenders did not appear in the registry data, but appeared to have offenses which require registration.

The Department reviewed the 13 exceptions, noting four offenders should have been listed on the Sex Offender Registry; however, they were not. The Department stated the remaining nine offender offenses were not deemed an offense which required them to be registered.

In addition, the Murderer and Violent Offender Against Youth Registration Act (730 ILCS 154/15) requires offenders who were charged with a violent offense against a youth to be informed of their duties to register as a violent offender against youths. In the legacy system, if the victim's age was not known, the system indicated "unknown". However, during the migration of the offenders' records into Offender 360, the offenders' records were flagged as a violent offender against youth, even though the victim's age was unknown and the offender may not have been required to register.

Furthermore, during the migration, required offenders' records were not flagged as a violent offender against youth; therefore, the offender was not notified of their duty to register.

Department management stated that competing priorities and employee oversight were contributing factors to these exceptions.

The Department's failure to maintain accurate offender records has resulted in offenders incorrectly registering or not registering as sex offenders or violent offenders against youth. (Finding Code 2016-009)

RECOMMENDATION:

We recommend the Department take action to review offenders' records to ensure their information is accurate in order to comply with the Sex Offender Registration Act.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure compliance with the Department's responsibilities regarding the Sex Offender Registration Act. The Department will work with the Illinois State Police to ensure that the Department's Offender 360 records comply with the Sex Offender Registration Act.

2016-010 **<u>FINDING</u>:** (Continued lack of fiscal controls over Offender 360 project)

The Department of Corrections (Department) continued to lack controls to ensure fiscal requirements were controlled and documented.

In June 2010, the Department embarked on the development of Offender 360 in order to meet the statutory requirements of Public Act 097-0697 to manage the awarding of sentence credits to eligible offenders.

In the prior examination, the auditors determined the Department had not implemented controls over the fiscal requirements related to the Offender 360 project. During the current examination, the auditors determined the Department had not taken actions to correct the weaknesses.

During their testing, the auditors requested from the Department documentation supporting the total cost of the Offender 360 project. According to Department management, documentation was not maintained in order to determine the total cost. The Department provided an Excel spreadsheet that indicated approximately $23,508,453 had been paid for vendor services since Fiscal Year 2012.

The auditors reviewed contracts, statements of work, schedules, and amendments related to the vendor's service for the development of the Offender 360 project, noting:

- Statements of work and schedules were not signed by the Department.
- Statements of work and an amendment were indicated as draft.
- A Schedule was signed on June 30, 2015 and also expired on June 30, 2015.
- A Schedule did not have an expiration date and did not document the hours associated with the services.
- The licensing agreements did not indicate the price for licenses and cloud services.
- The agreements, schedules, and work orders did not outline the detailed hours associated with each service.

Based on the invoices provided by the Department, the auditors noted:

- Sufficient detail was not provided for eight invoices, totaling $6,678,461, to determine the accuracy of the payment.
- Two invoices, totaling $730,588 were paid by the Capital Development Board on behalf of the Department; however, were not approved by the Department.

In addition, per the auditor's review of ten invoices, the Department over paid the vendor $1,399,911 based on the terms of the agreements.

Furthermore, the auditors noted the Department had prepaid the vendor for services even though the Master Contract and the Contract Obligation Document stated advance payments were not allowed. Additionally, the invoices did not provide sufficient documentation to determine if all services were utilized prior to the expiration of the lapse period.

Department management stated that competing priorities and employee oversight were contributing factors to these exceptions.

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 provide assurance that revenues, expenditures, and transfer 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 to maintain accountability over the State's resources.

The State Finance Act (30 ILCS 105/9.05) states "the voucher shall state on its face that the goods or services are being procured pursuant to a formal, written contract the terms of which require advance payment… The voucher shall also state that the contract requires the goods or services to be delivered or received prior to the expiration of the lapse period of the fiscal year to which the expenditures are charged..."

Furthermore, the State Records Act (5 ILCS 160/8) requires each agency head to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency.

Failure to document, review and control expenditures has resulted in overpayment and improper payments to the vendor. (Finding Code No. 2016-010, 2014-018)

RECOMMENDATION

We recommend the Department implement controls to ensure expenditures are made in accordance to State statute and are properly reviewed and documented. In addition, the Department should seek reimbursement of overpayments to the vendor and follow the contract terms and not make advance payments.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure expenditures are made in accordance to State statute and are properly reviewed and documented.

2016-011 **<u>FINDING</u>:** (Lack of project management over Offender 360 project)

The Department of Corrections (Department) did not have project management controls and had not ensured the development process over Offender 360 was controlled and documented.

In June 2010, the Department began the development of Offender 360 and on December 14, 2015, the Department placed Offender 360 into production. Offender 360 is an enterprise application utilized to track offender location, maintain criminal offense information, release information, security level, personal, medical information, etc. In addition, Offender 360 tracks an offender's visitor information.

In the prior two examinations, the auditors had determined the Department had not implemented controls over the management of the Offender 360 project. During the current examination, the auditors determined the Department had not taken appropriate corrective action to control the management of the Offender 360 project.

As part of their testing, the auditors requested documentation in order to determine if Offender 360 had been developed to meet State requirements and offender records were completely and accurately migrated from legacy applications. Specifically, the auditors noted:

- A project management framework had not been developed to ensure the development met the Department's requirements.

- The Department had not established controls to ensure the vendor's cloud computing environment was sufficient to promote security, integrity, and availability of its applications and data. Neither the contract nor the Service License Agreement with the cloud computing service provider outlined roles and responsibilities regarding the security of the environment or the Department's data.

- Approximately 90.1 million adult offender, youth offender and visitor records were migrated from legacy applications; however, the Department did not provide documentation to ensure the accuracy and adequacy of the data migration from the legacy systems to the Offender 360 application. In fact, the Data Migration Staging Database indicated a significant number of records did not migrate accurately.

- The Department did not provide documentation demonstrating a detailed review of the offender's migrated records.

- The Department did not provide documentation to support User Acceptance Testing (UAT). Specifically, the auditors requested from the Department documentation demonstrating the completion of UAT prior to going live in December 2015. In response to the auditor's request, the Department provided 43 emails, which demonstrated:

    - Individuals were in the process of developing UAT test scripts; however, there was no indication testing had been completed.

    - Test scripts were draft or the preparer had questions regarding the completion of specific steps.

Furthermore on August 8, 2016, the auditors requested a log or documentation of all issues/defects noted during UAT. As of March 8, 2017, the Department had not provided the information requested by the auditors.

The Department had embarked on the development of Offender 360 in order to maintain offender records, including the calculation of the offender's release date. However, due to incorrect logic regarding the custody date and the length of the sentence, Offender 360 did not correctly calculate the release date. According to the Department, employees were to manually calculate the release date and override the entry within Offender 360.

See Findings 2016-009 and 2016-010 for additional findings related to Offender 360.

Department management stated that competing priorities and employee oversight were contributing factors to these exceptions.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states all agencies are to establish and maintain a system of internal fiscal and administrative controls, to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws. Additionally, generally accepted information technology guidance endorses the implementation of project management techniques to ensure computer system development activities meet management's objective.

The lack of a defined project management process 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. 2016-011, 2014-031, 12-18)

<u>RECOMMENDATION</u>

We recommend the Department:

- Develop and implement project management controls to ensure projects are appropriately managed, adequately monitored, and properly documented.

- Establish controls to ensure the vendor's cloud computing environment is sufficient to promote security, integrity and availability of its applications and data. Furthermore, the Department should ensure roles and responsibilities regarding the security of the environment and the Department's data are outlined in the contract or Service License Agreement with the cloud computing service provider.

- Ensure adequate testing is conducted and documentation is maintained to support the complete and accurate migration of data.

- Maintain adequate and complete documentation of UAT.

In addition, the Department should work with the vendor to ensure Offender 360 is meeting all requirements, including the correct calculation of release dates.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure the security, integrity and availability of its applications and data. Additionally, the Department will continue to work to ensure data migrations are tested and documented adequately, User Acceptance Testing is documented, and projects are properly managed, monitored, and documented.

2016-012 **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 completed its analysis of the process to ensure a written fraud risk assessment is in place.

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 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 that due to conflicting priorities, a formal fraud risk assessment program has not been established.

Without a written and 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. 2016-012, 2014-026, 12-31)

RECOMMENDATION:

We recommend the Department finalize its analysis and establish a written 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.

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.

2016-013 **FINDING:** (Failure to provide mandated information to visitors)

The Department of Corrections (Department) failed to provide mandated information to visitors in the Correctional Centers.

During our mandates testing, we noted the Department did not offer every Correctional Center visitor appropriate written information concerning Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS), including information concerning how to contact the Illinois Department of Public Health for counseling information. This exception was noted in 5 of 25 (20%) Correctional Centers.

The Unified Code of Corrections (730 ILCS 5/3-7-2(f)) states that the Department shall offer every visitor appropriate written information concerning HIV and AIDS, including information concerning how to contact the Illinois Department of Public Health for counseling information. The Department shall develop the written materials in consultation with the Department of Public Health. The Department shall ensure that all such information and materials are culturally sensitive and reflect cultural diversity as appropriate.

Department management stated competing priorities and employee oversight resulted in this exception.

Failure to provide HIV/AIDS information to visitors is noncompliance with State statute. (Finding Code No. 2016-013)

RECOMMENDATION:

We recommend the Department provide HIV/AIDS information to visitors at all of their facilities as required.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to comply with the Unified Code of Corrections (730 ILCS 5/3-7-2(f)) and will work to offer every visitor appropriate culturally sensitive written information concerning HIV and AIDS. This information will include how to contact the Illinois Department of Public Health for counseling information.

2016-014 **FINDING:** (Failure to implement Evidence-Based Programming System)

The Department of Corrections (Department) did not implement an Evidence-Based Programming System as required by State statute.

During our mandates testing, we noted that the Department is still in the process of testing a risk assessment tool identified as Risk, Assets & Needs Assessment Tool (RANA). Currently, the Department hired social workers to work on four different Department Centers to test or use RANA in their effort to test the effectiveness of the tool.

As RANA is still in the process of review and testing, the Department has not adopted policies, rules, and regulations regarding the adoption, validation, and utilization of the statewide standardized risk assessment tool.

The Illinois Crime Reduction Act of 2009 (730 ILCS 190/10(a) through (190)/10(b)) states that the Parole Division of the Department of Corrections and the Prisoner Review Board shall adopt policies, rules, and regulations that, within the first year of the adoption, validation, and utilization of the statewide standardized risk assessment tool described in the Act, result in at least 25% of supervised individuals being supervised in accordance with evidence-based practices; within 3 years of the adoption, validation, and utilization of the statewide, standardized risk assessment tool result in at least 50% of supervised individuals being supervised in accordance with evidence-based practices; and within 5 years of the adoption, validation, and utilization of the statewide standardized risk assessment tool results in at least 75% of supervised individuals being supervised in accordance with evidence-based practices.

Department management stated the Department is still in the process of establishing policies, rules, and regulations regarding the risk assessment tool.

Without an Evidence-Based Programming System in place, the Department is not in compliance with the Illinois Crime Reduction Act of 2009. (Finding Code No. 2016-014)

RECOMMENDATION:

We recommend the Department implement an Evidence-Based Programming System to be in compliance with State mandate.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department has implemented and continues to implement evaluation and assessment tools that aid in identifying the risks, strengths and needs of the Department's custodial and parole population.

- The pre-screen assessment tool will be fully automated and integrated into Offender 360 allowing the Department to identify the recidivism risk levels for the entire population by April 2017.

- The Department is currently evaluating all facility-based and community-based programs with the intention of removing those that do not meet evidenced-based program criteria. The program evaluation being conducted by Southern Illinois University will provide the Department with recommendations for improving clinical programs; ensuring that all programs are delivered with fidelity and aligned with evidenced-based practices.

- Staff training and development has been underway during the audit cycle. Staff have been trained by the National Institute of Corrections and are running a cognitive behavior therapy program “Thinking for a Change” at Pinckneyville Correctional Center with high-risk individuals. The Department currently has 12 certified trainers in Core Correctional Practices (CCP) that have been trained by the University of Cincinnati Corrections Institute and will be adding an additional 12, pending their CCP Training certification. The Department has added CCP training for each incoming cadet class and has trained three full cadet classes now. The Department also conducted regional training at Pinckneyville Correctional Center and in Springfield. Almost 1,000 Department employees have been trained in CCP during 2016. In October 2016, the Department received a $500 thousand supplemental 2nd Chance Act award to conduct additional staff training for Evidenced-Based Practices in Community Settings for the Department’s Parole staff and Thinking for a Change. This training is scheduled for March 2017.

These are on-going systemic changes that will occur across all Department facilities and within the community and are expected to continue into 2017.

2016-015 **FINDING:** (Failure to timely submit interagency accounts receivable write-offs report to the Office of the Comptroller)

The Department of Corrections - Correctional Industries (Industries) failed to timely submit to the Office of the Comptroller a listing of interagency accounts receivable that had been written off.

During our audit, we noted Industries had not submitted timely to the Office of the Comptroller a listing of all interagency receivables that were written off. Industries submitted the listing of all interagency receivables written off during Fiscal Year 2015, totaling $12,308, to the Office of the Comptroller on July 24, 2015, ranging from 67 days to 298 days after the due date. Industries submitted the listing of all interagency receivables written off during Fiscal Year 2016, totaling $60,164, to the Office of the Comptroller on July 21, 2016, ranging from 10 days to 296 days after the due date.

The Statewide Accounting Management System (SAMS) (Procedure 26.40.70) requires agencies to submit a listing of all such write-offs to the Comptroller within 60 days of taking such action.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures and transfer 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.

The Department management stated the exceptions noted were due to competing priorities.

Failure to timely file the required reporting with the Office of the Comptroller resulted in noncompliance with SAMS. (Finding Code No. 2016-015)

RECOMMENDATION:

We recommend the Department file the report on interagency accounts receivable written off within 60 days of being written off.

DEPARTMENT RESPONSE:

Recommendation accepted. The report was filed annually instead of within 60 days of being written off in error. Effective July 1, 2016, the Industries has been filing a report of any interagency accounts receivable that were written off within 60 days of being written off with the Office of the Comptroller.

2016-016 **FINDING:** (Failure to update Administrative Directives)

The Department of Corrections (Department) has not completely updated its Administrative Directives (A.D.s) to reflect the operational changes that have occurred in previous years.

During our testing, we noted the Department had not updated all of its own 457 A.D.s, when changes occurred in its operation. In particular, some of the A.D.s refer to juvenile divisions even when the Department of Juvenile Justice was created in 2006 as a separate State agency. Center auditors noted that some of the Department's A.D.s related to inventory were not properly updated to reflect the change in inventory systems from the Automated Inventory Management System (AIMS) to The Inventory Management System (TIMS). In addition, we also noted an A.D. (specifically 04.50.103) that did not contain all requirements of the Unified Code of Corrections (730 ILCS 5/3-14-1(e)). The A.D.s have effective dates ranging from February of 1984 to July of 2016. The Department has revised a total of 90 A.D.s (54 and 36 A.D.s during Fiscal Years 2015 and 2016, respectively) and reviewed a total of 119 A.D.s (54 and 65 A.D.s during Fiscal Years 2015 and 2016, respectively).

The Department's Administrative Directive (01.01.101) states that administrative directives shall be reviewed on an on-going basis to ensure they are current and consistent with other administrative directives, department rules and statutes. Administrative directives shall be revised or amended when necessary.

Department management stated the level of involvement of all personnel in the review process and the time it takes before any change is taken into effect, prevented them from completing all changes necessary during the year.

Failure to update the A.D.s when significant changes occur in the Department 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. 2016-016, 2014-027, 12-32, 10-33, 08-44)

RECOMMENDATION:

We recommend the Department continue its effort to review and update its A.D.s to ensure they represent the most current, standardized practices of the Department.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will continue its efforts with its funded resources for the review and update of the Administrative Directives, as necessary. We continue to utilize the expedited review process; unfortunately, the Department has lost two policy-writing personnel and all clerical support for the responsible division.

2016-017 **FINDING:** (Failure to document compliance with statutory medical consent waivers)

The Department of Corrections (Department) did not comply with statutory medical consent waivers.

During on-site audits of Correctional Centers, auditors noted Centers did not complete or maintain a copy of the Offender Medical Emergency Consent Waiver for 5 of 5 (100%) waivers tested at Robinson, Sheridan, and Southwestern Illinois Correctional Centers.

The Unified Code of Corrections (Code) (730 ILCS 5/3-6-2) requires a committed person who is incapable of giving consent to receive medical treatment by the Chief Administrative Officer (CAO) consenting on the person's behalf. The Code states before the CAO consents, he or she shall obtain the advice of one or more physicians if such physician advises the person is not capable of giving consent to such treatment. The Code further states the CAO may give consent for such medical or surgical treatment, and such consent shall be deemed to be the consent of the person for the authority of a physician to give such treatment.

The Department's Administrative Directive (04.03.103) states when an offender is incapable of giving consent, medical treatment may be given against an offender's will where approved by the CAO or Duty Administrative Officer (DAO) when, in the opinion of an Illinois licensed physician, immediate treatment is required. The physician's opinion and recommendation and the CAO's or DAO's approval shall promptly be documented on an Offender Medical Emergency Consent Waiver (DOC 0095) and placed in the offender's medical record.

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

Department management stated the exceptions were due to oversight.

Failure to comply with the requirements of medical consent waivers represents noncompliance with the State statutes. (Finding Code No. 2016-017)

RECOMMENDATION:

We recommend the Department comply with the requirements of medical consent waivers.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department agrees that we should be in full compliance with Administrative Directive 04.03.103, section 5 a. and b. which states that, "when an offender is incapable of giving consent, medical treatment…may be given against an offender's will where approved by the Chief Administrative Officer or Duty Administrative Officer…when, in the opinion of an Illinois licensed physician, immediate treatment is required…The physician's opinion and recommendation and the CAO's or DAO's approval shall promptly be documented on a DOC 0095 and placed in the offender's medical record."

In order to achieve and maintain compliance with this portion of the A.D.:

1. All Wardens, Assistant Wardens of Programs and Operations, and the Health Care Unit Administrators (HCUA) will be re-educated on this section of the A.D.

2. HCUAs will review a sample of qualified records (maximum of 5) on a monthly basis to monitor compliance with this section for 6 consecutive months at the three facilities.

3. The findings will be reviewed by the Office of Health Services at 3 and 6 months during the review process.

2016-018 **<u>FINDING</u>:** (Noncompliance with inmate grievance procedures)

The Department of Corrections (Department) failed to preserve records of grievances and decisions made with respect to the grievances as required by the Unified Code of Corrections (Code) (730 ILCS 5/3-8-8).

During on-site audits of Correctional Centers, auditors noted for 18 of 80 (23%) grievances tested at Dixon, East Moline, Graham, Lincoln, Stateville, Taylorville, and Vienna Correctional Centers, documentation of the grievance itself and any decision made with respect to the grievance was not maintained by the Center for a period of one year.

Inmate grievance procedures are outlined in the Code. 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) guides the grievance process. The A.D. 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. However, the A.D. does not include the requirement for the Center to preserve records of grievances and any decisions made with respect to the grievances as required by statute.

Department management stated the exceptions noted at the Centers were due to employee oversight.

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. 2016-018, 2014-022, 12-35)

<u>RECOMMENDATION</u>:

We recommend the Department maintain adequate records indicating each inmate understands the grievance procedures as well as adequate grievance records in compliance with the Code.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to maintain adequate grievance records, as well as appropriate documentation indicating each inmate understands the Department's grievance procedures as required. Over the course of the next fiscal year, it is the Department's plan to automate the Offender Grievance process through one of the following options: (1) current video visitation platform or (2) utilize another platform compatible with integration to Offender 360.

2016-019 FINDING: (Failure to comply with Administrative Directives regarding submission of required reports)

The Department of Corrections (Department) did not maintain documentation to support the timeliness of submission of required reports and, in certain circumstances, did not timely submit required reports.

During on-site audits of Correctional Centers, auditors noted the following weaknesses:

- Centralia, Illinois River, Lincoln, Vienna, and Western Illinois Correctional Centers did not maintain required documentation of when the Centers' Educational Facility Administrators (EFAs) submitted their Fiscal Year 2014 annual evaluation of programs to Administrators and Chiefs of Program and Support Services, which were due by October 1, 2014. In addition, the same exception was noted at Lincoln and Western Illinois Correctional Centers for their Fiscal Year 2015 annual evaluation of programs. As a result, auditors were unable to determine if the Centers performed and submitted their evaluation of programs in a timely manner.

- East Moline Correctional Center's EFA submitted the Fiscal Year 2014 annual evaluation of programs on October 6, 2014, which was five days late.

- Graham Correctional Center did not maintain required documentation of when their EFA reviewed and submitted its Fiscal Year 2015 annual class schedule to its Administrator and Chief of Program and Support Services, which was due by June 1, 2014. In addition, this same exception was noted in Centralia, Dixon, Lincoln, and Western Illinois Correctional Centers for the Fiscal Year 2016 annual class schedules.

- Untimely submission of Fiscal Year 2016 class schedules were noted at Graham and Jacksonville Correctional Centers, which were submitted 22 and 30 days late, respectively. The same exception was noted for the submission of Fiscal Year 2017 class schedules that are due in advance by June 1st in Vandalia and Western Illinois Correctional Centers, which were submitted 43 and 23 days late, respectively.

The Department's Administrative Directive (A.D.) (04.10.101) states an annual evaluation of programs shall be prepared and submitted to the Administrator and Chief of Programs and Support Services by October 1st of each year by the EFA. A.D. (04.10.103) requires the EFA to review class schedules annually and submit same to the Administrator and Chief of Program and Support Services by June 1st of each year.

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

Department management stated the exceptions were due to oversight.

Failure to comply with the requirements of submission of required reports represents noncompliance with Administrative Directives. (Finding Code No. 2016-019)

RECOMMENDATION:

We recommend the Department comply with the requirements to timely submit reports and maintain documentation as required by Statute and Department Administrative Directives.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure that future timelines and required documents are submitted by the required date.

2016-020 **<u>FINDING</u>:** (Noncompliance with the Murderer and Violent Offender Against Youth Registration Act)

The Department of Corrections (Department) did not comply with the Murderer and Violent Offender Against Youth Registration Act (Act).

During on-site audits of Correctional Centers, auditors noted the following weaknesses in the Department's compliance with this Act:

- 11 of 22 (50%) sampled notification forms for applicable offenders were not properly completed in Centralia, East Moline, Jacksonville, Southwestern Illinois, and Vienna.

- Centers were unable to provide documentation of required notification forms for 12 of 30 (40%) applicable offenders sampled in Danville, East Moline, Sheridan, Stateville, Taylorville, and Vandalia Correctional Centers.

The Act (730 ILCS 154/15) requires that any violent offender against youth who is discharged, paroled, or released from a Department of Correction's Facility or other applicable institution, prior to discharge, parole or release shall be informed of his or her duty to register in person within five days of release. A form has been created to satisfy the objectives set out by the Act. The Act states the facility shall require the person to read and sign the form stating that the duty to register and the procedure for registration has been explained and is understood. Further, the Act requires the Center to give one copy of the form to the inmate, each law enforcement agency with jurisdiction and retain one copy for files.

Department management stated that the exceptions were due to employee oversight and staffing shortages.

Failure to comply with the requirements of the Murderer and Violent Offender Against Youth Registration Act represents noncompliance with the State statutes. (Finding Code No. 2016-020)

<u>RECOMMENDATION</u>:

We recommend the Department comply with the requirements of the Murderer and Violent Offender Against Youth Registration Act.

<u>DEPARTMENT RESPONSE</u>:

Recommendation accepted. The Department will work with the Illinois State Police (ISP) to ensure that the Department's Offender 360 records comply with the Murderer and Violent Offender Against Youth Registration Act. The issue is that Offender 360 reported information will not match the ISP records. Registration for the Department's population is completed when the offender leaves custody; not when the person comes to custody.

For example; a person is committed to the Department for an unrelated offense but because of a previous incarceration is now required to register under the Murderer and Violent Offender Against Youth Registration Act. The offender is not able to complete this registration until she or he leaves the Department's custody. This is applicable for the Arsonists Registration and Sex Offender Registration, as well.

This requires both the Department and ISP agree to allow the computer systems to perform the registrations absent of the offender's participation.

2016-021 **<u>FINDING</u>:** (Weaknesses over issuance of temporary identification cards)

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

During on-site testing at Correctional Centers, auditors noted the following weaknesses:

- For 22 of 90 (24%) inmates tested, the Center did not collect the required $1 fee for issuance of a temporary identification card at Centralia, Decatur, Hill, Logan, Robinson, Sheridan, Southwestern Illinois, Vienna, and Western Illinois Correctional Centers.

- For 1 of 10 (10%) inmates tested, the offender's assigned counselor did not sign the offender's Pre-Release Identification Checklist (DOC 0287) to document all necessary requirements were met for the issuance of a temporary identification card at the Southwestern Illinois Correctional Center.

- For the Logan Correctional Center, 3 of 10 (30%) offenders tested did not have a properly completed Offender Authorization for Payment form (DOC 0296). Two were not signed by a witness and the Center was unable to locate the other one. In addition, 10 of 10 (100%) offenders tested did not have a copy of the written request for the temporary identification card in the master file.

- The Danville Correctional Center was unable to provide a listing of inmates receiving a temporary identification card who were on parole, had mandatory supervised release, received final discharge, or were pardoned.

The Unified Code of Corrections (Code) (730 ILCS 5/3-14-1(e)) requires the Department to establish criteria that offenders must meet prior to the issuance of a temporary identification card and requires a $1 fee upon the issuance of a temporary identification card. Furthermore, the Code states the Department shall adopt rules governing the issuance of identification cards to committed persons being released on parole, mandatory supervised release, final discharge or pardon.

The Department's Administrative Directive (A.D.) (04.50.103) requires a copy of all paperwork for the request for a temporary identification card to be maintained in the master file. A.D. (02.42.105) requires offenders to authorize payments other than trust fund disbursements on a DOC 0296 and witnessed by staff.

The State Records Act (5 ILCS 160/8) requires the Center to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Center.

Department management stated the exceptions noted were due to oversight. In addition, Southwestern Illinois Center management stated the $1 fee was not collected in those instances due to a prior facility policy which only permitted inmates to request temporary identification cards two weeks prior to release.

Failure to comply with the requirements for issuing temporary identification cards represents noncompliance with State statutes and the Department's A.D. (Finding Code No. 2016-021, 2014-020, 12-36)

RECOMMENDATION:

We recommend the Department comply with the requirements for issuing temporary identification cards.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department is working closely with the Illinois Department of Public Health (IDPH), the Illinois Secretary of State (IL SOS) and the Social Security Administration to develop new procedures and guidelines for implementation of Public Act 099-0907, effective July 1, 2017. This will involve obtaining offender birth certificates directly from IDPH at offender intake and requesting social security card replacements 120 days in advance of an offender's discharge or release. Since February 2017, the Department has had bi-weekly discussions with the IL SOS to review streamlining and refining other documentation requirements in the attempt to possibly execute issuance of permanent identification cards prior to release or discharge. A draft internal policy will be edited as these interagency agreements are finalized.

2016-022 **<u>FINDING</u>:** (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 has not yet been 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.

During the Fiscal Year 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 currently in storage at the Correctional Centers.

During the Fiscal Year 2014 engagement, there was no progress made towards implementation of the system at the Department. The status remains the same as of the end of the current engagement.

In our review, we continued to note errors in timekeeping which often led to errors in payroll or leave time accrual at Menard and Stateville Correctional Centers. At the Menard Correctional Center, an employee was overpaid for his overtime for the pay period ending May 15, 2016. The employee's timesheet and approval slips reported he worked 12 hours of overtime, but the payroll voucher reflected the employee was paid for 16 hours of overtime. A Stateville Correctional Center employee was charged for two sick days on May 9, 2016. The same employee was underpaid overtime for both pay periods in May 2016. For the first pay period the employee earned 75 hours of overtime but was only paid for 67.5 hours. For the second pay period he earned 52.5 hours of overtime but was only paid for 45 hours.

Department management stated that due to different priorities and budget constraints, an automated timekeeping system was not implemented.

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. 2016-022, 2014-016, 2014-025, 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 started the migration process to the Illinois Department of Human Services' (DHS) automated timekeeping system. DHS' system will still require manual collection and data entry based off of Daily Staff Attendance reports. These manual entries will be converted autonomously and provide automated timekeeping reports. As discussed at the exit conference, the Department does not have sufficient resources to implement an agency-specific to newly-developed timekeeping system; but is very much supportive of the State's efforts to secure the necessary resources required to address this finding.

2016-023 **<u>FINDING</u>:** (Inadequate controls over disbursements from the Springfield Employee's Benefit Fund)

The Department of Corrections (Department) did not maintain adequate controls over disbursements from the Springfield Employee's Benefit Fund (SEBF).

During our sample testing of controls over 30 disbursements totaling $71,346 for the SEBF, we noted the following:

- Two disbursements (7%), totaling $2,750, were reimbursements to an SEBF committee member for funding 3 prepaid debit cards. As of the end of our fieldwork, only 1 of the 3 prepaid debit cards had a remaining balance of $89. Supporting documentation was provided for $2,701 only. There were no policies noted for the issuance and use of the prepaid debit cards.

- Three disbursements (10%), totaling $8,750, were cash prizes given to 89 individuals, ranging from $20 to $1,000. In all instances, there were no details of and acknowledgment of the recipients of these cash prizes. In addition, one prize was for $1,000 in which the Department did not issue the recipient a Form 1099-MISC as required by the Internal Revenue Service (IRS).

- One disbursement, (3%), amounting to $4,000, was for a donation to another Department committee, a non-charitable organization.

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 funds are safeguarded against waste, loss, unauthorized use, and misappropriation. It also requires 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.

The Unified Code of Corrections (Code) (730 ILCS 5/3-4-3) established the Employee Benefit Fund (Fund). The Code states the Fund shall be expended for the special benefit of employees.

The Internal Revenue Code (Title 26, Chapter 1, subchapter A, Part 1, section 74(a)) states gross income includes amounts received as prizes and awards. IRS Instructions for Form 1099-MISC Miscellaneous Income requires specific instructions on reporting prizes and awards of $600 or more during the calendar year.

The Department's Administrative Directive (02.43.102) states that the Employee Benefit Fund may be used for charitable contributions to community organizations.

Department management indicated that almost all of the SEBF transactions occur with the vendor invoicing the SEBF committee and then a check being processed to pay for the items received. The prepaid debit cards were used only in instances where the vendor would not or could not invoice the SEBF committee for the goods received. For the cash prizes, these were awarded during SEBF events, and it was an oversight not to have the recipients sign proof of receipt or issue the Form 1099-MISC to one recipient. The $4,000 was a donation to another Department committee for employees' development and wellness.

Without adequate controls over SEBF disbursements, unauthorized and unallowable expenditures may not be detected. (Finding Code No. 2016-023)

RECOMMENDATION:

We recommend the Department improve controls over SEBF disbursements and develop policies and procedures for use of prepaid debit cards.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will work on creating and implementing policy to address prepaid cards and 1099 reporting.

2016-024 **<u>FINDING</u>:** (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, assignment of autos, and personal use of State vehicle forms.

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. Furthermore, auditors noted exceptions related to the assignment of autos and personal use of State vehicles.

During the testing of vehicle accidents, we noted the following exceptions:

- 25 of 60 (42%) SR-1(Motorist Report of Accident) and Cover letters tested were submitted more than 7 days from the day of the accident.

An analysis of this issue from the last six audits is summarized in the following table:

Two Years Ending	Number of Exceptions	Sample Size	% of Exceptions	Range of Days Late
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
June 30, 2014	20	60	33%	1 to 41
June 30, 2016	25	60	42%	1 to 59

- 10 of 60 (17%) SR-1 Forms tested were not properly completed.

- 1 of 60 (2%) SR-1 Forms tested was missing.

According to the Illinois Administrative Code (Code) (44 Ill. Adm. Code 5040.520), a driver of a state-owned or leased vehicle which is involved in an accident of any type is to report the accident to the appropriate law enforcement agency and to the Department of Central Management Services (CMS) 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 the 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. CMS also states the completion of the Uniform Cover Letter is vital to proceed with the adjustment process.

The Department's Administrative Directive (A.D.) (02.75.149) further states that accidents involving any vehicle operated in the conduct of State business are to be promptly reported regardless of the dollar amount. A.D. (02.75.149) also states that the Vehicle Accident Coordinator is to submit appropriate reports to CMS within 7 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.

During the testing of vehicle inspections, we noted the following exceptions:

- 1 of 60 (2%) vehicles tested did not undergo an annual inspection.

- 1 of 60 (2%) vehicles tested was missing information on oil changes and tire rotations, and therefore we were unable to test.

- 1 of 60 (2%) vehicles tested has not been used for 3 years, and is waiting to be put on iBid, the State's online auction.

- 41 of 60 (68%) vehicles tested did not receive a tire rotation every two oil changes.

- 38 of 60 (63%) vehicles tested received an oil change past the allotted mileage and/or months before a required oil change.

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, 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
June 30, 2014	20	60	33%	340 to 18,915
June 30, 2016	44	60	73%	31 to 9,679

According to the Code (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. The Code (44 Ill. Adm. Code 5040.410) states that agencies are to have vehicles inspected by CMS at least once per year and maintain vehicles in accordance with the schedules provided by CMS or with other schedules acceptable to CMS that provide for proper care and maintenance of special use vehicles.

A.D. (01.02.106) (Maintenance and Use of Vehicles) states that 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.

During the testing of assignment of autos, we noted the following exceptions:

- 17 of 45 (38%) employees assigned a vehicle were not reported to CMS.

A.D. (02.75.130) states that all maintenance and repairs to State vehicles shall be performed at a CMS State Garage facility, unless other arrangements are authorized by CMS.

During the testing of personal use of State vehicles, we noted the following exceptions:

- The Annual Certification of License and Vehicle Liability Coverage form was received after the required due date, ranging from 1 to 77 days late for 27 of 60 (45%) employees tested.

- The Annual Certification of License and Vehicle Liability Coverage form was missing an insurance carrier and/or policy number for 6 of 60 (10%) employees tested.

- The Annual Certification of License and Vehicle Liability Coverage form was missing the employee's signature for 2 of 60 (3%) employees tested.

- The Annual Certification of License and Vehicle Liability Coverage form was missing a "date received" and we were unable to test the timeliness of submission for 2 of 60 (3%) employees tested.

- A Determination of Value Use of a State Vehicle Form or Annual Tax Exemption Certification form was not on file and we were unable to test for proper submission for 12 of 60 (20%) employees tested.

- An Annual Commute Mileage form was not on file for 9 of 60 (15%) employees tested.

- The Annual Individually Assigned Vehicles Tax Exemption Certification form was missing the employee's signature and date for 1 of 60 (2%) employees tested.

- The Annual Certification of License and Vehicle Liability Coverage forms were missing for 5 of 60 (8%) employees tested.

- The Annual Commute Mileage form had a date received before the employee signed and dated the form for 1 of 60 (2%) employees tested.

- The Annual Commute Mileage form was missing a date received and we were unable to test the timeliness of submission for 6 of 60 (10%) employees tested.

- The Annual Commute Mileage form was missing the employee's signature for 1 of 60 (2%) employees tested.

- The Determination of Value for Individual Use of a State Vehicle form was missing a date received and we were unable to test the reasonableness of submission for 3 of 60 (5%) employees tested.

- The taxable benefit did not equal the employee's amount to be added per pay period stated on the Determination of Value for Individual Use of a State Vehicle form for 3 of 60 (5%) employees tested.

- The Annual Individually Assigned Vehicles Tax Exemption Certification was not signed by the supervisor for approval for 5 of 60 (8%) employees tested.

A.D. (01.02.106) states that upon assignment of a vehicle, the employee shall receive the Individually Assigned Vehicle Usage Packet, including instructions. The following forms shall be completed by the employee and submitted to the Statewide Vehicle Coordinator and copies shall be retained in the facility Business Office:

a. Annual Commute Mileage Certification, DOC 0349, to be completed initially and between July 1st and July 31st annually.

b. Annual Individually Assigned Vehicle Tax Exemption Certification, DOC 0348, to be completed initially and between December 1st and December 31st annually.

c. Annual Certification of License and Vehicle Liability Coverage, DOC 0068, to be completed initially and between July 1st and July 31st annually;

d. Determination of Value for Individual Use of a State Vehicle, DOC 0346, to be completed initially and between December 1st and December 31st annually.

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

Good business practice dictates that vehicles should 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. Not maintaining required documentation for personal use of State vehicles can lead to unauthorized use and non-compliance with the Department

Directives. (Finding Code No. 2016-024, 2014-010, 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 what actions should be taken 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.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure employees are reminded of the requirements regarding accident reporting, vehicle maintenance and personally assigned vehicles.

2016-025 **<u>FINDING</u>:** (Inadequate controls over request for leaves of absence)

The Department of Corrections (Department) did not maintain adequate controls over employees' requests for leaves of absence.

During our testing over an employee's request for a leave of absence (LOA), we noted the following exceptions:

- 3 of 60 (5%) employees on a LOA were missing the initial Personnel Action Form (DOC 0044) for LOA approval. 3 of 60 (5%) employees on LOA tested were missing the return Personnel Action Form (DOC 0044) for LOA approval.

- 20 of 60 (33%) employees on a LOA were approved by the Director after the LOA effective date.

- 2 of 60 (3%) return LOA forms tested were approved more than 90 days after the LOA effective return date.

- 9 of 60 (15%) employees on a LOA were missing a letter of request for the LOA from doctor, military, etc.

- 3 of 60 (5%) employees on a LOA were missing an approval date of the initial LOA request by Director/Supervisor. 4 of 60 (7%) employees on a LOA were missing an approval date of return LOA request by Director/Supervisor.

- 6 of 60 (10%) employees on a LOA were missing an employee signature on initial LOA form, missing the Director/Supervisor signature on return LOA form, or were missing the employee signature on the return LOA form.

- 1 of 60 (2%) employees on a LOA had the initial LOA and return LOA signed on the same date by employee and Director.

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

The Department's Administrative Directives (A.D.) (02.65.101) provides general guidelines and separation of duties and responsibilities as they relate to timekeeping. A.D. (02.65.105) establishes written procedures governing the responsibilities of staff regarding the use of vacation time. A.D. (02.65.106) lists procedures regarding the use of personal business leaves. A.D. (02.65.107) establishes procedures governing the responsibility of staff regarding the accrual and use of paid sick leave.

Department management stated competing priorities and employee oversight resulted in these exceptions.

Failure to maintain adequate controls over requests for leaves of absence may result in unauthorized leaves being taken and noncompliance with the State mandates and Department Directives. (Finding Code No. 2016-025)

RECOMMENDATION:

We recommend the Department improve controls over the process for which employees request a leave of absence.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to improve the process for which employees request a leave of absence and to remind staff to provide accurate LOA information in a timely manner.

2016-026 **FINDING:** (Noncompliance with applicable portions of the Arsonist Registration Act)

The Department of Corrections (Department) had not implemented a timely process to inform and document convicted arsonists of their duty to register upon their discharge, parole or release who are going to reside, be employed, or attend school within the City of Chicago.

During our review of mandates, we noted the Department did not amend their Administrative Directive (A.D.) until February 1, 2016, to include a process to inform and document convicted arsonists who are going to reside, be employed, or attend school within the City of Chicago; of their duty to register upon their discharge, parole or release.

Effective January 1, 2005, the Arsonist Registration Act (Act) (730 ILCS 148/15) requires Department facilities to notify individuals who are being discharged, released or paroled of their duty to register in person in accordance with the Act. The facility is to further advise the person in writing that the failure to register or other violation of the Act will result in revocation of parole, mandatory supervised release or conditional release. The facility is also to obtain information about where the person expects to reside, work, and attend school upon his or her discharge, parole or release and also report the information to the Illinois State Police. In addition, the Act (730 ILCS 148/80) states the applicability is only to those individuals that are going to reside, be employed, or attend school within the City of Chicago. This applicability is stipulated until such time as the Illinois State Police (ISP) establishes the Illinois Citizens and Law Enforcement Analysis and Reporting System (I-CLEAR) database. Once the I-CLEAR database is implemented, the process is applicable on a Statewide basis.

Department management stated that due to several parties involved in the review and approval of amendments to A.D.s, the process was not made effective until February 1, 2016.

Without implementing a process timely to inform and document convicted arsonists of their duty to register upon their discharge, parole or release results in untimely compliance with the Act. (Finding Code No. 2016-026, 2014-014, 12-39, 10-32, 08-45, 06-16)

RECOMMENDATION:

We recommend the Department continue to implement the process to inform and document convicted arsonists who are going to reside, be employed, or attend school within the City of Chicago, of their duty to register upon their discharge, parole or release in accordance with the Act.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will work with the Illinois State Police (ISP) to ensure that the Department's Offender 360 records comply with the Arsonist Registration Act. The issue is that Offender 360 reported information will not match the

ISP records. Registration for the Department's population is completed when the offender leaves custody; not when the person comes to custody. For example; a person is committed to the Department for an unrelated offense but because of a previous incarceration is now required to register under the Arsonist Registration Act. The offender is not able to complete this registration until she or he leaves the Department's custody.

This requires both the Department and ISP agree to allow the computer systems to perform the registrations absent of the offender's participation.

2016-027 **<u>FINDING</u>:** (Inadequate controls over issuance and revocation of telecommunication devices)

The Department of Corrections (Department) did not maintain adequate controls for the issuance and revocation of telecommunication devices.

During our testing of controls over cell phones and Portable Digital Assistants (PDA), auditors noted the following exceptions:

- 4 of 60 (7%) issued cell phones/PDA tested were missing a corresponding Cell Phone/PDA Acquisition Request Form (DOC 0014).

- 3 of 60 (5%) DOC 0014's tested stated the cell phone/PDA was requested and approved by the same employee.

- 2 of 60 (3%) DOC 0014's tested were missing the Chief Administrative Officer's (CAO) Signature.

The Department's Administrative Directive (A.D.) (02.15.103) states that the employee's supervisor shall complete and forward form DOC 0014 to the CAO. The CAO shall review the request to determine if there is sufficient justification for the assignment. If approved, the CAO shall document his or her recommendation for approval on the DOC 0014 and forward to the Telecommunications Coordinator (Coordinator).

- 1 of 60 (2%) Telecommunication Service Requests (TSR) tested regarding the revocation of cell phones was untimely executed (over 296 days after termination).

A.D. (02.15.101) states that the Facility Coordinator shall prepare a TSR electronically. A copy of the TSR shall be retained by the Facility Coordinator and the original shall be submitted to the Department Coordinator. Upon receipt of the TSR, the Department Coordinator shall retain a copy of the TSR and forward the original TSR to the appropriate Department of Central Management Services' Telecommunications Office for processing.

Department management indicated the exceptions were due to conflicting priorities and inadequate staffing.

Failure to maintain adequate controls over issuance and revocation of telecommunication devices may result in unauthorized or questionable transactions. In addition, the Department is not in compliance with its Directives. (Finding Code No. 2016-027)

RECOMMENDATION:

We recommend the Department maintain and establish adequate controls over the issuance and revocation of telecommunication devices.

DEPARTMENT RESPONSE:

Recommendation accepted. Although there were findings, the Office of Telecom has made substantial improvements over the past few years. The number of cellular devices has gone down and the related costs to the Department have gone down. With the hiring of additional staff, more improvement can be expected.

2016-028 **FINDING:** (Inadequate controls over voucher processing)

The Department of Corrections (Department) did not maintain adequate controls over voucher processing.

During our testing of controls over voucher processing, we noted the following:

- 75 of 635 (12%) vouchers tested, totaling $3,919,957, were approved for payment from 1 to 334 days late.

  The Illinois Administrative Code (74 Ill. Adm. Code 900.70) requires the Department review each vendor's invoice and either deny the bill in whole or in part, ask for more information necessary to review the bill; or approve the voucher in whole or in part, within 30 days after the receipt of the bill.

  Failure to approve vouchers timely could subject the State to unnecessary interest charges.

- 19 of 60 (32%) travel vouchers tested, totaling $6,104, were for reimbursements that were received by the Fiscal Operations later than the next month after the trip took place.

  The Department's Administrative Directive (A.D.) (02.37.110) instructs employees to submit travel expenses monthly on one travel voucher (C-10). More frequent submission is permitted should the accumulated expenses become significant and the employee receives permission from the Travel Coordinator. A.D. (02.37.110) also states that upon receipt of the C-10 from the traveler, the facility Business Office is to forward all C-10s for the previous month's travel to arrive on or before the 15th calendar day of the following month to the Division of Finance and Administration, Management and Budget Unit.

  Untimely submission of travel vouchers results in noncompliance with Department procedures.

- 2 of 60 (2%) operation of automotive equipment vouchers tested, totaling $18,371, reported vehicle tag numbers and license plates that were not traceable to the property listing. In addition, 7 of 60 (12%) equipment vouchers tested, totaling $626,049, had items that were not traceable to the property listing.

  A.D. (02.70.110) requires newly acquired items, except for intra-agency transfers-in, to be entered into the Automated Property Control System using the Store Receiving Report as the input document.

Failure to update property records promptly results in inaccurate and incomplete property records. It could also result in incorrect accounting information and inaccurate financial reporting. Loss of property and equipment may not be detected timely or remain undetected without an accurate property inventory listing.

Department management indicated the exceptions were due to conflicting priorities, employee oversight, and lack of resources. (Finding Code No. 2016-028, 2014-024)

RECOMMENDATION:

We recommend the Department maintain adequate controls over voucher processing.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will strive to process payments in an accurate and timely manner.

2016-029 **<u>FINDING</u>:** (Employee performance evaluations not performed timely)

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

During our testing of performance evaluations, we noted the following exceptions:

- 2 of 60 (3%) employees tested did not have an annual performance evaluation completed in Fiscal Year 2015 and 4 of 60 (7%) employees tested did not have an annual performance evaluation completed in Fiscal Year 2016.

- 1 of 60 (2%) employees tested had a performance evaluation gap of 3 months during Fiscal Year 2015 and 1 of 60 (2%) employees tested had a Fiscal Year 2015 performance evaluation signed 3 months after the evaluation period ended.

- 1 of 60 (2%) employees tested was missing the Agency Head signature on the Fiscal Year 2015 performance evaluation.

- 1 of 60 (2%) employees tested did not have the initial new-hire probationary performance evaluation in Fiscal Year 2015.

- 2 of 60 (3%) employees tested had their Fiscal Year 2015 initial probationary performance evaluation signed after the evaluation period ended ranging from 3 to 14 months.

We tested an additional 10 employees from Illinois Correctional Industries and noted the following exceptions:

- 5 of 10 (50%) employees tested did not have an annual performance evaluation completed in Fiscal Year 2015.

- 3 of 10 (30%) employees tested did not have an annual performance evaluation completed in Fiscal Year 2016.

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.

The Department's Administrative Directive (A.D.) (03.03.110) states that 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. A formal job performance evaluation shall be conducted by supervisory staff on each employee prior to the 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.

Department management indicated the performance evaluations 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. 2016-029, 2014-008, 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. One element of that effort will be Department-wide communication from an executive level staff member of the importance of completing performance evaluations in a timely manner.

2016-030 **<u>FINDING</u>:** (Inadequate documentation of employee training)

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

During our sample testing of training records for 60 Department employees and 10 Illinois Correctional Industries employees, we noted the following:

- 17 (24%) employees in Fiscal Year 2015 and 7 (10%) employees in Fiscal Year 2016 tested did not meet the annual training requirements governed by the administrative directive.

- 3 (4%) employees in Fiscal Year 2015 and 2 (3%) employees in Fiscal Year 2016 did not complete the annual ethics training.

In addition, we noted the following during our testing of personnel records:

- 2 of 9 (22%) employees tested that were hired during the review period did not complete their initial ethics training within 30 days after their date of hire.

- 1 of 9 (11%) employees did not meet the minimum requirement of 40 pre-service hours.

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. Full-time employees are required to complete a minimum of 40 hours of orientation and 40 or 240 hours of Pre-Service (dependent on position). 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.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10), requires a person who fills a vacancy in an elective or appointed position that requires training and a person employed in a position that requires training to complete his or her initial ethics training within 30 days after commencement of his or her office or employment.

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 a failure to follow-up to ensure sufficient training hours were provided and training was 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. 2016-030, 2014-007, 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 the Department's Administrative Directive 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. The direction below was sent to all facilities from the Manager of Staff Development and Training to adhere to A.D. 03.03.102. The Department has also evaluated the current training tracking system, Pathlore, and will be taking steps to procure an update to modernize its functionality.

"In compliance with current audit requirements all facilities should review their staff training files in regards to the below. The expectation shall be all facilities will be 100% compliant for Fiscal Year 2017. Those facilities that have staff who are unable to successfully complete their training (FMLA, Military leave, etc.) must provide documentation reflecting just cause.

1. A.D. 03.03.102 - Only those titles specifically sited within the A.D. shall be provided 16 hours of annual training. All other state employed staff are required to complete 40 hours in addition to the new staff requirements.

2. The Training Coordinator shall maintain an "Employee Training Record" (Form DOC 0220) in addition to Pathlore entry, for each staff compliance.

3. The State Officials and Employees Ethics Act 5 ILCS 430/5-10 requires annual completion of the Ethic Training. All new hires "MUST" complete their initial ethics training within 30 days of hire."

2016-031 **FINDING:** (Taking paid leave time and working overtime on the same day)

The Department of Corrections (Department) allowed employees to use leave time (i.e., sick, vacation, personal leave, and accumulated holiday time) for their regular shift and then work another shift at an overtime rate on the same day. While there may be instances where this would be a needed solution to a difficult staff coverage scenario, it could be a sign of abuse of overtime and may be against Department policy.

According to the Department, for Fiscal Year 2016, there was a total of 654,375 hours of overtime paid at a cost of $32,171,005. There were also 572,985 hours of compensatory time used/reimbursed at a cost of $18,384,943. Stateville Correctional Center reported 145,713 hours of overtime at a cost of $7,360,310, the highest amount of overtime of any correctional facility. The facility with the next highest amount of overtime was the Menard Correctional Center with 67,216 hours of overtime at a cost of $2,882,736.

We reviewed Fiscal Year 2016 overtime payments for 20 employees for May 2016. We selected 10 employees at the Stateville Correctional Center and 10 employees at the Menard Correctional Center who had the highest amount of overtime paid. As part of our review, we obtained employee annual timesheets, shift logs, and approval slips for overtime and compensatory time as well as payroll reports for each pay period. We also reviewed the five employees with the highest amount of compensatory time at the Stateville Correctional Center, Menard Correctional Center, and Logan Correctional Center for a total of 15 employees.

In our review of these 35 employee timesheets for Fiscal Year 2016, 10 employees (29%) had used a full day of leave time at least once during the fiscal year on the same day that they had worked overtime. For these 10 employees, we identified a total of 33 instances during Fiscal Year 2016 in which employees used a full day of leave time (7.5 hours) the same day that they also worked overtime. An employee at Stateville Correctional Center used leave time the same day in which they worked an overtime shift on 8 different occasions during Fiscal Year 2016. An employee at Logan Correctional Center used leave time the same day in which they worked an overtime shift on 10 different occasions during Fiscal Year 2016.

The Department's Overtime Equalization Training Manual requires the Department to not consider employees on benefit time for Master Overtime Equalization if the overtime is occurring during the time of the employee's absence.

Also, in June 2013 e-mails, Department officials discussed the issue of employees using benefit time the same day that overtime was worked. The e-mail stated that more than one facility is paying benefit time and giving volunteer overtime to the same individual during the same day. An e-mail memorandum was sent on behalf of the Department's Chief of Operations on June 24, 2013 to the facility wardens asking them to ensure that employees are not working overtime during the same day/period of time that they are receiving benefit time.

Department management stated that competing priorities and employee oversight were contributing factors to these exceptions.

The financial advantage of this practice from the employee's perspective is that the employee is paid for the leave time shift at the usual rate for that day and then also paid for the overtime shift at 1.5 times the usual rate of pay on the same day.

The financial effect on the State, however, is that not only does the State pay the employee at the overtime rate for the shift worked in addition to the regular rate for the leave time taken, but the State must also pay another employee overtime to cover the shift for which the leave time was used. This type of abuse of leave time may be an example of "shift swapping" in which employees knowingly use leave time and swap shifts in order to gain a financial advantage.

We requested any union agreements that allow overtime pay on the same day that leave time is taken; however, the Department could not provide any. (Finding Code No. 2016-031, 2014-015)

RECOMMENDATION:

We recommend the Department of Corrections monitor the use of leave time being used on the same day as overtime is worked and comply with its training manual by not allowing employees to work overtime on the same day that a full day of leave time is also used.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure employee overtime worked complies with the Department's Overtime Equalization Training Manual by not allowing employees to work overtime the same day leave time is also used.

2016-032 **<u>FINDING</u>:** (Compensatory time accrual in violation of federal law and compensatory time payments in violation of union agreement)

The Department of Corrections (Department) violated the federal Fair Labor Standards Act (FLSA) of 1938 for compensatory time accrual by allowing Department employees to accrue more than 480 hours of compensatory time during a one-year period. The FLSA (29 USC 207(o)(3)(A)) does not allow public safety employees of a State agency to accrue more than 480 hours of compensatory time.

The Department is also in violation of the union master agreement when paying compensatory time. The union master agreement for Correctional Officers and Correctional Sergeants (RC-06) requires that accrued compensatory time not scheduled or taken by the end of the fiscal year shall be liquidated and paid in cash at the rate it was earned (Article XII, Section 15 of RC-06 Union Agreement (July 1, 2012, through June 30, 2015; and then to continue year to year)).

According to the Department, for Fiscal Year 2016 there was a total of 654,375 hours of overtime paid at a cost of $32,171,005. There were also 572,985 hours of compensatory time used/reimbursed at a cost of $18,384,943. Stateville Correctional Center reported 145,713 hours of overtime at a cost of $7,360,310, the highest amount of overtime of any correctional facility. The facility with the next highest amount of overtime was the Menard Correctional Center with 67,216 hours of overtime at a cost of $2,882,736.

We reviewed Fiscal Year 2016 overtime payments for 20 employees for May 2016. We judgmentally selected 10 employees at Stateville Correctional Center and 10 employees at Menard Correctional Center who had the highest amount of overtime paid. As part of our review, we obtained employee annual timesheets, shift logs, and approval slips for overtime and compensatory time as well as payroll reports for each pay period. We also reviewed the five employees with the highest amount of compensatory time at Stateville Correctional Center, Menard Correctional Center, and Logan Correctional Center for a total of 15 employees.

For 3 of 15 (20%) employees sampled at Stateville Correctional Center, we found Fiscal Year 2016 payroll payments for compensatory time that exceeded more than 480 hours. These included:

- One employee was paid for 529 hours in June 2015 ($24,868) and 533.63 hours in June 2016 ($25,086).

- Another employee was paid in June 2016 for a total of 672 hours of compensatory time accrued ($29,651). The employee was allowed to accumulate as much as 692 hours of compensatory time at one point in Fiscal Year 2015 and 824 hours of compensatory time at one point in Fiscal Year 2016 before being paid for the time.

- Another employee at Stateville was paid for 649 hours of accrued compensatory time in June 2016 ($30,498). The employee was allowed to accumulate as much as 666 hours of compensatory time at one point in Fiscal Year 2016.

For 5 of 35 (14%) employees tested, the employees were allowed to carry hours of compensatory time from the end of Fiscal Year 2015 or 2016 to the next fiscal year in violation of the union agreement. Two employees at Menard Correctional Center, two employees at Stateville Correctional Center, and one employee at Logan Correctional Center were allowed to carry over a total of 107 hours of compensatory time from the end of one year to the next. One employee accounted for 94.5 of these hours. The Department does not have a centralized timekeeping system to track the hours of compensatory time that employees have accrued. The Department uses a manual timekeeping system and does not track the rate at which compensatory time is accrued/earned for each employee. At Correctional Centers we visited, the balance of compensatory time accrued is listed on the employee's annual timesheet for each month.

Department officials indicated the exceptions noted were due to oversight and insufficient resources.

Allowing employees to accrue excessive compensatory time results in a loss of funds for the State because compensatory time liquidated at the end of the fiscal year may be paid at a higher rate than it was earned earlier in the year. This is because employees that wait until all cost-of-living raises, merit raises, and promotions are received prior to liquidating the time for cash receive a higher rate of pay for the accrued compensatory time. Because the Department does not have a centralized electronic timekeeping system, it is difficult to quantify how prevalent the accrual of compensatory time is or the financial impact. (Finding Code No. 2016-032, 2014-032)

RECOMMENDATION:

We recommend the Department:

- Comply with the federal Fair Labor Standards Act of 1938 by not allowing employees to accrue more than 480 hours of compensatory time;

- Comply with the union master agreement and track and pay compensatory time at the rate it was earned/accrued; and

- Comply with the union master agreement by not allowing employees to carry compensatory time from the end of one fiscal year to the next.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure compliance with the federal Fair Labor Standards Act of 1938, and with union master agreements by tracking and paying compensatory time at the rate it was earned when a centralized timekeeping and payroll system is implemented.

Also, the Department will make every effort to ensure employees do not carry over compensatory time from one fiscal year to the next, unless provided by the union master agreements. The Department will do everything it can to procure an automated timekeeping system which would assist in the tracking and computation of time.

2016-033 **<u>FINDING</u>:** (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 cash balances prior to the transfer of unclaimed cash balances to the General Revenue Fund (GRF).

During on-site audits of Correctional Centers, auditors noted the following:

- Centers transferred $14,998 in dormant accounts that should have totaled $35,592. The difference was due to offsetting or netting balances. This exception was noted at the following Centers: Big Muddy, Decatur, Dixon, Graham, Hill, Illinois River, Lawrence, Lincoln, Menard, Pinckneyville, Pontiac, Shawnee, Stateville, and Vienna.

- Centers did not transfer dormant accounts to the GRF totaling $19,996 during the two years ended June 30, 2016. This exception was noted at the following Centers: Danville, Logan, Sheridan, and Vandalia.

- Inmate Trust Fund dormant positive and negative account balances for 8 inmates, totaling $10,431 and $3,889 respectively, were not transferred to the facilities to which the inmates were transferred. This exception was noted at the following Centers: Menard, Pontiac, Sheridan, and Stateville.

- Sheridan Correctional Center did not properly adjust its records for an inmate's Trust Fund balance of negative $7,677 when such balance had been transferred to another facility to which the inmate was transferred in Fiscal Year 2012.

- Robinson Correctional Center transferred Inmate Trust Fund balances to the GRF totaling $243, prior to claiming reimbursements for burial expenses for which 4 inmates' bodies were unclaimed.

The Unified Code of Corrections (Code) (730 ILCS 5/3-4-3(a)) requires the Department to establish accounting records with individual accounts for each inmate. 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 be transmitted to the State Treasurer who shall deposit it into the GRF.

The Department's Administrative Directive (A.D.) (02.42.106) requires, upon determination of dormant accounts, the Business Administrator to prepare a list, which included the account numbers, inmate's names, identification numbers, account balances, and a memorandum requesting permission to transfer the balances to the GRF. Furthermore, when an inmate is transferred to another facility, the inmate's trust fund account balance shall also be transferred and on or before the fifth working day after transfer, a check for the account balance, payable to the Inmate Trust Fund of the facility where the inmate has been transferred, and a Transfer of Inmate's Trust Funds Report shall be generated by the Fiscal Accounting and Commissary Trading System.

A.D. (02.42.107) requires, in the event the body or remains are unclaimed, all expenses incurred such as transportation, preparation, and burial or cremation should be paid by the facility. These expenses shall be reimbursed from the offender's trust fund account to the extent possible prior to liquidation of the account. The reimbursement shall be in the form of a payment from the offender's trust fund account to the Department of Corrections Reimbursement and Education, Fund 523.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires agencies to establish and maintain a system, or systems, 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 and statistical reports and to maintain accountability over the State's resources.

Center management stated the exceptions noted were due to staff shortages, staff turnover, human error, and employee oversight.

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 Code. In addition, failure to ensure dormant cash balances are transferred to the GRF, to other receiving centers, or paid to the inmate results in noncompliance with Department Directives. (Finding Code No. 2016-033, 2014-033, 12-11, 10-11)

RECOMMENDATION:

We recommend the Department transfer dormant accounts to the GRF as required by law and comply with the State mandate and Department Directives.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to review internal policy and statutory requirements to determine the appropriate process to follow regarding dormant accounts and will supply oversight as needed to the centers. The Department is currently reviewing the Inmate Trial Balance and List Dormant Inmate Funds report to address the proper remittance of dormant accounts.

2016-034 **FINDING:** (Noncompliance with the required transfers of profits from DOC Commissary Funds)

The Department of Corrections (Department) did not comply with the required transfers of profits from DOC Commissary Funds (Commissary Funds) to the DOC Resident's and Employee's Benefit Fund (Inmate Benefit Fund and Employee Benefit Fund).

Auditors noted the following exceptions related to accrual of profits and required transfers in compliance with the Unified Code of Corrections (Code) (730 ILCS 5/3-4-3(c)). The Department utilizes a Commissary Fund Cash Review Form (DOC 0075) to calculate and effectuate the transfers.

- Four Centers completed the DOC 0075 but did not follow the instructions as to how much funds were to be transferred. These exceptions were noted at Graham, Lawrence, Lincoln, and Robinson Correctional Centers.

- Five centers completed the DOC 0075 but determined the transfer amount according to an alternative methodology. These exceptions were noted at Logan, Menard, Pinckneyville, Stateville, and Western Illinois Correctional Centers.

- Three centers completed the DOC 0075 and partially followed the form's transfer amount methodology. These exceptions were noted at Centralia, Dixon, and Pontiac Correctional Centers.

- Six centers completed the DOC 0075 but the determined amounts to transfer were not made accurately. These exceptions were noted at Decatur, East Moline, Hill, Southwestern Illinois, Vandalia, and Vienna Correctional Centers.

- Inmate Benefit Fund's (IBF) mandated 40% share of Inmate Commissary Fund's (ICF) profits totaled $3,810,104 and $3,929,661 during Fiscal Years 2015 and 2016, respectively. However, the Centers only transferred $1,954,297 and $2,304,394 only during Fiscal Years 2015 and 2016, respectively.

- Employee Benefit Fund's (EBF) mandated 40% share of Employee Commissary Fund's (ECF) profits totaled $77,142 and $82,026 during Fiscal Years 2015 and 2016, respectively. However, the Centers transferred $22,999 and $52,352 only during Fiscal Years 2015 and 2016, respectively.

It should be noted that amounts due to other Departmental funds from the DOC Commissary Funds totaled $9.7 million as of June 30, 2016 ($7.8 million to the IBF, $.1 million to the EBF and $1.8 million to the Salary Reimbursement Fund). The due to other Department funds within the Commissary Funds totaled $6.9 million, $7.6 million and $7.8 million in Fiscal Years 2010, 2012, and 2014, respectively.

The Code (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 which shall include but not be limited to the advancement of inmate payrolls, for the special benefit of employees, and for the advancement or reimbursement of employee travel, provided that amounts expended for employees shall not exceed the amount of profits derived from sales made to employees by such commissaries, as determined by the Department. The remainder of the profits from sales from commissary stores must be used first to pay for wages and benefits of employees covered under a collective bargaining agreement who are employed at commissary facilities of the Department and then to pay the costs of dietary staff.

Administrative Directive (A.D.) (02.44.110) specifies once a month, 40% of the net profit of the ECF shall be accrued to the Employee Benefit Fund and 60% of the net profit of the ECF shall be distributed to the Department of Corrections 523 – Salary Reimbursement Fund.

A.D. (02.44.110) specifies once a month, 40% of the net profit of the ICF shall be accrued to the Inmate Benefit Fund and 60% of the net profit of the ICF shall be distributed to the Department of Corrections 523 – Salary Reimbursement Fund.

A.D. (02.44.110) also states that once per month, the Business Administrator shall determine the excess cash available in the ICF and ECF, if applicable, and authorize payment to the appropriate benefit fund. Sufficient funds shall be retained in the commissary fund to maintain operation of the commissary. The Business Office shall complete the reconciliation using the DOC 0075, and submit it to the Business Administrator. The Business Administrator shall review and approve the DOC 0075 prior to any payments of excess cash from the commissary funds.

Department management indicated the exceptions noted were due to staff turnovers, staff limitations, and competing priorities at the Correctional Centers. Further, due to the statewide budget crisis, commissary profit transfers were ceased or delayed to help balance and maintain cash flows among the locally held funds.

The lack of transferring the accurate Commissary Funds profits to the respective Inmate Benefit Fund or Employee Benefit Fund results in noncompliance with the Code and Department Directives and a significant accumulation of amounts owed by the Commissary Funds. (Finding Code No. 2016-034)

RECOMMENDATION:

We recommend the Department review its procedures for form DOC 0075 to ensure a consistent and accurate transfer calculation is utilized. The Department should also determine if the current statutory language is sufficient to allow for operations of the commissary funds, or seek legislative changes if needed. We further recommend the Department develop a plan of action to begin decreasing the liability within the Commissary Funds.

<u>DEPARTMENT RESPONSE</u>:

Recommendation accepted. The Department is currently reviewing the directives and the statute relating to form DOC 0075 to ensure a consistent and accurate transfer calculation is utilized. Further, in light of the on-going budget situation, the Department seeks to decrease the liability within the Commissary Funds as cash flow and funding allow and is discussing a plan of action.

2016-035 **FINDING:** (Weaknesses in change control management)

The Department of Corrections (Department) continued to lack a process to control and manage changes to computer systems.

In the prior two examinations, the auditors noted the Department still had not developed a formal change management process or an effective mechanism to control changes. During the current examination, the auditors noted the Department had not taken corrective actions to ensure an adequate change management process was in place to control changes.

The Department had not developed formal change management procedures to control changes. However, according to the Department, an Enterprise Service Request (ESR) was to be completed for changes.

The auditors reviewed a sample of 42 changes, noting 30 changes did not have an ESR completed and lacked approval. In addition, the Department had not developed procedures related to the testing of changes; therefore, the auditors could not conduct detailed testing.

During testing, the auditors requested documentation demonstrating programmer access; however, the Department did not provide such documentation.

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 to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. In addition, generally accepted information technology guidance endorses the implementation of suitable change management procedures to control changes to computer systems.

Department management stated that competing priorities and employee oversight were contributing factors to these exceptions.

Without adequate formal 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. 2016-035, 2014-034, 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:

- 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 access to all production programs and data.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to develop formal change management procedures.

2016-036 **FINDING:** (Weaknesses regarding the security and control of confidential information)

The Department of Corrections (Department) has weaknesses in the security and control of confidential information.

The Department had several computer systems that contained confidential or personal information such as names, addresses, and Social Security numbers. In addition, the Department maintained protected health information that is classified as confidential and required protection under the Health Insurance Portability and Accountability Act (HIPAA).

During the examination, the auditors noted weaknesses in the security and control of confidential information. Specifically, the auditors noted the Department had not performed a risk assessment of its computing resources to identify confidential or personal information to ensure such information is protected from unauthorized disclosure. In addition, the Department had not developed policies and procedures regarding the Department's responsibilities, as stated in the Personal Information Protection Act (815 ILCS 530), in the event of a breach of personal information.

The auditors also noted the Department was unable to demonstrate that encryption software had been installed on laptop computers. The auditors selected a sample of 25 laptops and the Department was unable to provide documentation to validate the use of encryption software for 19 laptops. In fact, the Department stated for 9 of the 19 (47%) laptops, they were unable to determine the laptop's location.

Department management stated the exceptions noted were due to oversight and understaffing.

The Department has the responsibility to ensure that confidential information is protected from accidental or unauthorized disclosure. Policies and procedures help ensure prompt notification of security breaches to all involved parties in an effort to minimize the potential impact and costs resulting from identity thefts. (Finding Code No. 2016-036)

RECOMMENDATION:

We recommend the Department:

- Perform a risk assessment to evaluate its computer environment and data maintained to ensure adequate security controls, including adequate physical and logical access restrictions, have been established to safeguard its computer resources.

- Develop policies and procedures to ensure timely compliance with the requirements outlined in the Personal Information Protection Act (815 ILCS 530), in the event of a breach of personal information.

- Ensure all confidential information is adequately protected with methods such as encryption or redaction, particularly on portable devices. In addition, the Department should develop a mechanism to ensure the tracking of all equipment.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to ensure confidential information is adequately protected.

2016-037 **FINDING:** (Adult Transition Center records not properly maintained)

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

During our testing of four ATCs (Crossroads, Fox Valley, North Lawndale, and Peoria), we noted the following exceptions:

- At three ATCs, there were 12 instances that stop-payments were not issued for Resident Trust Fund checks that were outstanding for more than three months. The exceptions occurred at Crossroads (6 instances), Fox Valley (4 instances), and North Lawndale (2 instances). In addition, there were 188 dormant checks that were not voided at three ATCs. The exceptions occurred at Crossroads (179 instances), Fox Valley (2 instances), and North Lawndale (7 instances).

The Department's 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, checks shall be voided and the payable deleted.

- Auditors noted inadequate controls for the bank reconciliation process for the Resident Trust Fund at Crossroads, Fox Valley, and North Lawndale ATCs. In addition, exceptions related to the bank reconciliation process for the Employee Benefit Fund were noted at Fox Valley and Peoria ATCs. Auditors noted the following:

    - The financial statements did not agree with the amounts in the ATC's trial balance for the Resident Trust Fund at Crossroads and North Lawndale ATCs.

    - Calculation errors in bank reconciliations for June 2016 for the Resident Trust Fund were noted with differences of $13,198 and $23,319 for Crossroads and North Lawndale ATCs, respectively.

    - Lack of supervisor signatures on all bank reconciliations during the review period for the Resident Trust Fund for Crossroads and North Lawndale ATCs, and for Fiscal Year 2016 only for the Resident Trust Fund and Employee Benefit Fund for Fox Valley ATC.

    - Resident Trust Fund balances reported as of June 30, 2015 and 2016 in the bank reconciliation did not agree with the year-to-date Resident Trust Fund balances as of June 30, 2015 and 2016 at the Crossroads ATC. The differences noted were $487 and $15,443, respectively.

- Bank reconciliations were not completed for the Employee Benefit Fund for May and June of 2016 for the Peoria ATC.

- Bank balance in the June 2015 Resident Trust Fund bank reconciliation at the Fox Valley ATC was overstated by $1,291. This difference was forwarded through Fiscal Year 2016. Fox Valley ATC could not explain the difference.

- Fiscal Year 2015 accounting transactions were not properly closed for the Resident Trust Fund at Crossroads and North Lawndale ATCs. Furthermore, Fiscal Year 2016 accounting transactions were not properly closed for the Resident Trust Fund and the Employee Benefit Fund at the Peoria ATC.

- Crossroads ATC failed to make an adjustment to Accounts Payable and Accounts Receivable transit card accounts totaling $4,500 and $4,494, respectively.

- At the Peoria ATC, auditors noted there was no supporting documentation regarding approval for change in financial institution for Resident Trust Fund and Employee Benefit Fund bank accounts.

- Auditors noted in 1 of 5 (20%) adjusting entries tested, totaling $2,505, the adjustment was incorrectly recorded to the wrong account regarding a Resident Benefit Fund reimbursement at the Peoria ATC.

- A correction of a bank error amounting to $972 was noted at the North Lawndale ATC and was not properly adjusted.

A.D. (02.40.104) states that upon receipt of the bank statement for each checking account, the bank statement shall be reconciled with the General Ledger. The person completing the reconciliation and the Business Administrator shall sign the completed reconciliation documentation. Reconciliation of the locally held fund, general ledger, and subsidiary accounts shall occur monthly after the fund checking account has been reconciled and after a General Ledger posting is completed. When completed, the reconciliation shall be submitted to the Business Administrator and Chief Administrative Officer for review and signature.

A.D. (02.40.102) states the Chief Administrative Officer shall submit a written request to establish a local fund to the Deputy Director of the Division of Finance and Administration. Upon approval by the Deputy Director, the facility may establish the local bank account or cash fund.

- During our Resident Trust Fund resident folder testing, auditors noted the following:

    - The letter of dependent verification was not filed in the resident's folder for 2 of 10 (20%) resident folders at the Peoria ATC.

    - The maintenance fee was not charged to the resident's account, totaling $158 for 2 of 10 (20%) resident folders tested at Crossroads ATC.

A.D. (04.23.110c) states that on a weekly basis, the Chief Administrative Officer shall forward a letter to the Department of Healthcare and Family Services, listing all residents received during the past week. A copy of the letter shall be placed in the financial folder of each resident who was reported.

A.D. (02.42.115) states that any other offenders subject to maintenance who are employed full-time or part-time shall pay 20% of their net income up to a maximum of $100 per week.

- During our Resident Trust Fund and Employee Benefit Fund receipts testing, auditors noted the following at Peoria ATC:

    - 3 of 10 (30%) receipts tested, totaling $63,652, were not deposited timely for the Resident Trust Fund.

    - 2 of 10 (20%) receipts tested, totaling $4,561, were not deposited timely for the Employee Benefit Fund.

A.D. (05.40.110) states that cash accumulated in the amount of $1,000 or more on any business office working day shall be deposited no later than 12:00 a.m. the next working day.

- Peoria ATC was unable to provide supporting documentation and copies of voided checks in 2 of 2 (100%) instances, totaling $44.

A.D. (02.40.104 E c(2)) states that the locally held fund monthly bank statements shall be filed with cancelled checks, if provided, sequentially by check number.

- During our resident personal property testing, we noted the following:

    - Residents have more property items than what is allowed for 7 of 20 (35%) resident property folders tested at the Crossroads and North Lawndale ATCs.

    - Copies of permits were not included for 2 of 20 (10%) resident property folders tested at the Crossroads and North Lawndale ATC.

- Inventory listing was not properly documented for 10 of 10 (100%) resident property folders at the Peoria ATC.

A.D. (05.03.111c) states that designated staff shall be responsible for checking each resident's personal property upon reception to the center against the personal property inventory list received with the resident and providing the personal property coordinator with the inventory list received with the resident. In addition, the personal property coordinator shall maintain a current inventory list of each resident's personal property which requires a permit and ensure that any permit items obtained or disposed are documented on the Resident Personal Property Permit form DCA 3816.

- During our Employee Benefit Fund disbursement testing, auditors noted the following:

    - 2 of 10 (20%) disbursements, totaling $216, did not have the required signatures of approval from the Employee Benefit Fund committee at the Fox Valley ATC.

    - 8 of 10 (80%) disbursements, totaling $24,090, did not have the required Employee Benefit Fund committee meeting minutes at the Peoria ATC.

- During our Resident Benefit Fund disbursement testing, auditors noted the following:

    - 3 of 10 (30%) disbursements, totaling $4,125, did not have the supporting documentation to substantiate the disbursement at the Crossroads ATC.

    - 9 of 10 (90%) disbursements, totaling $9,115, did not have the required Resident Benefit Fund committee meeting minutes at the Peoria ATC.

A.D. (02.43.102) states that each committee shall meet when necessary to review requests for expenditures. Minutes shall be kept for each meeting. All decisions made by the committees shall be documented and shall be subject to the approval of the Chief Administrative Officer.

- At the Crossroads and North Lawndale ATCs, auditors noted that bank fees and bank interest were not recorded. Bank fees (net of bank interest) totaled $6,909 and $7,955 for Fiscal Years 2015 and 2016, respectively, for the Crossroads ATC. Bank fees (net of bank interest) totaling $4,009 and $4,347 for Fiscal Years 2015 and 2016, respectively, for the North Lawndale ATC.

A.D. (02.43.101) states that bank service charges incurred by the Inmates' Trust Fund shall be reimbursed from the Inmates' Benefit Fund.

A.D. (02.40.103) states that interest earned on all local Inmates' Trust Fund checking accounts shall accrue to the Inmates' Trust Fund and shall be recorded accordingly.

Within 20 working days after the notification of interest earned is received, it shall be transferred to the Inmates' Benefit Fund.

- During our IRS Form 1099-MISC (1099 forms) testing, auditors noted the following:
  - 9 of 16 (56%) 1099 forms did not match their corresponding Resident general ledger balance, with an overall net difference of $1,620 at the Crossroads ATC.
  - 2 of 2 (100%) 1099 forms did not match their corresponding Resident general ledger balance, with an overall net difference of $450 at the North Lawndale ATC.

A.D. (02.99.110) states that individual inmate earnings which equal or exceed $600 during one calendar year shall be reported to the IRS by January 31st of the subsequent year. Individual earnings shall be recorded on IRS Form 1099-MISC and a summary of the total number of forms shall be recorded on IRS Form 1096.

Department management indicated the exceptions noted were due to inadequate staffing, lack of resources, inadequate communication, and central level oversight within the Department.

Improper maintenance of records results in noncompliance with State mandates and Department procedures. (Finding Code No. 2016-037, 2014-023, 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 ensure ATCs properly maintain records and comply with State mandates and Administrative Directives.

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 Adult Transition Centers.

2016-038 **<u>FINDING</u>:** (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 (GRF) appropriation to provide gate money and to purchase the inmate's transportation upon parole or release from a Correctional Center.

During on-site testing at Correctional Centers, auditors noted the following exceptions with the operation of the Department's cash box funds:

- Reconciliations of the Travel and Allowance cash box were not performed on a monthly basis to Hill Correctional Center. In addition, all Travel and Allowance cash box transactions only included a statement of release of money and did not include travel receipts to substantiate the disbursement.

- Auditors noted a segregation of duty issue regarding the individual assigned custody of the Travel and Allowance cash box. The same individual performs both the monthly counts and also completes monthly bank account reconciliations for the Travel and Allowance Fund at Graham, Southwestern Illinois, and Stateville Correctional Centers.

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 funds are safeguarded against waste, loss, unauthorized use, and misappropriation. It also requires 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.

Administrative Directive (A.D.) (02.40.101) requires adequate separation of duties for handling locally held funds.

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 after the General Ledger posting is completed.

Department management stated the exceptions noted were due to staffing limitations and oversight.

It is imperative that good internal controls be maintained at all times when significant amounts of cash are maintained. Failure to timely prepare, review and document reconciliations and a lack of segregation of duties increases the likelihood a loss from fraud, theft, or undetected errors and discrepancies could occur and not be found in the normal course of employees carrying out their assigned duties. (Finding Code No. 2016-038, 2014-029, 12-09, 10-09, 08-16)

RECOMMENDATION:

We recommend the Department perform reconciliations of the Travel and Allowance cash box monthly and maintain related supporting travel receipts for disbursements. In addition, we recommend the Department to maintain good internal controls over any cash function.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will remind staff to perform monthly reconciliations and to maintain segregation of duties for handling the locally held funds.

2016-039 **FINDING:** (Inadequate controls over computer inventory)

The Department of Corrections (Department) was not able to locate 709 computer items during its annual physical inventories for Fiscal Years 2015 and 2016. 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 2015 Physical Inventory Report submitted to DCMS, the Department reported it was unable to locate 1,501 items totaling $2,087,859 out of a total of 46,276 (3%) items totaling $263,788,745 (1%). In its Fiscal Year 2016 Physical Inventory Report, the Department reported it was unable to locate 1,940 items totaling $3,127,163 out of a total of 43,086 (5%) items totaling $131,106,294 (2%).

Upon further inquiry with Department personnel, we noted 358 of the 1,501 items not located in Fiscal Year 2015 were computer inventory totaling $417,377 and 351 of the 1,940 items not located in Fiscal Year 2016 were computer inventory totaling $386,439.

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 to 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.

Department management stated the computers not located during the annual physical inventory may not necessarily be lost or stolen. The Department stated some of the computer items not located may have been transferred as surplus items and the related property transfer forms were not prepared, thus resulting in the discrepancy during the annual physical inventory.

Failure to follow up on missing computer equipment may result in a lack of control over State property and the risks associated with the potential exposure of confidential information. (Finding Code No. 2016-039, 2014-028, 12-25)

RECOMMENDATION:

We recommend the Department establish procedures to timely investigate items not located during the annual physical inventory. Further, the Department should immediately assess if missing computers contained confidential information and take the necessary actions per the Department's policies and the Personal Information Protection Act.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to collaboratively work with DCMS to ensure timely investigations are performed on items not located during annual inventory and make an assessment of those reconciled to determine whether missing computers, if any, contained confidential information.

2016-040 **FINDING:** (Lack of disaster contingency planning or testing to ensure recovery of computer systems)

The Department of Corrections (Department) had not developed a disaster recovery plan or conducted recovery testing to ensure the timely recovery of its applications and data.

The Department carries out its mission through the use of Information Technology, on the mainframes, local area network, and cloud environments.

As noted in the prior two examinations, the Department had not developed a disaster recovery plan to ensure the recovery of its systems and data. The auditors noted again in the current examination, the Department had not developed a disaster recovery plan.

Additionally, the Department had not conducted disaster recovery testing of its systems and data during the examination period.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorses the formal development and testing of disaster contingency plans.

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

Department management stated that competing priorities and employee oversight were contributing factors to these exceptions.

Failure to develop and test disaster recovery plans leaves the Department exposed to the possibility of major disruptions of service. (Finding Code No. 2016-040, 2014-017, 12-20)

RECOMMENDATION:

We recommend the Department develop and implement disaster recovery and business continuity plans which reflect the Department's environments and align with management's intentions.

Additionally, the Department should perform and document tests at least annually across all environments.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to develop a disaster recovery plan.

2016-041 **<u>FINDING</u>:** (Lack of due diligence over inventory conversion)

The Department of Corrections (Department) failed to conduct due diligence over the inventory conversion project.

On March 25, 2016, the Department converted approximately 177,038 assets, totaling approximately $1,749,371,286 from their Property Control System (PCS) to the Department of Central Management Services' Central Inventory System (CIS).

In order to determine the adequacy and accuracy of the conversion, the auditors requested the Department's procedures and reviews of the converted data. During the auditor's evaluation of the Department's procedures and reviews, they noted the procedures were informal and indicated the Department had not reviewed the final converted PCS data to the final CIS data. Additionally, the Department's analysis of the initial converted data noted exceptions. However, there was no documentation on the remediation actions taken.

Due to the possible material impact to the Department's financial statements, the auditors compared the final converted PCS data to the final CIS data at June 30, 2015 and June 30, 2016, noting significant differences:

	Total Price Difference	Total Asset Count Difference
June 30, 2015	$(22,792,225)	(6,613)
June 30, 2016	$(25,149,261)	(10,174)

Additionally, the Department did not maintain detailed records of non-capitalized assets; therefore, the auditors could not conduct testing over the adequacy and accuracy of the converted data.

The auditors reviewed the detail of capitalized assets noting:

- 27 capitalized assets totaling $189,640 did not have a center location identified within PCS. Subsequently, 26 of the 27 capitalized assets were identified as Department of Juvenile Justice assets.

- 126 capitalized assets totaling $3,680,283 were noted in the June 30, 2016 CIS details; however, the items were not included in the June 30, 2015 PCS detail. The purchase dates of the 126 capitalized assets ranged from August 1991 to June 2015.

- 144 capitalized assets totaling $60,784,413 located within PCS were not located within the CIS data.

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

The Department attributed the exceptions to inherent limitations of the Department's Automated Property Control System (former property system), the timing of the property system conversion took place (March 2016 – the last few months of the fiscal year), staff turnovers, staff limitations, competing priorities, human error, and employee oversight.

The Department's lack of due diligence over the inventory conversion project has led to inaccuracies in the Department's inventory record and financial reporting to the Office of the Comptroller. (Finding Code No. 2016-041)

RECOMMENDATION:

We recommend the Department establish controls over projects to ensure the adequacy and accuracy of its inventory records.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department is working daily to update the current CIS to reflect accurate amounts. The Department will continue to devote the resources necessary, within the limitations of the current technology and budget constraints, to ensure that inventory information is properly recorded and maintained. The Department would like to emphasize the effects the statewide budget crisis imposed upon already limited Department staff during this time creating heavy constraints and a burdensome workload.

2016-042 FINDING: (Weaknesses with Payment Card Industry Data Security Standards)

The Department of Corrections (Department) had not completed the requirements to demonstrate compliance with the Payment Card Industry Data Security Standards (PCI DSS).

The Department had established a gift shop where employees and guests could make purchases. The proceeds from the gift shop benefited the Employee Benefit Fund. In Fiscal Years 2015 and 2016, the Department's gift shop handled approximately 2,278 and 2,055 transactions estimated at approximately $94,449 and $84,669, respectively.

In addition, the Department accepted credit card payments in order to allow families to provide funds to offenders. In Fiscal Years 2015 and 2016, the Department accepted 330,272 and 159,916 transactions estimated at approximately $25,393,743 and $12,774,401 on behalf of offenders, respectively.

Upon review of the Department's efforts to ensure compliance with PCI DSS the auditors noted they had not:

- Formally assessed each program accepting credit card payments, the methods in which payments could be made, matched these methods to the appropriate Self-Assessment Questionnaire (SAQ), and contacted service providers and obtained relevant information and guidance as deemed appropriate.

- Completed a SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data.

- Ensured vendors were PCI DSS compliant.

Department management stated that competing priorities and employee oversight were contributing factors to these exceptions.

PCI DSS was developed to detail security requirements for entities that store, process or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder.

To assist merchants in the assessments of their environment, the PCI Council has established SAQs for validating compliance with PCI's core requirements. At a minimum, PCI DSS required completion of SAQ A; which highlights specific requirements to restrict access to paper and electronic media containing cardholder data, destruction of such media when it is no longer needed, and requirements for managing service providers. As additional elements, such as face-to-face acceptance of credit cards and point-of-sale solutions are introduced into the credit card environment being assessed, additional PCI DSS requirements apply.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states all agencies are to establish and maintain a system 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.

Failure to establish and maintain adequate procedures to handle and protect confidential and personally identifiable information could result in identity theft or other unintended use. (Finding Code 2016-042)

RECOMMENDATION:

We recommend the Department assess each program accepting credit card payments, the methods in which payments can be made, and match these methods to the appropriate SAQ. Subsequently, the Department should complete the appropriate SAQ; obtaining relevant information and guidance from identified service providers as necessary.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will make every effort to review and assess vendor PCI Compliance using the appropriate SAQ forms as recommended.

2016-043 **<u>FINDING</u>:** (Computer security weakness)

The Department of Corrections (Department) failed to establish adequate controls over its computing environment.

The Department had established computer systems in order to meet its mission and mandate. The Department processed and maintained critical, medical, and confidential information on computer systems, such as Offender 360, Fund Accounting and Commissary Trading Systems (FACTS) and their medical records application (PEARL).

The Department had several policies and procedures related to computers security which had not been updated for several years and did not reflect the current environment. In addition, the Department had not developed policies and procedures to control the provisioning of access rights.

During the auditor's testing of access rights, it was noted:

- 367 individuals who were indicated as separated from the Department or the Department of Juvenile Justice still had access to Offender 360.
- 2,535 Offender 360 accounts were assigned to individuals who were not employees of the Department or the Department of Juvenile Justice. The Department had not provided an explanation for the purpose of the accounts.
- The Department could not provide an explanation for 307 of 330 individuals with access to PEARL used by Correctional Centers. The Department stated they did not have the authority to manage access to the application and did not know why the vendor had provided access to individuals.

Furthermore, during detailed testing at the Correctional Centers, the auditors noted:

- The Department failed to remove access rights from the Accounting Information System (AIS) and Payroll and Timekeeping System (PTS) for individuals who no longer required access.
- The Department allowed user's access to AIS, PTS, and the Inventory Management System (TIMS) even though their position did not require such access.

Generally accepted information systems audit guidance endorses the development of computer security policies that adequately address the current technological environment and well-designed and well-managed controls to protect computer systems and data.

Department management stated that competing priorities and employee oversight were contributing factors to these exceptions.

Without the implementation of adequate controls and procedures for computer resources, there is an increased danger that unauthorized individuals may gain access to these resources. These deficiencies can result in unauthorized access and misuse of the Department's computer systems. (Finding Code No. 2016-043)

RECOMMENDATION:

To enhance computing resource controls, we recommend the Department:

- Develop and implement policies and procedures regarding the provisioning of access rights to all applications and environments.
- Periodically review access rights and ensure only individuals with applicable job responsibilities have access to the appropriate applications and data.
- Review all computer and security policies and procedures and ensure they reflect the current environment.

DEPARTMENT RESPONSE

Recommendation accepted. The Department will make every effort to establish adequate controls over computing environment.

SCHEDULE OF FINDINGS

PRIOR FINDINGS NOT REPEATED

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

During the previous engagement, 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 the current engagement, sample testing disclosed minor exceptions, resulting in the finding being reported in the Department's Report of Immaterial Findings. (Finding Code No. 2014-009, 12-30, 10-24, 08-36)

B. **FINDING:** (Failure to prepare and submit reports as required by State statute)

During the previous engagement, the Department failed to submit the Fiscal Year 2014 annual report to the Governor and General Assembly. In addition, the Fiscal Year 2013 annual report was not mailed to the Governor's Office and Intergovernmental Relations until November 19, 2014. The annual report contains information concerning persons committed to the Department, its institutions, facilities and programs of all moneys expended and received and on what accounts expended and received. The annual report shall include ethnic and racial background data, not identifiable to an individual, of all persons committed to the Department, its institutions, facilities and programs.

During the current engagement, the Department submitted the Annual Report and Illinois State Legislature Forms to the Governor and the General Assembly concerning persons committed to the Department, its institutions, facilities, and programs of all moneys expended and received and on what accounts expended and received. As a result, this finding is not repeated. (Finding Code No. 2014-011, 12-38, 10-25, 08-41, 06-11, 04-11)

C. **FINDING:** (Weaknesses in Adult Transition Center food services contract)

During the previous engagement, the Department was not fully utilizing the meals purchased under a food services contract within the Adult Transition Centers.

During the current engagement, the Department contracted with a new vendor. Based on our review of supporting documentation of meals served and vendor invoices, the Department is now being appropriately charged only for meals that were served, instead of all billable meals. As a result, this finding is not repeated. (Finding Code No. 2014-012, 12-15, 10-15, 08-19)

D. **FINDING:** (Failure to properly establish mechanism to track access to inmate master records)

During the previous engagement, the 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).

During the current engagement, the auditors noted the Department tracked access to inmate master files. Sample testing disclosed minor exceptions, resulting in the finding being reported in the Department's Report of Immaterial Findings. (Finding Code No. 2014-019, 12-34, 10-30)

E. **FINDING:** (Noncompliance with the Illinois Procurement Code)

During the previous engagement, the Department did not timely publish procurement information and timely file required emergency purchase affidavits.

During the current engagement, our sample testing indicated the Department timely published procurement information and timely filed required emergency purchase affidavits. As a result, this finding is not repeated. (Finding Code No. 2014-030, 12-16, 10-19, 08-31, 06-19)

ILLINOIS CORRECTIONAL INDUSTRIES PRIOR FINDINGS FOLLOW-UP

Effective July 1, 2014, the compliance examination for the Department of Corrections – Correctional Industries (Industries) was included as part of the compliance examination for the Department of Corrections (Department).

A compliance examination for the Industries for the period of July 1, 2012 through June 30, 2014 reported 6 findings. The 6 findings were followed up during the examination for the Department. A summary of our follow-up is as follows:

2014-001 **FINDING:** (Lack of control over information technology)

During the prior year examination, the Industries has not ensured controls over Information Technology (IT) environment utilized provided sufficient protection.

RECOMMENDATION:

We recommended Industries work with the Department to ensure controls are implemented and documented over the IT environment and ensure the controls provide sufficient protection.

Status: During our current compliance examination, based on our testing, we determined the Industries had not ensured controls over the IT environment provided sufficient protection. This finding is repeated. See current Department Finding Code No. 2016-003. (Industries Report Finding Code No. 2014-001)

2014-002 **FINDING:** (Failure to submit report to Office of the Comptroller)

During the prior year examination, the Industries failed to submit to the Office of the Comptroller a listing of interagency accounts receivable written off.

RECOMMENDATION:

We recommended Industries work with the Office of the Comptroller to file the report on interagency accounts receivable written off within 60 days of being written off.

Status: During our current compliance examination, we determined the Industries submitted the report on interagency accounts receivable written off. Although the report was not submitted timely and reported as Department Finding Code 2016-015, this finding is not repeated. (Industries Report Finding Code No. 2014-002)

2014-003 **FINDING:** (Noncompliance with property control procedures)

During the prior year examination, the Industries did not comply with property control procedures.

RECOMMENDATION:

We recommended Industries maintain accurate property control records, safeguard, and properly tag equipment in accordance with the Statewide Accounting Management System procedures and Statutes. In addition, we recommended Industries perform a detailed analysis to determine if any missing IT items contained confidential information.

Status: During our current compliance examination, our sample testing disclosed exceptions related to property control. This finding is repeated. See current Department Finding Code No. 2016-002. (Industries Report Finding Code No. 2014-003, 12-12, 10-3, 08-2)

2014-004 **FINDING:** (Failure to timely process cash receipts)

During the prior year examination, the Industries did not pay into the State treasury the gross amount of the money received on a timely basis as required by State law.

RECOMMENDATION:

We recommended Industries implement controls to ensure cash receipts and refunds are deposited and processed in a timely manner.

Status: During our current compliance examination, our sample testing disclosed the Industries adequately deposited and processed receipts and refunds in a timely manner. This finding is not repeated. (Industries Report Finding Code No. 2014-004, 12-06)

2014-005 **FINDING:** (Untimely posting of expenditures)

During the prior year examination, the Industries did not timely post expenditures to the Accounting Information System (AIS).

RECOMMENDATION:

We recommended Industries timely post expenditures to the AIS.

Status: During our current compliance examination, our sample testing indicated the Industries timely posted expenditures to the AIS. This finding is not repeated. (Industries Report Finding Code No. 2014-005, 12-04)

2014-006 **FINDING:** (Records were unavailable)

During the prior year examination, the Industries payroll records were unavailable or incorrect.

RECOMMENDATION:

We recommended Industries obtain and maintain accurate employee authorizations for medical insurance deductions and supporting documentation for all payroll deductions.

Status: During our current compliance examination, our sample testing indicated the Industries are maintaining accurate employee authorizations for medical insurance deductions and supporting documentation for the payroll deductions. This finding is not repeated. (Industries Report Finding Code No. 2014-006, 12-08, 10-5)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

STATUS OF MANAGEMENT AUDIT

State Procurements of Inmate Telephone Service Vendors

In August 2014, the Office of the Auditor General (OAG) released its report of the Management Audit of the State's Procurement of Inmate Telephone Service Vendors. The audit included one recommendation (recommendation #6) for improvement which was specific to the Department of Corrections (Department). We followed up on the recommendation during the two years ended June 30, 2016.

Recommendation:

The Department of Central Management Services and the Department of Corrections should work together to improve the process surrounding the establishment and oversight of the inmate collect calling contract. This process could be strengthened by improving the current contract language as well as the monitoring process. In addition, the agencies should establish a formal interagency agreement regarding the breakdown of the commissions paid to each agency related to this contract. (Recommendation 6)

We noted the Department made progress in implementing the recommendation as follows:

We reviewed the contract between the vendor, the Department of Central Management Services and the Department. The Department of Central Management Services and the Department entered into an agreement that stated that all State revenues (76% of gross revenues) were to be given to the Department.

Per inquiry from the Department Telecommunications Manager and review of related documents, we noted that the vendor submits monitoring reports to the Department monthly. Two Department staff review the reports for commissions due to the Department.

Based on the procedures performed during our compliance examination of the Department, we determined that the Department has implemented the recommendation.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Corrections (Department) was performed by Adelfia LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Department's basic financial statements.

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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Corrections (Department), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Department, as of June 30, 2016, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the business-type activities, each 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, 2016, and the changes in its financial position, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2016, the Department adopted new accounting pronouncements as follows: GASB Statement No. 72, *Fair Value Measurement and Application*; a portion of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 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.

Other Information

Our audit for the year ended June 30, 2016 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining General Fund, nonmajor governmental funds, and Agency fund financial statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the year ended June 30, 2016, in the combining General Fund, nonmajor governmental funds, and Agency fund financial statements and the State Compliance Schedules 1 and 3 through 11 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 accompanying supplementary information for the year ended June 30, 2016, in the General Fund, nonmajor governmental funds, and Agency fund financial statements and 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 or to 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, the accompanying supplementary information for the year ended June 30, 2016, in the combining General Fund, nonmajor governmental funds, and Agency fund financial statements and the State Compliance Schedules 1 and 3 through 11 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying supplementary information for the year ended June 30, 2015 in the State Compliance Schedules 2 through 11 and the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Department's basic financial statements as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated December 31, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 3 through 6 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2014 financial statements. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 3 through 6 has been subjected to the auditing procedures applied in the audit of the June 30, 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic 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, 2014 in Schedules 3 through 6 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 Working Capital Revolving Fund for the year ended June 30, 2014, in the State Compliance Schedules 3, 5 and 6 has been derived from the financial statements audited by other auditors, whose reports thereon dated December 11, 2014, expressed unmodified opinions on such information in relation to the financial statements for the year ended June 30, 2014 taken as a whole.

The accompanying supplementary information in the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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 and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
February 16, 2017 except for our report on the Supplementary Information for State Compliance Purposes, Schedules 1 and 3 through 11 as to which the date is April 19, 2017

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF NET POSITION
JUNE 30, 2016
(Expressed in Thousands)

	Governmental Activities
ASSETS	
Unexpended appropriations	$ 60,227
Cash equity with State Treasurer	3,346
Cash and cash equivalents	18,216
Other receivables, net allowance of $170	1,070
Due from other State funds	1,731
Due from Local government	12
Due from Federal government	201
Due from State of Illinois component units	50
Inventories	20,610
Prepaid expenses	3
Capital assets not being depreciated	58,704
Capital assets being depreciated, net	650,937
Total assets	815,107
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - State Employees' Retirement System	514,866
Deferred outflows of resources - Teachers' Retirement System	31
Total deferred outflows of resources	514,897
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	1,330,004
LIABILITIES	
Accounts payable and accrued liabilities	456,825
Due to other State funds	26,766
Due to Department fiduciary funds	7,257
Due to Local government	15,399
Due to Federal government	6,537
Due to State of Illinois component units	3,654
Unearned revenue	263
Long term obligations:	
Due within one year	8,649
Due subsequent to one year	5,430,464
Total liabilities	5,955,814
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - State Employees' Retirement System	179,522
Deferred inflows of resources - Teachers' Retirement System	112
Total deferred inflows of resources	179,634
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,135,448
NET POSITION	
Net investment in capital assets	706,969
Unrestricted	(5,512,413)
Total net position	$ (4,805,444)

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, 2016
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Net (Expense) Revenue**
Governmental activities				
Public protection and justice	$ 2,006,405	$ 61,696	$ 5,602	$ (1,939,107)
Interest	110	-	-	(110)
Total governmental activities	$ 2,006,515	$ 61,696	$ 5,602	(1,939,217)
General revenues and transfers				
Appropriations from State Resources				1,322,383
Lapsed appropriations				(59,740)
Receipts collected and transmitted to State Treasury				(25,685)
Interest and investment income				46
Other revenues				18,423
Other expenses				(549)
Capital transfers from other State agencies				8,501
Transfers-out				(184)
Total general revenues and transfers				1,263,195
Change in net position				(676,022)
Net position, July 1, 2015, as restated				(4,129,422)
Net position, June 30, 2016				$ (4,805,444)

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016
(Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	$ 49,987	$ 10,240	$ 60,227
Cash and cash equivalents	180	18,036	18,216
Other receivables, net of $0 allowance	-	1,066	1,066
Due from other Department funds	-	10,556	10,556
Due from other State funds	-	320	320
Due from Federal government	-	201	201
Due from State of Illinois component units	-	7	7
Inventories	11,981	2,396	14,377
Total assets	$ 62,148	$ 42,822	$ 104,970
LIABILITIES			
Accounts payable and accrued liabilities	$ 430,337	$ 8,370	$ 438,707
Due to other Department funds	33,429	10,038	43,467
Due to other State funds	21,968	3,336	25,304
Due to Department fiduciary funds	5,671	-	5,671
Due to Local government	15,310	88	15,398
Due to Federal government	6,504	3	6,507
Due to State of Illinois component units	172	3,476	3,648
Unearned revenue	-	263	263
Total liabilities	513,391	25,574	538,965
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	201	201
Total Deferred Inflows of Resources	-	201	201
FUND BALANCES (DEFICITS)			
Nonspendable for inventories	11,981	2,396	14,377
Restricted	-	3	3
Committed	-	17,044	17,044
Unassigned	(463,224)	(2,396)	(465,620)
Total fund balances (deficits)	(451,243)	17,047	(434,196)
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 62,148	$ 42,822	$ 104,970

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016
(Expressed in Thousands)

Total fund balances-governmental funds		$ (434,196)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		707,125
Deferred outflows of resources related to pensions are not reported in the governmental funds since they do not provide current financial resources. These deferred outflows of resources consist of the following:		
Deferred outflows of resources - State Employees' Retirement System	514,866	
Deferred outflows of resources - Teachers' Retirement System	31	
		514,897
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		201
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 Position.		24,128
Deferred inflows of resources related to pensions are not reported in the governmental funds since they do not use current financial resources. These deferred inflows of resources consist of the following:		
Deferred inflows of resources - State Employees' Retirement System	(179,522)	
Deferred inflows of resources - Teachers' Retirement System	(112)	
		(179,634)
Some liabilities reported in the Statement of Net Position 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	(2,672)	
Compensated absences	(67,002)	
Net Pension Liability - State Employees' Retirement System	(5,368,306)	
Net Pension Liability - Teachers' Retirement System	15	
		(5,437,965)
Net position of governmental activities		$ (4,805,444)

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, 2016
(Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
REVENUES			
Federal government	$ -	$ 5,405	$ 5,405
Interest and other investment income	-	36	36
Other	109	17,507	17,616
Other charges for services	85	53,060	53,145
Total revenues	194	76,008	76,202
EXPENDITURES			
Public protection and justice	1,297,315	79,016	1,376,331
Debt service - principal	128	483	611
Debt service - interest	13	97	110
Capital outlays	2,019	-	2,019
Total expenditures	1,299,475	79,596	1,379,071
Excess (deficiency) of revenues over (under) expenditures	(1,299,281)	(3,588)	(1,302,869)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	930,798	47,000	977,798
Lapsed appropriations	(42,827)	(16,913)	(59,740)
Receipts collected and transmitted to State Treasury	(139)	(25,546)	(25,685)
Transfers-in	4	9,540	9,544
Transfers-out	(1)	(9,727)	(9,728)
Proceeds from capital lease financing	969	-	969
Net other sources (uses) of financial resources	888,804	4,354	893,158
Net change in fund balances	(410,477)	766	(409,711)
Fund balances (deficits), July 1, 2015	(41,100)	16,809	(24,291)
Increase for changes in inventories	334	(528)	(194)
FUND BALANCES (DEFICITS), JUNE 30, 2016	$ (451,243)	$ 17,047	$ (434,196)

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 GOVERMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(Expressed in Thousands)

Net change in fund balances	$ (409,711)
Change in inventories	(194)
	(409,905)
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 capital outlays in the current period exceeded depreciation.	(32,021)
Some capital assets were transferred in from other State agencies and, therefore, were received at no cost.	8,501
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 Position.	611
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 Position, the lease obligation is reported as a liability.	(969)
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.	2,694
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.	(18)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenues from the prior year.	197
Deferred inflows and outflows of resources related to pensions do not provide or use current financial resources and are not reported in governmental funds.	
Change in deferred inflows	29,107
Change in deferred outflows	(126,241)
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.	
Increase in State Employees' Retirement System pension liability	(157,346)
Decrease in Teachers' Retirement System pension liability	135
Decrease in compensated absences obligation	9,233
Change in net position of governmental activities	$ (676,022)

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2016
(Expressed in Thousands)

	Governmental Activities - Internal Service Fund
	Working Capital Revolving Fund
ASSETS	
Cash equity with State Treasurer	$ 3,346
Other receivables, net allowance of $170	4
Due from other Department funds	33,123
Due from other State funds	1,411
Due from Local government	12
Due from State of Illinois component units	43
Inventories	6,233
Prepaid expenses	3
Total current assets	44,175
Capital assets being depreciated, net	2,516
Total assets	46,691
LIABILITIES	
Accounts payable and accrued liabilities	18,118
Due to other Department funds	212
Due to other State funds	1,462
Due to Department fiduciary funds	1,586
Due to Local government	1
Due to Federal government	30
Due to State of Illinois component units	6
Current portion of long-term obligations	264
Total current liabilities	21,679
Noncurrent portion of long-term obligations	884
Total liabilities	22,563
NET POSITION	
Net investment in capital assets	2,516
Unrestricted	21,612
Total net position	$ 24,128

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016
(Expressed in Thousands)

	Governmental Activities - Internal Service Fund
	Working Capital Revolving Fund
OPERATING REVENUES	
Charges for sales and services	$ 41,880
Total operating revenues	41,880
OPERATING EXPENSES	
Cost of sales and services	30,850
General and administrative	8,051
Depreciation	553
Total operating expenses	39,454
Operating income	2,426
NONOPERATING REVENUES (EXPENSES)	
Other revenues	807
Interest Income	10
Interest expense	(549)
Net income/(loss)	2,694
Net position, July 1, 2015	21,434
NET POSITION, JUNE 30, 2016	$ 24,128

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
JUNE 30, 2016
(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	$ 1,696
Cash received from sales and services to other State funds	21,384
Cash payments to suppliers for goods and services	(13,382)
Cash payments to employees for services	(9,509)
Cash receipts from other operating activities	1,354
Net cash provided by operating activities	1,543
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interest paid on revenue bonds and other borrowings	(3)
Net cash provided by noncapital financing activities	(3)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(129)
Principal paid on capital debt	(1)
Proceeds from the sale of equipment	7
Net cash used by capital and related financing activities	(123)
Net increase in cash and cash equivalents	1,417
Cash equity with State Treasurer, July 1, 2015	1,929
CASH EQUITY WITH STATE TREASURER, JUNE 30, 2016	$ 3,346

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
JUNE 30, 2016
(Expressed in Thousands)

	Governmental Activities - Internal Service Fund
	Working Capital Revolving Fund
Reconciliation of operating income to net cash provided by operating activities:	
OPERATING INCOME	$ 2,426
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	553
Cash receipts from other nonoperating income	1,354
Interest income	
Changes in assets and liabilities:	
Decrease in other receivables	(37)
Decrease in intergovernmental receivables	33
Increase in due from other funds	(18,813)
Decrease in inventory	392
Decrease in prepaid expenses	2
Increase in accounts payable and accrued liabilities	14,776
Increase in intergovernmental payables	(4)
Increase in due to other funds	996
Increase in due to State of Illinois component units	5
Decrease in other liabilities	(140)
Total adjustments	(883)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,543

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, 2016
(Expressed in Thousands)

	Agency Fund DOC Resident's Trust
ASSETS	
Cash and cash equivalents	$ 1,207
Due from other Department funds	7,582
Total assets	$ 8,789
LIABILITIES	
Other liabilities	$ 8,789
Total liabilities	$ 8,789

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 CMS vs AFSCME Wages Trust 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 Travel and Allowance Revolving Fund, 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; and
- 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 and the possibility that the component unit will provide a financial benefit to or impose a financial burden 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 accessing the State Comptroller's Office's website at http://ledger.illinoiscomptroller.com/find-reports/.

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Corrections, are intended to present the net position, changes in net 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, 2016 and the changes in net 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 position 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 position presents the assets and liabilities of the Department's governmental activities with the difference being reported as net position. 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 required to be 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. The Department's General Fund grouping contains four primary sub-accounts (General Revenue, CMS vs AFSCME Wages Trust, Budget Stabilization, and Travel and Allowance Revolving).

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.

(d) Shared Fund Presentation

The financial statement presentation for the General Fund, the CMS vs AFSCME Wages Trust Fund, the Department of Corrections Reimbursement Fund, and Budget Stabilization 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:

<u>Unexpended Appropriations</u>

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.

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 position 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 position. Amounts reported in the funds as receivable from or payable to fiduciary funds have been included in the statement of net position 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 position, or proprietary fund statements of net position.

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) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenues in governmental funds include receivables not "available" to finance the current period.

(k) 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.

(l) Pensions

In accordance with the Department's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Department's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

In the governmental fund financial statements, pension expenditures represent amounts paid to the pension plan and the change between the beginning and ending balances of amounts owed to the plan for contributions.

(m) 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, 2016: General Fund and DOC Commissary Funds Fund.

Restricted **–** This consists of amounts that are restricted for 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 a restricted fund balance of $3 thousand as of June 30, 2016.

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, 2016: 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, 2016.

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, 2016: General Fund, Budget Stabilization, 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.

(n) Net Positions

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

Net Investment in Capital Assets **–** 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 positions that do not meet the definition of "restricted" or "net investment in capital assets."

(o) 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.

(p) Adoption of New Accounting Pronouncements

During the fiscal year ended June 30, 2016, the Department adopted Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this statement had no financial impact on the Department's net position or results of operations.

Effective for the year ending June 30, 2016, the Agency adopted the portion of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68,* which is intended to improve usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability for pensions that are within the scope of Statement 67 and Statement 68. The implementation of this statement had no financial impact on the Department's net position or results of operations.

During the fiscal year ended June 30, 2016, the Department adopted Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which is intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. This statement will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. This statement is also intended to improve implementation guidance by elevating its authoritative status to a level that requires it to be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. The implementation of this statement had no financial impact on the Department's net position or results of operations.

During the fiscal year ended June 30, 2016, the Agency adopted Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all the applicable criteria established in this statement. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The implementation of this statement had no financial impact on the Department's net position or results of operations.

(q) Future Adoption of GASB Statements

Effective for the year ending June 30, 2017, the Agency will adopt the following GASB statements:

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is intended to improve usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability, and establishes requirements for those pensions and pension plans that are not administered through a trust and pensions and pension plans not covered by Statements 67 and 68.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statement No. 43 and addresses the financial reports of defined benefit other postemployment benefit (OPEB) plans that are administered through trusts that meet specified criteria. This statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. This statement also sets forth note disclosure requirements for defined contribution OPEB plans.

Statement No. 77, *Tax Abatement Disclosures*, which is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employees through a cost –sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer(either individually or collectively with other state or local governmental employers that provide pension through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*, which amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

Statement No. 82, *Pension Issues – An Amendment of GASB Statements 67, 68 and 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Effective for the year ending June 30, 2018, the Agency will adopt the following GASB statement:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB they provide. This statement requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

Statement No. 81, *Irrevocable Split-Interest Agreements*, which provides accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

(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. Details on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

Cash on deposit for locally held funds has a carrying amount of $18,328 and bank balance of $20,359 at June 30, 2016. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. None of the total bank balances are exposed to custodial credit risk.

(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2016 represent amounts due from other Department and State of Illinois funds.

	Due from		
Fund Type	**Other Department Funds**	**Other State Funds**	**Description/Purpose**
Nonmajor governmental	$ 10,556	$ 320	Due from other Department funds for inmate payments, commissary salaries, reimbursements, and pursuant to court order for AFSCME wages trust and other State funds for unreimbursed grants expenditures.
Internal service	33,123	1,411	Due from other Department funds and other State funds for purchases of goods and services.
Fiduciary	7,582	-	Due from other Department funds for reimbursements of expenditures and accrued inmate payroll.
	$ 51,261	$ 1,731	

The following balances (amounts expressed in thousands) at June 30, 2016 represent amounts due to other Department and State of Illinois funds.

	Due to				
Fund Type	**Other Department Funds**	**Other State Funds**	**Department Fiduciary Funds**	**State Fiduciary Funds**	**Description/Purpose**
General	$ 33,429	$ 21,968	$ 5,671	$ -	Due to other Department funds for purchases, for reimbursements and pursuant to court order for AFSCME wages trust, to other State funds for services provided and to Department fiduciary funds for reimbursements of expenditures and accrued inmate payroll.
Nonmajor governmental	10,038	3,323	-	13	Due to other Department funds for commissary profits, other State funds for unspent grant proceeds, and to Department fiduciary funds for reimbursements of expenditures, and State fiduciary funds for retirement.
Internal service	212	1,275	1,586	187	Due to State funds for operating expense reimbursements and due to Department fiduciary funds for reimbursements of expenditures and accrued payroll, and to State fiduciary funds for retirement.
	$ 43,679	$ 26,566	$ 7,257	$ 200	

(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2016, were as follows:

Fund Type	**Transfers in from Other Department Funds**	**Description/Purpose**
General	$ 4	Transfers from other Department nonmajor governmental funds for travel reimbursements.
Nonmajor governmental	9,540	Transfers from other Department nonmajor governmental funds for commissary profits and salaries.
	$ 9,544	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2016, were as follows:

	Transfers out to		
Fund Type	**Other Department Funds**	**Other State Funds**	**Description/Purpose**
General	$ 1	$ -	Transfers to other Department funds for commissary profits and salaries.
Nonmajor governmental	9,543	184	Transfers to other Department nonmajor governmental funds for commissary profits and salaries. Transfers to other Department general funds for travel reimbursements. Transfer to other State funds for debt service.
	$ 9,544	$ 184	

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

The following balances (amounts expressed in thousands) at June 30, 2016 represent amounts due from State of Illinois Component Units for reimbursements for expenses incurred.

Fund Type	Due From Component Units: Illinois Toll Highway Authority	University of Illinois	Total
Nonmajor governmental	$ -	$ 7	$ 7
Internal service	38	5	43
	$ 38	$ 12	$ 50

The following balances (amounts expressed in thousands) at June 30, 2016 represent amounts due to State of Illinois Component Units for reimbursements for expenses incurred.

Fund Type	Due to Component Units: Illinois Toll Highway Authority	University of Illinois	Western Illinois University	Southern Illinois University	Total
General	$ 1	$ 166	$ 4	$ 1	$ 172
Nonmajor governmental	-	3,452	-	24	3,476
Internal service	6	-	-	-	6
	$ 7	$ 3,618	$ 4	$ 25	$ 3,654

(5) Capital Assets

(a) Changes in Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015, as restated	Additions	Deletions	Net Transfers	Balance June 30, 2016
Capital assets not being depreciated/amortized:					
Building and building improvements	$ 1,887	$ -	$ -	$ -	$ 1,887
Land and land improvements	56,817	-	-	-	56,817
Total capital assets being not depreciated/ amortized	58,704	-	-	-	58,704
Capital assets being depreciated/amortized:					
Site improvements	94,518	-	-	565	95,083
Buildings and building improvements	1,402,846	-	7	8,020	1,410,859
Equipment	79,223	1,218	3,128	(1,482)	75,831
Capital leases – equipment	2,641	969	270	-	3,340
Non-internally generated software	161	-	-	-	161
Total capital assets being depreciated/amortized	1,579,389	2,187	3,405	7,103	1,585,274
Less accumulated depreciation/amortization:					
Site improvements	75,948	2,345	-	391	78,684
Buildings and building improvements	759,189	29,476	-	24	788,689
Equipment	68,765	2,472	3,105	(1,813)	66,319
Capital leases – equipment	419	328	263	-	484
Non-internally generated software	161	-	-	-	161
Total accumulated depreciation/ amortization	904,482	34,621	3,368	(1,398)	934,337
Total capital assets being depreciated/amortized, net	674,907	(32,434)	37	8,501	650,937
Total capital assets, net	$ 733,611	$ (32,434)	$ 37	$ 8,501	$ 709,641

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2016 was charged as follows:

Public protection and justice	$ 34,621

(b) Impairment of Capital Assets

The Department has determined a closed facility to have been impaired. The impairment occurred in a prior period, and therefore, the Department recognized the loss on impairment amounting to $12.753 million as a prior period adjustment as noted in Note 12. The carrying value of the facility was adjusted by the amount of the loss recognized. The asset has been reported in the financial statements at its carrying value of $1.887 million as a "Capital asset not being depreciated" due to the impairment.

The Department also has two closed facilities with carrying values of $47 million and $18 million. The Department continues to carry the closed facilities at their carrying values based on policy changes that facilities which have closed were reopened and causes the Department to believe that the impairment is temporary.

(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, 2016 were as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Other long-term obligations:					
Compensated absences	$ 77,523	$ 56,703	$ 66,076	$ 68,150	$ 7,755
Capital lease obligations	2,334	969	631	2,672	894
Net pension liability – State Employees' Retirement System	5,210,960	157,346	-	5,368,306	-
Net pension liability – Teachers' Retirement System	120	-	135	(15)	-
	$ 5,290,937	$ 215,018	$ 66,842	$ 5,439,113	$ 8,649

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

Net pension liability – Teachers' Retirement System has been allocated to the Department based on the Department's proportionate share of the Teachers' Retirement System's pension liability. The amount is a negative liability based on the negative contributions during the year which resulted in the negative allocation.

(b) Capital Lease Obligations

The Department leases office and computer equipment with a historical cost and accumulated depreciation of $3.340 million and $484 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
2017	$ 894	$ 118	$ 1,012
2018	895	70	965
2019	883	47	930
	$ 2,672	$ 235	$ 2,907

(7) Defined Benefit Pension Plan

Description of the Plans. 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) or the Teachers' Retirement System (TRS), which are pension trust funds in the State of Illinois reporting entity. The SERS is a single-employer defined benefit pension trust fund in which State employees participate except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The Teachers' Retirement System ("TRS") is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan with a "special funding situation" as described below. TRS provides coverage to personnel in positions that require a certification under the teacher certification law that are employed by public school districts in Illinois (excluding Chicago), special districts and certain State agencies. There are 855 local school districts, 134 special districts, and 17 other State agencies that contribute to the TRS plan as of the measurement date of June 30, 2015. The State of Illinois, as a nonemployer contributing entity, is legally mandated to make contributions to TRS, thus creating a special funding relationship with the plan. TRS is governed by article 16 of the Illinois Pension Code.

Both plans consist of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted.

Both plans also issue a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports are available on the respective plan websites or may be obtained by writing or calling the plan as follows:

- State Employees' Retirement System, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255, (217) 785-2340 or www.srs.illinois.gov.
- Teachers' Retirement System, 2815 West Washington Street, PO Box 19253, Springfield, Illinois, 62794-9253, (217) 753-0311 or www.trs.illinois.gov.

Benefit Provisions.

State Employees' Retirement System (SERS)
SERS provides retirement benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is $15.00 for each year of covered employment and $25.00 for each year of noncovered employment.

Participants in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

Regular Formula Tier 1	**Regular Formula Tier 2**
A member must have a minimum of eight years of service credit and may retire at: • Age 60, with 8 years of service credit. • Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service. Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement. If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.	A member must have a minimum of 10 years of credited service and may retire at: • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less. If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2015 rate is $111,572. If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

Teachers' Retirement System (TRS)
TRS provides retirement benefits, whereby, most members retire under a formula that provides 2.2% of final average salary up to a maximum of 75% with 34 years of service. Under Tier 1, a member qualifies for an age retirement annuity after reaching age 62 with 5 years of credited service, age 60 with 10 years of credited service, age 55 with 20 years of credited service, or between the ages of 55 and 60 with fewer than 35 years of service (reduced ½ percent for each month under age 60). The retirement benefit is based on the final average salary which is the average salary for the highest four consecutive years within the last ten years of creditable service. Annual automatic increases equal to 3% are provided to essentially all retirees. Under Tier 2, a member qualifies for an age retirement annuity after reaching age 62 with 10 years of credited service at a discounted rate or age 67 with 10 years of credited service. The retirement benefit is based on the final average salary which for Tier 2 is the average salary for the highest eight consecutive years within the last ten years of creditable service. Annual automatic increases equal to the lesser of 3% or one half of the Consumer Price Index with the adjustment applied to the original benefit are provided to Tier 2 retirees. Disability and death benefits are also provided by TRS.

Contributions.

State Employees' Retirement System
Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106,800 with limitations for future years increased by the lessor of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2016, this amount was $111,572.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2016, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2016, the employer contribution rate was 45.598%. The Department's contribution amount for fiscal year 2016 was $178 thousand.

Teachers' Retirement System
The State maintains the primary responsibility for funding TRS. The Illinois Pension Code, as appended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to TRS for each fiscal year be an amount determined to be sufficient to bring the total assets of TRS up to 90% funding. Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The active member contribution rate for the year ended June 30, 2016 was 9.4% of salary. Employer contributions are made by or on behalf of employers from several sources. The State of Illinois provides the largest source of contributions through State appropriations. Employers also make contributions of 0.58% of total creditable earnings for the 2.2 benefit formula change and for teachers who are paid from federal funds. Additionally, employers contribute their portion of the cost of the Early Retirement Option and any excess salary increase or sick leave costs due as defined within Chapter 40, section 5/16 of the Illinois Compiled Statutes.

For TRS, employee contributions are fully refundable, without interest, upon withdrawal from applicable employment. For Tier 1 members, there is no annual compensation limit on contributions. For Tier 2 members, annual compensation on which contributions are taken cannot exceed $106,800. This amount increases annually by the lessor of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2016, this amount was $111,572. The Department's contribution amount for fiscal year 2016 was $2 thousand.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions.

State Employees' Retirement System
At June 30, 2016, the Department reported a liability of $5.368 billion for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2015 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's portion of the net pension liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2015. As of the current year measurement date of June 30, 2015, the Department's proportion was 19.1669%, which was a decrease of .0592% from its proportion measured as of the prior year measurement date of June 30, 2014.

For the year ended June 30, 2016, the Department recognized pension expense of $254.334 million. In addition, SERS made contributions from the General Revenue Fund (GRF) in the amount of $344.585 million on behalf of the Department and is reported on the Department's government-wide Statement of Activities. At June 30, 2016, the Department reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,327	$ 69,694
Changes of assumptions	393,858	-
Net difference between projected and actual investment earnings on pension plan investments	-	81,308
Changes in proportion	104,490	28,520
Department contributions subsequent to the measurement date	191	-
Total	**$ 514,866**	**$ 179,522**

$191 thousand reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year ended June 30,	**SERS**
2017	$ 131,933
2018	131,933
2019	61,386
2020	9,901
Total	**$ 335,153**

Teachers' Retirement System

At June 30, 2016, the Department reported a liability of ($15) thousand for its proportionate share of the TRS net pension liability on the statement of net position. The net pension liability was measured as of June 30, 2015 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015. The Department's portion of the net pension liability was based on the Department' contributions relative to the contributions of all participating TRS employers and the State during the year ended June 30, 2015. At June 30, 2015, the measurement date, the Department's proportionate share was (0.000023%) for the TRS plan, which was a .00022% decrease from its proportion measured at the prior year measurement date of June 30, 2014.

For the year ended June 30, 2016, the Department recognized pension of expense of $11 thousand. At June 30, 2016, the Department reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2015, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(1)
Changes in proportion	29	113
Department contributions subsequent to the measurement date	2	-
Total	**$ 31**	**$ 112**

$2 thousand reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year ended June 30,	**TRS**
2017	$ (19)
2018	(19)
2019	(19)
2020	(26)
Total	**$ (83)**

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	**TRS**
Valuation date	6/30/2015	6/30/2014*
Measurement date	6/30/2015	6/30/2015
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.25%	7.5%
Projected salary increases**	3.50% - 7.92%	3.75% - 9.75%
Inflation rate	3.0%	3.0%
Postretirement benefit increases		
Tier 1	3%, compounded	3%, compounded
Tier 2	Lesser of 3% or 1/2 of CPI^, on original benefit	Lesser of 3% or 1/2 of CPI^, not compounded
Retirement age experience study ^^	July 2009 - June 2013	July 2011 - June 2014
Mortality^^^		
SERS	105 percent of the RP 2014 Healthy Annuitant table, sex distinct, with rates projected to 2015	
TRS	RP - 2014 with future mortality improvements on a fully generational basis using projection table MP-2014	

* The total pension liability is based on an actuarial valuation date of June 30, 2014, rolled-forward to the measurement date using generally accepted actuarial procedures.

** Includes inflation rate listed.

^ Consumer Price Index

^^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.

^^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

State Employees' Retirement System
The long-term expected real rate of return on pension plan investments was determined based on the simulated average 10-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2015, the best estimates of the geometric real rates of return as summarized in the following table:

	SERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	30%	5.69%
Fixed Income	20%	1.62%
Hedge Funds	10%	4.00%
International Equity	20%	6.23%
Real Estate	10%	5.50%
Infrastructure	5%	6.00%
Private Equity	5%	10.10%
Total	**100%**	**5.03%**

Teachers' Retirement System
The long-term expected rate of return assumption on pension plan investments under the TRS plan was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, that were used by the actuary are summarized in the following table:

	TRS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	18%	7.53%
Global Equity Excluding U.S.	18%	7.88%
Aggregate bonds	16%	1.57%
U.S. TIPS	2%	2.82%
NCREIF	11%	5.11%
Opportunistic Real Estate	4%	9.09%
ARS	8%	2.57%
Risk Parity	8%	4.87%
Diversified Inflation Strategy	1%	3.26%
Private Equity	14%	12.33%
Total	**100%**	

Discount Rate

State Employees' Retirement System
Discount Rate. A discount rate of 7.02% was used to measure the total pension liability as of the measurement date of June 30, 2015 as compared to a discount rate of 7.09% used to measure the total pension liability as of the prior year measurement date. The June 30, 2015 single blended discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.80%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2067. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2067, and the municipal bond rate was applied to all benefit payments after that date.

Teachers' Retirement System
A discount rate of 7.47% was used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2080 and for the benefit payments after the year 2086. For the period of 2081 through 2086, projected plan assets do not cover benefit payments. As a result, the municipal bond rate was applied to all benefit payments during the 6 year period of 2081 through 2086 and the long-term expected rate of return on pension plan investments was applied to projected benefit payments for all remaining periods for the liability calculation.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The net pension liabilities for SERS and TRS were calculated using the stated discount rate, as well as what the net pension liabilities would be if they were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	1% Decrease 6.02%	**Discount Rate 7.02%**	**1% Increase 8.02%**
Department's Proportionate Share of the SERS Net Pension Liability	$6,462,550	$5,368,306	$4,460,000

	1% Decrease 6.47%	**Discount Rate 7.47%**	**1% Increase 8.47%**
Department's Proportionate Share of the TRS Net Pension Liability	$(19)	$(15)	$(12)

Payables to the pension plan. At June 30, 2016, the Department reported a payable of $13 thousand to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

(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 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.

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' CAFR. 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 benefits 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 Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.

(9) Fund Balances

At June 30, 2016, the Department's fund balances were classified as follows:

	General Fund	Non-major Governmental Funds	Total
Nonspendable			
Inventory	$ 11,981	$ 2,396	$ 14,377
Total nonspendable	11,981	2,396	14,377
Restricted Purposes			
Public Protection and Justice	-	3	3
Committed Purposes			
Public Protection and Justice	-	17,044	17,044
Unassigned	(463,224)	(2,396)	(465,620)
Total fund balances/net position	$ (451,243)	$ 17,047	$ (434,196)

(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.

The Department's risk management activities for self-insurance, unemployment insurance and workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Department; and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2016.

(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 $9,697 for the year ended June 30, 2016.

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

Year Ending June 30	Amount	
2017	$	5
Total	$	5

(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, 2016, 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 is not expected to have any material adverse effect on the financial position or results of operations of the Department.

(12) Prior Period Adjustment

The Department's financial statements have been restated as of July 1, 2015. The Governmental Activities were restated as a result of an impairment loss for a closed facility impaired prior to July 1, 2015.

A reconciliation of net position (amounts expressed in thousands) reported in the prior period financial statements and as restated follows:

	Governmental Activities	
Net Deficit, June 30, 2015, as previously reported	$	(4,116,669)
Cumulative effect of correction of error		(12,753)
Net Deficit, July 1, 2015, as restated	$	(4,129,422)

(13) Subsequent Event

The State of Illinois has not adopted a full fiscal year 2017 operating budget as of the date of this report. The Department is part of the executive branch of government and operates under a budget in which resources are appropriated for the use of the Department. Consequently, the Department is presently unable to make payments from appropriated accounts after January 2017. Payments to Department employees for work performed are being made pursuant to a July 2015 court order.

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMBINING SCHEDULE OF ACCOUNTS - GENERAL FUND
JUNE 30, 2016
(Expressed in Thousands)

	General Revenue Account	CMS VS AFSCME Wages Trust Account	Budget Stabilization Account	Travel and Allowance Revolving Account	Eliminations	Total
ASSETS						
Unexpended appropriations	$ 49,987	$ -	$ -	$ -	$ -	$ 49,987
Cash and cash equivalents	-	-	-	180	-	180
Due from other Department funds	98	-	-	156	(254)	-
Inventories	11,981	-	-	-	-	11,981
Total assets	$ 62,066	$ -	$ -	$ 336	$ (254)	$ 62,148
LIABILITIES						
Accounts payable and accrued liabilities	$ 321,512	$ -	$ 108,821	$ 4	$ -	$ 430,337
Due to other Department funds	15,687	328	17,552	116	(254)	33,429
Due to other State funds	21,957	-	11	-	-	21,968
Due to Department fiduciary funds	5,671	-	-	-	-	5,671
Due to Local government	8,280	-	7,030	-	-	15,310
Due to Federal government	6,504	-	-	-	-	6,504
Due to State of Illinois component units	70	-	102	-	-	172
Total liabilities	379,681	328	133,516	120	(254)	513,391
FUND BALANCES (DEFICITS)						
Nonspendable for Inventories	11,981	-	-	-	-	11,981
Unassigned	(329,596)	(328)	(133,516)	216	-	(463,224)
Total fund balances (deficits)	(317,615)	(328)	(133,516)	216	-	(451,243)
Total liabilities and fund balances (deficits)	$ 62,066	$ -	$ -	$ 336	$ (254)	$ 62,148

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016
(Expressed in Thousands)

	General Revenue Account	CMS VS AFSCME Wages Trust Account	Budget Stabilization Account	Travel and Allowance Revolving Account	Eliminations	Total
REVENUES						
Other	$ 53	$ -	$ -	$ 56	$ -	$ 109
Other charges for services	85	-	-	-	-	85
Total revenues	138	-	-	56	-	194
EXPENDITURES						
Public protection and justice	1,163,740	-	133,516	59	-	1,297,315
Debt service - principal	128	-	-	-	-	128
Debt service - interest	13	-	-	-	-	13
Capital outlays	2,019	-	-	-	-	2,019
Total expenditures	1,165,900	-	133,516	59	-	1,299,475
Excess (deficiency) of revenues over (under) expenditures	(1,165,762)	-	(133,516)	(3)	-	(1,299,281)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	930,798	-	-	-	-	930,798
Lapsed appropriations	(42,827)	-	-	-	-	(42,827)
Receipts collected and transmitted to State Treasury	(139)	-	-	-	-	(139)
Transfers-in	-	-	-	4	-	4
Transfers-out	-	-	-	(1)	-	(1)
Proceeds from capital lease financing	969	-	-	-	-	969
Net other sources (uses) of financial resources	888,801	-	-	3	-	888,804
Net change in fund balances	(276,961)	-	(133,516)	-	-	(410,477)
Fund balances (deficits), July 1, 2015	(40,988)	(328)	-	216	-	(41,100)
Increase (decrease) for changes in inventories	334	-	-	-	-	334
FUND BALANCES (DEFICITS), JUNE 30, 2016	$ (317,615)	$ (328)	$ (133,516)	$ 216	$ -	$ (451,243)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016
(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	$ 10,240	$ -	$ -	$ -	$ 10,240
Cash and cash equivalents	1,095	9,198	7,740	3	18,036
Other receivables, net $0 allowance	1,006	60	-	-	1,066
Due from other Department funds	2,543	111	7,902	-	10,556
Due from other State funds	320	-	-	-	320
Due from Federal government	201	-	-	-	201
Due from State of Illinois component units	7	-	-	-	7
Inventories	-	2,396	-	-	2,396
Total assets	$ 15,412	$ 11,765	$ 15,642	$ 3	$ 42,822
LIABILITIES					
Accounts payable and accrued liabilities	$ 6,574	$ 1,794	$ 2	$ -	$ 8,370
Due to other Department funds	249	9,708	81	-	10,038
Due to other State funds	3,336	-	-	-	3,336
Due to Local government	88	-	-	-	88
Due to Federal government	3	-	-	-	3
Due to State of Illinois component units	3,476	-	-	-	3,476
Unearned revenue	-	263	-	-	263
Total liabilities	13,726	11,765	83	-	25,574
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	201	-	-	-	201
Total deferred inflows of resources	201	-	-	-	201
FUND BALANCES (DEFICITS)					
Nonspendable for Inventories	-	2,396	-	-	2,396
Restricted	-	-	-	3	3
Committed	1,485	-	15,559	-	17,044
Unassigned	-	(2,396)	-	-	(2,396)
Total fund balances (deficits)	1,485	-	15,559	3	17,047
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 15,412	$ 11,765	$ 15,642	$ 3	$ 42,822

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(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	$ 5,405	$ -	$ -	$ -	$ 5,405
Interest and other investment income	-	15	21	-	36
Other	16,383	-	1,121	3	17,507
Other charges for services	-	53,060	-	-	53,060
Total revenues	21,788	53,075	1,142	3	76,008
EXPENDITURES					
Public protection and justice	31,346	43,008	4,660	2	79,016
Debt service - principal	483	-	-	-	483
Debt service - interest	97	-	-	-	97
Total expenditures	31,926	43,008	4,660	2	79,596
Excess (deficiency) of revenues over (under) expenditures	(10,138)	10,067	(3,518)	1	(3,588)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	47,000	-	-	-	47,000
Lapsed appropriations	(16,913)	-	-	-	(16,913)
Receipts collected and transmitted to State Treasu	(25,546)	-	-	-	(25,546)
Transfers-in	5,590	-	3,950	-	9,540
Transfers-out	(184)	(9,539)	(4)	-	(9,727)
Net other sources (uses) of financial resources	9,947	(9,539)	3,946	-	4,354
Net change in fund balances	(191)	528	428	1	766
Fund balances, July 1, 2015	1,676	-	15,131	2	16,809
Increase (decrease) for changes in inventories	-	(528)	-	-	(528)
FUND BALANCES, JUNE 30, 2016	$ 1,485	$ -	$ 15,559	$ 3	$ 17,047

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2016
(Expressed in Thousands)

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
DOC Resident's Trust				
ASSETS				
Cash and cash equivalents	$ 6,861	$ 9,073	$ 14,727	$ 1,207
Other receivables	1	-	1	-
Due from other Department funds	1,683	8,528	2,629	7,582
Total assets	$ 8,545	$ 17,601	$ 17,357	$ 8,789
LIABILITIES				
Other liabilities	$ 8,545	$ 14,971	$ 14,727	$ 8,789
Total liabilities	$ 8,545	$ 14,971	$ 14,727	$ 8,789

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

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 2016
    - Fiscal Year 2015
  - 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 and 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 Significant Account Balances
  - Analysis of Accounts Receivable

- Analysis of Operations (Unaudited):
  - Agency Functions and Planning Program (Unaudited)
  - Budget Impasse Disclosures (Unaudited)
  - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
  - Interest Costs on Fiscal Year 2016 Invoices (Unaudited)
  - Average Number of Employees (Unaudited)
  - State Housing Benefits (Unaudited)
  - Analysis of Employee Overtime (Unaudited)
  - Annual Cost Statistics and Notes (Unaudited)
  - Annual Cost Statistics – Illinois Correctional Industries (Unaudited)
  - Participating Educational Institutions (Unaudited)
  - Emergency Purchases (Unaudited)
  - Memorandums of Understanding (Unaudited)
  - Working Capital Revolving Fund Activity (Unaudited)
  - Inmate Assaults on Staff at Adult Correctional Centers (Unaudited)

- Analysis of Operations (Unaudited) (continued):
  - Service Efforts and Accomplishments (Unaudited)
    - Sales by Customer – Illinois Correctional Industries (Unaudited)
    - Inmate Assignments – Illinois Correctional Industries (Unaudited)
  - Summary of Operations by Industry – Illinois Correctional Industries (Unaudited)
  - Farm Leases by Location – Illinois Correctional Industries (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 11 for the year ended June 30, 2016 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's 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, 2015 in the State Compliance Schedules 2 through 11 and the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

Schedule 1

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Act 99-0524 and Court-Ordered Expenditures FISCAL YEAR 2016	Expenditure Authority (Net After Transfers)	Expenditures Through June 30, 2016	Lapse Period Expenditures July 1, 2016 to August 31, 2016	Total Expenditures 14 Months Ended August 31, 2016	Balances Lapsed August 31, 2016
APPROPRIATED FUNDS					
General Revenue Fund - 001					
General Office:					
Lump Sums and Other Purposes	$ 201,865	$ 201,862	$ -	$ 201,862	$ 3
Lump Sum, Operations	930,026,700	837,389,730	49,919,583	887,309,313	42,717,387
	$ 930,228,565	$ 837,591,592	$ 49,919,583	$ 887,511,175	$ 42,717,390
Adult Field Services:					
Awards and Grants - Lump Sum	$ 569,200	$ 436,601	$ 23,085	$ 459,686	$ 109,514
	$ 569,200	$ 436,601	$ 23,085	$ 459,686	$ 109,514
Total, Fund 001	$ 930,797,765	$ 838,028,193	$ 49,942,668	$ 887,970,861	$ 42,826,904

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Act 99-0524 and Court-Ordered Expenditures FISCAL YEAR 2016	Expenditure Authority (Net After Transfers)	Expenditures Through June 30, 2016	Lapse Period Expenditures July 1, 2016 to August 31, 2016	Total Expenditures 14 Months Ended August 31, 2016	Balances Lapsed August 31, 2016
Working Capital Revolving Fund - 301					
Correctional Industries:					
Personal Services	$ 10,800,800	$ 8,993,876	$ 409,371	$ 9,403,247	$ 1,397,553
Student Member/Inmate Compensation	2,177,400	-	1,626,874	1,626,874	550,526
State Employee Retirement	4,925,000	4,104,814	186,809	4,291,623	633,377
Social Security/Medicare Contributions	826,300	666,158	30,476	696,634	129,666
Employer Contribution Group Insurance	3,504,000	2,567,517	98,755	2,666,272	837,728
Contractual Services	3,150,000	41,178	1,543,024	1,584,202	1,565,798
Travel	85,300	-	7,558	7,558	77,742
Commodities	29,023,800	-	16,424,550	16,424,550	12,599,250
Printing	4,800	-	2,084	2,084	2,716
Equipment	1,200,000	-	13,386	13,386	1,186,614
Telecommunications Services	64,400	-	25,996	25,996	38,404
Operation of Automotive Equipment	1,261,400	-	788,387	788,387	473,013
Lump Sums and Other Purposes	150,000	-	-	-	150,000
Permanent Improvement - Lump Sum	147,000	-	40,895	40,895	106,105
Refunds	7,400	-	688	688	6,712
Total, Fund 301	$ 57,327,600	$ 16,373,543	$ 21,198,853	$ 37,572,396	$ 19,755,204

Schedule 1
(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Act 99-0524 and Court-Ordered Expenditures FISCAL YEAR 2016	Expenditure Authority (Net After Transfers)	Expenditures Through June 30, 2016	Lapse Period Expenditures July 1, 2016 to August 31, 2016	Total Expenditures 14 Months Ended August 31, 2016	Balances Lapsed August 31, 2016
Department of Corrections					
Reimbursement Fund - 523					
General Office:					
Lump Sums and Other Purposes	$ 47,000,000	$ 20,102,405	$ 9,984,207	$ 30,086,612	$ 16,913,388
Total, Fund 523	$ 47,000,000	$ 20,102,405	$ 9,984,207	$ 30,086,612	$ 16,913,388
GRAND TOTAL - ALL FUNDS	$ 1,035,125,365	$ 874,504,141	$ 81,125,728	$ 955,629,869	$ 79,495,496

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016, and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: The United States District Court for the Central District of Illinois in Rasho (07CV1298) required the Department and by extension the Capital Development Board (CDB) to construct a new mental health hospital for the Department at the Stateville Correctional Center, as well as improve treatment for mentally ill offenders at the Department, which includes repurposing the closed Illinois Youth Center - Joliet as a treatment center for mentally ill offenders. As the Department never received enacted permanent improvement appropriations for these projects from the Capital Development Fund (Fund 141), the CDB was able to submit vouchers to pay its costs in full without a maximum expenditure limit for permanent improvement costs related to these projects during Fiscal Year 2016.

Note 4: During Fiscal Year 2016, the Department operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munge* r (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Department's court-ordered payroll payments were merged into the enacted appropriation within Fund 001, Fund 301, and Fund 523. Further, the Department incurred non-payroll obligations within Fund 001, Fund 301, and Fund 523, which the Department was unable to pay until the passage of Public Act 99-0524.

Note 5: Public Act 99-0524 authorized the Department to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report (page 212) includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department and submitted against its Fiscal Year 2017 appropriation.

Schedule 2

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Appropriations for Fiscal Year 2015

For the Fourteen Months Ended August 31, 2015

Public Acts 98-0681 and 99-0001	Appropriations (Net After Transfers)	Expenditures Through June 30, 2015	Lapse Period Expenditures July 1, 2015 to August 31, 2015	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
General Revenue Fund - 001					
General Office:					
Personal Services	$ 19,279,949	$ 19,277,944	$ 2,004	$ 19,279,948	$ 1
Social Security/Medicare contributions	1,526,200	1,409,025	4,037	1,413,062	113,138
Contractual Services	6,915,037	5,343,538	1,536,180	6,879,718	35,319
Travel	227,100	140,290	52,158	192,448	34,652
Commodities	684,300	280,304	255,257	535,561	148,739
Printing	32,300	19,122	11,460	30,582	1,718
Equipment	54,202	26,357	27,815	54,172	30
Electronic Data Processing	13,685,000	11,874,983	1,810,005	13,684,988	12
Telecommunications Services	3,621,200	2,488,301	1,131,745	3,620,046	1,154
Operation of Automotive Equipment	136,413	84,158	32,338	116,496	19,917
Lump Sums and Other Purposes	101,809,730	54,908,043	46,286,207	101,194,250	615,480
Tort Claims	244,400	134,050	3,611	137,661	106,739
Payments to Local Government Employees	676,900	468,539	51,036	519,575	157,325
Permanent Improvement - Lump Sum	2,845,100	1,348,646	976,224	2,324,870	520,230
	$ 151,737,831	$ 97,803,300	$ 52,180,077	$ 149,983,377	$ 1,754,454

Schedule 2
(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Appropriations for Fiscal Year 2015

For the Fourteen Months Ended August 31, 2015

Public Acts 98-0681 and 99-0001	Appropriations (Net After Transfers)	Expenditures Through June 30, 2015	Lapse Period Expenditures July 1, 2015 to August 31, 2015	Total Expenditures	Balances Lapsed
School District:					
Personal services	$ 13,619,876	$ 13,625,885	$ (6,009)	$ 13,619,876	$ -
Student Member/Inmate Compensation	9,800	5,225	387	5,612	4,188
Teachers Retirement	2,700	2,246	-	2,246	454
Social Security/Medicare Contributions	1,073,100	952,962	(4,408)	948,554	124,546
Contractual Services	7,624,500	5,066,528	1,648,474	6,715,002	909,498
Travel	6,300	2,891	459	3,350	2,950
Commodities	122,200	39,553	18,305	57,858	64,342
Printing	33,237	19,945	10,367	30,312	2,925
Equipment	1,000	106	-	106	894
Telecommunications Services	4,900	731	-	731	4,169
Operation of Automotive Equipment	3,300	1,381	284	1,665	1,635
	$ 22,500,913	$ 19,717,453	$ 1,667,859	$ 21,385,312	$ 1,115,601

Schedule 2
(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

For the Fourteen Months Ended August 31, 2015

Public Acts 98-0681 and 99-0001	Appropriations (Net After Transfers)	Expenditures Through June 30, 2015	Lapse Period Expenditures July 1, 2015 to August 31, 2015	Total Expenditures	Balances Lapsed
Adult Field Services:					
Personal Services	$ 45,413,217	$ 45,444,578	$ (31,361)	$ 45,413,217	$ -
Student Member/Inmate Compensation	38,375	36,010	2,365	38,375	-
Social Security/Medicare Contributions	3,499,400	3,334,148	176	3,334,324	165,076
Contractual Services	33,737,743	28,797,625	4,938,179	33,735,804	1,939
Travel	232,100	177,082	14,928	192,010	40,090
Travel/Allowance, Prisoners	33,754	25,981	7,772	33,753	1
Commodities	155,200	99,584	29,305	128,889	26,311
Printing	20,000	13,405	4,373	17,778	2,222
Equipment	127,033	105,806	17,696	123,502	3,531
Telecommunications Services	8,222,000	7,086,756	1,125,482	8,212,238	9,762
Operation of Automotive Equipment	1,466,300	780,089	447,689	1,227,778	238,522
Awards & Grants - Lump Sum	653,000	322,119	21,457	343,576	309,424
	$ 93,598,122	$ 86,223,183	$ 6,578,061	$ 92,801,244	$ 796,878

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

For the Fourteen Months Ended August 31, 2015

Public Acts 98-0681 and 99-0001	Appropriations (Net After Transfers)	Expenditures Through June 30, 2015	Lapse Period Expenditures July 1, 2015 to August 31, 2015	Total Expenditures 14 Months Ended August 31, 2015	Balances Lapsed August 31, 2015
Correctional Centers - Consolidated:					
Personal Services	$ 686,738,202	$ 683,884,639	$ 1,552,164	$ 685,436,803	$ 1,301,399
Student Member/Inmate Compensation	7,037,237	6,130,589	884,148	7,014,737	22,500
Social Security/Medicare Contributions	52,688,483	49,961,642	117,224	50,078,866	2,609,617
Contractual Services	202,619,666	174,218,711	26,936,821	201,155,532	1,464,134
Travel	571,134	404,778	125,041	529,819	41,315
Travel/Allowance, Prisoners	646,217	577,459	44,030	621,489	24,728
Commodities	80,313,177	69,906,366	9,544,931	79,451,297	861,880
Printing	600,329	530,259	42,228	572,487	27,842
Equipment	1,527,249	377,728	580,944	958,672	568,577
Telecommunications Services	3,204,585	2,195,585	990,763	3,186,348	18,237
Operation of Automotive Equipment	2,789,883	1,969,243	740,325	2,709,568	80,315
Lump Sum, Operations	17,000,000	6,335,223	8,057,619	14,392,842	2,607,158
	$ 1,055,736,162	$ 996,492,222	$ 49,616,238	$ 1,046,108,460	$ 9,627,702
Total, Fund 001	$ 1,323,573,028	$ 1,200,236,158	$ 110,042,235	$ 1,310,278,393	$ 13,294,635

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Appropriations for Fiscal Year 2015

For the Fourteen Months Ended August 31, 2015

Public Acts 98-0681 and 99-0001	Appropriations (Net After Transfers)	Expenditures Through June 30, 2015	Lapse Period Expenditures July 1, 2015 to August 31, 2015	Total Expenditures 14 Months Ended August 31, 2015	Balances Lapsed August 31, 2015
Working Capital Revolving Fund - 301					
Correctional Industries:					
Personal Services	$ 11,243,000	$ 9,526,930	$ 472,616	$ 9,999,546	$ 1,243,454
Student Member/Inmate Compensation	2,177,400	1,706,804	168,276	1,875,080	302,320
State Employee Retirement	4,760,200	4,037,362	200,275	4,237,637	522,563
Social Security/Medicare Contributions	860,100	707,514	35,082	742,596	117,504
Employer Contribution Group Insurance	3,335,000	2,479,280	111,453	2,590,733	744,267
Contractual Services	3,250,000	1,830,549	267,443	2,097,992	1,152,008
Travel	40,300	24,794	1,927	26,721	13,579
Commodities	26,529,700	22,093,827	3,114,612	25,208,439	1,321,261
Printing	4,800	1,578	774	2,352	2,448
Equipment	1,040,000	756,139	134,237	890,376	149,624
Telecommunications Services	64,400	28,213	19,785	47,998	16,402
Operation of Automotive Equipment	1,471,400	917,455	193,221	1,110,676	360,724
Lump Sums and Other Purposes	400,000	-	-	-	400,000
Permanent Improvement - Lump Sum	147,000	4,283	5,973	10,256	136,744
Refunds	7,400	3,675	-	3,675	3,725
Total, Fund 301	$ 55,330,700	$ 44,118,403	$ 4,725,674	$ 48,844,077	$ 6,486,623

Schedule 2
(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

For the Fourteen Months Ended August 31, 2015

Public Acts 98-0681 and 99-0001	Appropriations (Net After Transfers)	Expenditures Through June 30, 2015	Lapse Period Expenditures July 1, 2015 to August 31, 2015	Total Expenditures 14 Months Ended August 31, 2015	Balances Lapsed August 31, 2015
Department of Corrections					
Reimbursement Fund - 523					
General Office:					
Lump Sums and Other Purposes	$ 35,500,000	$ 20,819,541	$ 6,411,877	$ 27,231,418	$ 8,268,582
Total, Fund 523	$ 35,500,000	$ 20,819,541	$ 6,411,877	$ 27,231,418	$ 8,268,582
GRAND TOTAL - ALL FUNDS	$ 1,414,403,728	$ 1,265,174,102	$ 121,179,786	$ 1,386,353,888	$ 28,049,840

Note 1: The information reflected in this schedule was taken from the State Comptroller's records, which have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: On March 26, 2015, Public Act 99-0001 was signed into law, which increased the Department's General Revenue Fund appropriation from $1,219,559,500 to $1,323,573,028.

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, 2016, 2015, and 2014

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
	P.A. 99-0524 and Court-Ordered Expenditures	P.A. 98-0681 and P.A. 99-0001	P.A. 98-0050
ALL FUNDS			
Appropriations (Net after Transfers)	$ 1,035,125,365	$ 1,414,403,728	$ 1,369,328,300
Expenditures			
Personal services	$ 840,499,365	$ 859,280,103	$ 869,492,166
Retirement	4,485,195	5,487,404	6,135,072
Social Security/Medicare contributions	61,064,726	62,150,315	63,174,850
Group insurance	2,782,213	3,389,884	4,245,298
Contractual services	19,228,826	304,281,444	277,178,917
Travel	133,077	1,096,074	1,196,103
Travel and allowances for committed, paroled, and discharge prisoners	326,394	688,995	739,059
Commodities	24,909,075	105,414,630	89,587,065
Printing	2,068	666,101	4,867
Equipment	653,092	5,508,371	5,097,403
Electronic data processing	-	24,317	68,946
Telecommunications services	56,333	17,607,497	8,078,122
Operation of automotive equipment	851,836	5,166,462	5,488,235
Lump sums and other purposes	567,063	865,759	480,577
Awards & grants	66,355	14,173,674	24,164,869
Permanent improvement	-	50,562	182,864
Refunds	4,251	502,296	176,724
Total Expenditures	$ 955,629,869	$ 1,386,353,888	$ 1,355,491,137
Lapsed Balances	$ 79,495,496	$ 28,049,840	$ 13,837,163

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016, and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

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, 2016, 2015, and 2014

Note 3: The United States District Court for the Central District of Illinois in Rasho (07CV1298) required the Department and by extension the Capital Development Board (CDB) to construct a new mental health hospital for the Department at the Stateville Correctional Center, as well as improve treatment for mentally ill offenders at the Department, which includes repurposing the closed Illinois Youth Center - Joliet as a treatment center for mentally ill offenders. As the Department never received enacted permanent improvement appropriations for these projects from the Capital Development Fund (Fund 141), the CDB was able to submit vouchers to pay its costs in full without a maximum expenditure limit for permanent improvement costs related to these projects during Fiscal Year 2016.

Note 4: During Fiscal Year 2016, the Department operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Department's court-ordered payroll payments were merged into the enacted appropriation within Fund 001, Fund 301, and Fund 523. Further, the Department incurred non-payroll obligations within Fund 001, Fund 301, and Fund 523, which the Department was unable to pay until the passage of Public Act 99-0524.

Note 5: Public Act 99-0524 authorized the Department to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report (page 212) includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department and submitted against its Fiscal Year 2017 appropriation.

Note 6: Fiscal Year 2014 amounts included the Working Capital Revolving Fund (Fund 301), which was presented in a separate report under the Illinois Correctional Industries.

Note 7: On March 26, 2015, Public Act 99-0001 was signed into law, which increased the Department's General Revenue Fund appropriation from $1,219,559,500 to $1,323,573,028.

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, 2016, 2015, and 2014, State Officers' salaries were as follows:

	Fiscal Year		
	2016	2015	2014
Director	$ 150,300	$ 150,300	$ 150,228
Assistant Director	127,800	127,800	127,739
	$ 278,100	$ 278,100	$ 277,967

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPARATIVE SCHEDULE OF EXPENDITURES BY CORRECTIONAL CENTER - ALL FUNDS

For the Fiscal Years Ended June 30, 2016, 2015 and 2014

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
	P.A. 99-0524 and Court-Ordered Expenditures	P.A. 98-0681 and P.A. 99-0001	P.A. 98-0050
CORRECTIONAL CENTER:			
Big Muddy River	$ 1,322,796	$ 32,950,424	$ 33,923,433
Centralia	1,555,158	33,663,625	34,294,028
Danville	2,184,409	30,468,418	30,322,228
Decatur	702,340	19,856,575	20,723,755
Dixon	2,652,738	56,809,550	59,419,400
East Moline	1,711,514	28,153,003	29,281,366
Graham	3,194,092	41,861,794	43,574,240
Hill	1,956,335	30,325,524	31,969,626
Illinois River	3,319,212	34,166,714	35,004,931
Jacksonville	1,859,294	36,282,980	37,283,297
Lawrence	2,351,047	41,191,847	41,522,571
Lincoln	1,083,585	22,073,449	23,069,648
Logan	2,086,371	47,133,839	48,639,909
Menard	4,066,064	78,836,955	81,415,974
Pinckneyville	2,925,648	45,280,937	46,503,049
Pontiac	3,522,522	67,489,906	69,293,568
Robinson	1,532,097	24,895,138	25,498,276
Shawnee	1,125,841	36,458,943	38,313,261
Sheridan	6,505,408	52,527,563	52,207,126
Southwestern Illinois	2,607,426	26,031,856	26,613,964
Stateville	5,252,122	113,802,005	120,158,173
Taylorville	1,933,020	25,073,456	24,794,126
Vandalia	2,009,132	32,586,625	33,155,730
Vienna	1,963,813	37,104,870	36,800,153
Western Illinois	1,890,778	36,689,622	36,972,949
Total	$ 61,312,762	$ 1,031,715,618	$ 1,060,754,781

See Notes next page.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPARATIVE SCHEDULE OF EXPENDITURES BY CORRECTIONAL CENTER - ALL FUNDS

For the Fiscal Years Ended June 30, 2016, 2015 and 2014

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016, and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

Note 3: The United States District Court for the Central District of Illinois in Rasho (07CV1298) required the Department and by extension the Capital Development Board (CDB) to construct a new mental health hospital for the Department at the Stateville Correctional Center, as well as improve treatment for mentally ill offenders at the Department, which includes repurposing the closed Illinois Youth Center - Joliet as a treatment center for mentally ill offenders. As the Department never received enacted permanent improvement appropriations for these projects from the Capital Development Fund (Fund 141), the CDB was able to submit vouchers to pay its costs in full without a maximum expenditure limit for permanent improvement costs related to these projects during Fiscal Year 2016.

Note 4: During Fiscal Year 2016, the Department operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Department's court-ordered payroll payments were merged into the enacted appropriation within Fund 001, Fund 301, and Fund 523. Further, the Department incurred non-payroll obligations within Fund 001, Fund 301, and Fund 523, which the Department was unable to pay until the passage of Public Act 99-0524.

Note 5: Public Act 99-0524 authorized the Department to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report (page 212) includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department and submitted against its Fiscal Year 2017 appropriation.

Note 6: The information reflected in this schedule for Fiscal Year 2016 was taken from Agency records and was not available from the State Comptroller's records since appropriations were not made for each correctional center.

Note 7: Amounts reported in this schedule are comprised of the General Revenue Fund (Fund 001) and the Department of Corrections Reimbursement Fund (Fund 523).

Note 8: On March 26, 2015, Public Act 99-0001 was signed into law, which increased the Department's General Revenue Fund appropriation from $1,219,559,500 to $1,323,573,028.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPARATIVE SCHEDULE OF EXPENDITURES BY CORRECTIONAL CENTER - ALL FUNDS

For the Fiscal Years Ended June 30, 2016, 2015 and 2014

The following information details the total amount of expenditures paid from the Budget Stabilization Fund (Fund 686):

	Fiscal Year 2016
	P.A. 99-0524 and Court-Ordered Expenditures
CORRECTIONAL CENTER:	
Big Muddy River	$ 2,097,730
Centralia	1,945,751
Danville	1,733,078
Decatur	901,005
Dixon	2,375,236
East Moline	1,692,683
Graham	2,953,577
Hill	2,160,792
Illinois River	1,945,009
Jacksonville	1,856,874
Lawrence	2,788,778
Lincoln	1,226,585
Logan	2,187,191
Menard	3,831,598
Pinckneyville	2,623,144
Pontiac	3,967,847
Robinson	1,436,172
Shawnee	2,105,469
Sheridan	3,585,523
Southwestern Illinois	1,623,636
Stateville	7,261,275
Taylorville	1,600,010
Vandalia	2,182,320
Vienna	2,026,902
Western Illinois	2,027,244
Total	$ 60,135,429

Note 1: The information reflected in this schedule for Fiscal Year 2016 was taken from Agency records and was not available from the State Comptroller's records since appropriations were not made for each correctional center.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

Schedule 5

SCHEDULE OF CHANGES IN STATE PROPERTY

For the Fiscal Years Ended June 30, 2015 and 2016

	Equipment	Land and Land Improvements	Building and Building Improvements	Site Improvements	Capital Lease Equipment	Total
Balance at July 1, 2014	$ 162,185,379	$ 60,675,168	$ 1,457,146,126	$ 92,480,506	$ 563,625	$ 1,773,050,804
Additions	606,832,159	-	10,976	-	131,000	606,974,135
Deletions	603,312,602	-	-	12,850	203,000	603,528,452
Net Transfers	(3,247,117)	-	10,898,675	41,355	-	7,692,913
Balance at June 30, 2015	$ 162,457,819	$ 60,675,168	$ 1,468,055,777	$ 92,509,011	$ 491,625	$ 1,784,189,400
Balance at July 1, 2015	$ 162,457,819	$ 60,675,168	$ 1,468,055,777	$ 92,509,011	$ 491,625	$ 1,784,189,400
Additions	3,441,268	-	-	4,843	2,302,000	5,748,111
Deletions	8,613,675	-	4,949	-	213,000	8,831,624
Net Transfers	(1,882,705)	-	7,631,639	-	-	5,748,934
Balance at June 30, 2016	$ 155,402,707	$ 60,675,168	$ 1,475,682,467	$ 92,513,854	$ 2,580,625	$ 1,786,854,821

Notes: (1) This schedule has been reconciled to property reports (C-15 Agency Report of State Property) submitted to the Office of the State Comptroller.

(2) This summary schedule was prepared using State property records required by the Illinois Administrative Code (Code). The capitalization policy in the Code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles.

(3) The Net Transfers amounts includes adjustments to July 1, 2014 and July 1, 2015 balances to reconcile amounts reported in the June 30, 2016 compliance examination report and the balances reported in the C-15 Agency Report of State Property.

(4) Fiscal Year 2015 beginning balances comprise of the Department of Corrections and Illinois Correctional Industries, which were issued as separate reports in the prior examination period.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPARATIVE SCHEDULE OF CASH RECEIPTS and RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

For Fiscal Years Ended June 30, 2016, 2015 and 2014

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Fund 0001 - General Revenue Fund			
General Office:			
Jury duty	$ 1,633	$ 1,401	$ 285
Concession and vending revenue	-	1,991	4,875
Prior year refunds	19,139	71,152	718,846
Miscellaneous	53,641	90,864	57,801
School District - Miscellaneous:			
Prior year refunds	94	1,343	-
Adult Field Services:			
Dormant trust accounts	644	1,238	3,832
Jury duty	315	490	20
Prior year refunds	3,186	30	-
Correctional Centers:			
Jury duty	11,028	6,609	5,808
Dormant trust accounts	56,645	72,218	34,234
Copy fees, subpoena fees, and contraband	1,947	973	2,381
Rent, jury duty, phone calls, pallets, and recycling	7,165	12,437	18,065
Witness fees	1,420	878	834
Replacement badges	1,614	1,515	615
Prior year refunds	8,643	21,575	-
Miscellaneous	3,292	18,581	55,667
Total - Fund 0001 (Department records)	170,406	303,295	903,263
Deposits in Transit, Beginning	-	-	-
Deposits in Transit, Ending	-	-	-
Other Adjustments	1,035	37,000	-
Total - Fund 0001 (Comptroller's records)	$ 171,441	$ 340,295	$ 903,263
Fund 0301 - Working Capital Revolving Fund (1)			
Receipts from sales of products	$ 22,581,903	$ 48,762,869	$ 51,467,761
Rent from farm leases	1,353,215	929,557	833,211
Proceeds from sales of equipment	11,318	25,829	15,000
Miscellaneous	-	14,634	-
Jury Duty	50	11,334	-
Prior year refunds	66	5,243	18,189
Total - Fund 0301 (Department records)	23,946,552	49,749,466	52,334,161
Deposits in Transit, Beginning	215,668	472,513	295,012
Deposits in Transit, Ending	(114,501)	(215,668)	(472,513)
Held Intergovernmental Payments, Beginning	(6,743,309)	(185,262)	(1,076,725)
Held Intergovernmental Payments, Ending	869	6,743,309	185,262
Budgetary Refunds	-	-	19,999
Other Adjustments	517,694	(391,414)	2
Total - Fund 0301 (Comptroller's records)	$ 17,822,973	$ 56,172,944	$ 51,285,198

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPARATIVE SCHEDULE OF CASH RECEIPTS and RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

For Fiscal Years Ended June 30, 2016, 2015 and 2014

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Fund 0523 - Department of Corrections Reimbursement Fund			
Court ordered reimbursement	$ 128,798	$ 354,947	$ -
Inmate maintenance work release	1,287,650	1,454,537	1,104,343
Illinois Department of Public Health	-	-	178,249
Library reimbursement	119,736	116,399	95,859
Inmate reimbursement - miscellaneous	759,172	906,129	682,088
Recovered workers' compensation	-	-	9,276
U.S. Department of Justice	4,316,809	4,234,354	5,930,442
Illinois Criminal Justice Information Authority	617,794	760,666	817,492
Electronic device monitoring	2,895	-	-
Illinois Department of Human Services	185,000	198,010	257,790
Private organizations	465,930	495,699	304,599
College tuition reimbursement	-	200	963
U.S. Social Security Administration	184,040	232,400	237,200
Illinois Community College Board	235,985	1,835,599	2,249,664
Telephone commissions	11,088,665	6,058,000	5,922,132
Illinois Emergency Management Agency	-	-	54,520
Inmate commissary sales profit	5,384,999	6,251,799	4,445,611
University of Illinois	-	-	28,568
Reimbursements	189,283	944,855	236,670
Miscellaneous	140,333	354,495	145,249
Repayment pursuant to law	678	3,960	-
Department of Commerce and Economic Opportunity	450,511	614,840	-
Prior year refunds	744	639	7,087
Total - Fund 0523 (Department records)	25,559,022	24,817,528	22,707,802
Deposits in Transit, Beginning	-	-	-
Deposits in Transit, Ending	-	-	-
Other Adjustments	(12,864)	23,499	14,352
Total - Fund 0523 (Comptroller's records)	$ 25,546,158	$ 24,841,027	$ 22,722,154
Total All Funds (Department records)	49,675,980	74,870,289	75,945,226
Deposits in Transit, Beginning	215,668	472,513	295,012
Deposits in Transit, Ending	(114,501)	(215,668)	(472,513)
Held Intergovernmental Payments, Beginning	(6,743,309)	(185,262)	(1,076,725)
Held Intergovernmental Payments, Ending	869	6,743,309	185,262
Budgetary Refunds	-	-	19,999
Other Adjustments (Note 2)	505,865	(330,915)	14,354
Total All Funds (Comptroller's records)	$ 43,540,572	$ 81,354,266	$ 74,910,615

Note:
(1) Fund 0301 - Working Capital Revolving Fund was reported under the Department of Corrections - Illinois Correctional Industries in the prior examination period.
(2) Other Adjustments include timing in recording transactions between the Agency and the Department.

Schedule 7

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Fiscal Years Ended June 30, 2016 and 2015

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 (Schedule 3) are detailed below.

The State has been operating without a budget for the fiscal year 2016. The following expenditures decreased by these amounts in fiscal year 2016 due to the State budget impasse:

Expenditure Line Item		Amount	Percentage
Contractual Services	$	285,052,618	94%
Travel	$	962,997	88%
Travel and Allowance for Committed, Paroled, and Discharge Prisoners	$	362,601	53%
Commodities	$	80,505,555	76%
Printing	$	664,033	99.7%
Equipment	$	4,855,279	88%
Telecommunications	$	17,551,164	99.7%
Operation of Automotive Equipment	$	4,314,626	84%
Awards and Grants	$	14,107,319	99.5%
Refunds	$	498,045	99%

Printing

Expenditures for printing increased by $661,234 or 136% in fiscal year 2015 from 2014 due to an increase in appropriations to the different correctional centers.

Telecommunications Services

Expenditures for telecommunications services increased by $9,529,375 or 118% in fiscal year 2015 from 2014 primarily due to an increase in cost of automated management system to provide monitoring service to paroled offenders and increase in rental or lease charges.

Schedule 7
(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Fiscal Years Ended June 30, 2016 and 2015

Lump sums and other purposes

Expenditures for operations of lump sum and other purposes were payments of interest to vendors in compliance with the State Prompt Payment Act. During the fiscal year 2016, interest payments decreased by $298,696 or 35%, resulting from the State budget impasse, the State has been operating without a budget for the fiscal year 2016.

Expenditures for operations of lump sum and other purchases increased by $385,182 or 80% in fiscal year 2015 from 2014 primarily due to delayed payments to vendors, which resulted in increased interest payments for the fiscal year.

Awards and grants

Expenditures for awards and grants decreased by $9,991,195 or 41% in fiscal year 2015 from 2014 primarily due to an increase in settlement payments of claims for the fiscal year.

Refunds

Expenditures for refunds increased by $325,572 or 184% in fiscal year 2015 from 2014 primarily due to the refund of federal funds based on the grant audit.

Schedule 8

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Fiscal Years Ended June 30, 2016 and 2015

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 (Schedule 6) are detailed below.

General Revenue Fund - 0001

General Office - Prior year refunds decreased by $647,694 or 90% during fiscal year 2015 mainly due to a timing difference for unrecorded prior year refunds. The Department has no control over the timing of refunds and therefore, may change significantly between years.

Working Capital Revolving Fund - 0301

Receipts from sales of products decreased by $26,180,966 or 54% during fiscal year 2016 mainly due to the reduction in sales of goods and services for the Illinois Correctional Industries (Industries). Due to the budget impasse, State agencies had limited resources to purchase products from the Industries.

Rent from farm leases increased by $423,658 or 46% during fiscal year 2016 mainly due to the collection of $202,963 in outstanding receivables over one year past due.

Department of Corrections Reimbursement Fund – 0523

Court ordered reimbursement receipts increased by $354,947 or 100% during fiscal year 2015 due to new court orders during the year. Court ordered reimbursement receipts decreased by $226,149 or 64% during fiscal year 2016 mainly due to a reduction in court ordered reimbursements during the year.

Inmate maintenance work release receipts increased by $350,194 or 32% during fiscal year 2015 mainly due to the timing of when receipts were received between the end of fiscal year 2015 and the beginning of fiscal year 2016.

United States Department of Justice receipts decreased by $1,696,088 or 29% during fiscal year 2015 due to an overall decrease in grant funds at the federal level.

Illinois Community College Board receipts decreased by $1,599,614 or 87% during fiscal year 2016 mainly due to an overall decrease in grant funds at the State level.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Fiscal Years Ended June 30, 2016 and 2015

Telephone commission receipts increased by $5,030,665 or 83% during fiscal year 2016 due to an increase in average minutes per call, resulting in an increase in commissions due to the Department.

Receipts from inmate commissary sales profits increased by $1,806,188 or 41% during fiscal year 2015 mainly due to the timing of deposits of profits.

Reimbursement receipts increased by $708,185 or 299% during fiscal year 2015 and decreased by $755,572 or 80% during fiscal year 2016 due to the timing of reimbursements between fiscal years 2015 and 2016.

Department of Commerce and Economic Opportunity (DCEO) receipts increased by $614,840 or 100% during fiscal year 2015 mainly due to a grant received from DCEO to utilize high efficiency lighting methods for the Correctional Centers.

Schedule 9

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Fiscal Years Ended June 30, 2016 and 2015

The Department of Corrections' (Department) explanations for significant lapse period spending greater than 25% of total expenditures for that category and $250,000 as presented in the Schedule of Appropriations, Expenditures and Lapsed Balances for fiscal years 2016 and 2015, Schedule 1 and Schedule 2, respectively, are detailed below.

Fiscal Year 2016

Working Capital Revolving Fund – 301

The State has been operating without a budget for the fiscal year 2016. The following significant lapse period expenditures in fiscal year 2016 were due to the State budget impasse:

Expenditure Line Item	Amount	Percentage
Student Member/Inmate Compensation	$ 1,626,874	100%
Contractual Services	$ 1,543,024	97%
Commodities	$ 16,424,550	100%
Operation of Automotive Equipment	$ 788,387	100%

Department of Corrections Reimbursement Fund – 523

General Office – Lump Sums and Other purposes

Lapse period spending of $9,984,207 or 33% was due to payments to vendors processed when the stopgap budget was passed at the end of fiscal year 2016.

Fiscal Year 2015

General Revenue Fund – 001

General Office – Commodities

Lapse period spending of $225,257 or 48% was due to the timing of vouchers processed for items bought from the Illinois Correctional Industries.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Fiscal Years Ended June 30, 2016 and 2015

General Office – Telecommunications Services

Lapse period spending of $1,131,745 or 31% was due to the timing of vouchers processed for telecommunication services. The payment for telecommunications services was held until the end of the fiscal year, after the Department's determination of the available funding levels for these vouchers.

General Office – Lump Sums and Other Purposes

Lapse period spending of $46,286,207 or 46% was due to vouchers received before the end of the fiscal year 2015 and the prompt interest payments paid automatically from the Illinois Office of the Comptroller at the end of the fiscal year.

General Office – Permanent Improvement – Lump Sum

Capital projects are some of the most burdensome and difficult procurements the Department conducts. Several factors are considered such as the construction period required for the projects, timing of approval of these projects, and whether or not the weather will allow for the work to continue without interruptions. The Department tries to evenly distribute these projects throughout the year, but given the numerous capital needs, the Department reserves funding for emergent issues, such as spring storms and other projects that run the risk of jeopardizing its operations, if not addressed promptly. With twenty-five facilities and hundreds of buildings in total, payments for these capital projects were processed at year-end. This resulted in lapse period spending of $976,224 or 42%.

School District – Contractual Services

The Department performs reconciliations of payments made against the contracts at year-end and any adjustments are made on the June voucher. This process resulted in significant lapse period spending as obligations are increased or decreased in order to coordinate the payments of these June invoices. This resulted in lapse period spending of $1,648,474 or 25%.

Adult Field Services – Operation of Auto Equipment

Lapse period spending of $447,689 or 36% was due to the timing of vouchers processed from the State Garage Revolving Fund and contracted vendors.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Fiscal Years Ended June 30, 2016 and 2015

Correctional Centers – Equipment

The Department typically holds this line for budgetary purposes since it is one of the least sensitive lines when it comes to critical operations. By no means does that translate into a notion that equipment is non-essential, but in regards to payroll, food, clothing and medical care, funding for equipment must be preserved to cover the budgetary deficits. Once the deficits are addressed, funding for critical and essential equipment purchases is released and the facilities move forward with procuring the items needed. This resulted in lapse period spending of $580,944 or 61%.

Correctional Centers – Telecommunication Services

Lapse period spending of $990,763 or 31% was due to telecommunications services being provided mainly by the Department of Central Management Services, and the Bureau of Communication and Computer Services. Due to these services being classified as inter-agency transactions and exempt from State Prompt Payment Act, the Department opted to process payments for telecommunications services at year-end and after all other more critical budgetary deficits (payroll, food, and clothing and medical care) had been addressed in full.

Correctional Centers – Operation of Automotive Equipment

Lapse period spending of $740,325 or 27% was due to the timing of vouchers processed from the State Garage Revolving Fund and contracted vendors.

Correctional Centers – Lump Sum, Operations

Lapse period spending of $8,057,619 or 56% was due to a revised appropriation during June of fiscal year 2015 under the Governor’s Discretionary Fund.

Schedule 10

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
(Expressed in Thousands)

For the Fiscal Years Ended June 30, 2016 and 2015

ACCOUNTS RECEIVABLE – WORKING CAPITAL REVOLVING FUND

Accounts receivable for the Working Capital Revolving Fund represent amounts due from sales of goods and services to State agencies, local governments and others. As of June 30, 2016 and 2015, Industries had reported accounts receivable of $34,763 and $16,572, respectively. The following represents an analysis of accounts receivable by customer at June 30, 2016 and June 30, 2015. Amounts due from other funds are included in these accounts receivable amounts.

	Fiscal Year 2016	Fiscal Year 2015
Department of Corrections	$ 32,925	$ 14,193
Department of Agriculture	-	2
Department of Children and Family Services	6	5
Department of Central Management Services	32	10
Department of Natural Resources	5	13
Department of Juvenile Justice	49	329
Department of Employment Security	1	2
Department of Human Services	79	53
Department of Military Affairs	-	39
Department of Healthcare and Family Services	407	560
Department of Transportation	55	4
Department of Veterans' Affairs	242	68
Illinois State Police	25	102
Historic Preservation History	3	3
Secretary of State	5	-
Illinois State Treasurer	1	-
Illinois State Toll Highway Authority	38	-
State Colleges and Universities	5	43
Due from other State Agencies	197	197
Wexford Health Services	-	20
Local Government	11	45
Mental Health and Development Disabilities	503	143
Land Leases	22	568
Other	152	173
Accounts receivable, gross balance	$ 34,763	$ 16,572

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
(Expressed in Thousands)

For the Fiscal Years Ended June 30, 2016 and 2015

INVENTORIES

Inventories of the Industries represent the amount of goods on hand that are to be used in the process of manufacturing finished goods, finished goods that are ready to be sold, or operating supplies that are used in producing goods and services. The inventories of finished goods, work in process, raw materials and operating supplies are stated at the lower of cost or market. Stores inventory consists of fuel and automotive supplies and is principally valued using an average cost method. The following represents inventories by component as of June 30, 2016 and June 30, 2015.

	Fiscal Year 2016	Fiscal Year 2015
Finished goods	$ 2,081	$ 2,315
Work in process	100	123
Raw materials	3,812	3,969
Operating supplies	229	205
Fuel inventory	11	12
Inventory balance	$ 6,233	$ 6,624

Schedule 11

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF ACCOUNTS RECEIVABLE
(Expressed in Thousands)

For the Fiscal Years Ended June 30, 2016 and 2015

The accounts receivable for the Department's governmental funds consist of other receivables of $1,066 due from other Department funds of $10,556, due from other State funds of $320, due from Federal government of $201, and due from State of Illinois component units of $7 for the Department of Corrections Reimbursement Fund, DOC Commissary Funds, and DOC Resident's and Employee's Benefit Fund. All amounts are current and are considered fully collectible.

The accounts receivable for the Department's Working Capital Revolving Fund represent Illinois Correctional Industries' amounts due from sales of goods and services to State agencies, local governments, and others. The following represents the aging of accounts receivable and allowance for estimated uncollectibles for June 30, 2016 and June 30, 2015.

	Fiscal Year 2016	Fiscal Year 2015
Current	$ 3,297	$ 3,660
1 - 30 days old	2,068	2,675
31 - 90 days old	5,825	4,617
91 - 180 days old	8,508	3,312
Over 180 days old	15,065	2,308
Accounts receivable gross balance	34,763	16,572
Less: allowance for estimated uncollectibles	170	248
Accounts receivable, net balance	$ 34,593	$ 16,324

ANALYSIS OF OPERATIONS

AGENCY FUNCTIONS AND PLANNING PROGRAM

(Unaudited)

MISSION STATEMENT

To serve justice in Illinois and increase public safety by promoting positive change in offender behavior, operating successful reentry programs, and reducing victimization.

VISION

- We will operate safe, secure, and humane correctional facilities.
- We will provide quality services to those who require medical and mental health treatment.
- We will evaluate offenders individually and develop an appropriate course of action based on individual needs.
- We will reduce recidivism by offering seamless, efficient services that are geared toward offender rehabilitation.
- Staff is our greatest asset and we will ensure that all staff is trained to the highest professional level.
- This is a team-based environment where open communication and sharing new ideas are encouraged.
- We value the well-being of the Illinois Department of Corrections staff and offenders and will serve the people of Illinois with compassion and fairness.

ORGANIZATION

The Department of Corrections (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. Effective July 1, 2006, the Department's school district was transferred to the Department of Juvenile Justice. The Department retained the Adult Education and Vocational Services area which provides the services to the adult population.

Salvador A. Godinez was first appointed Director on May 2, 2011, and then retired on December 31, 2014. Shortly after retirement Salvador A. Godinez was brought back on contract and employed through March 2, 2015. From March 3, 2015 through March 15, 2015, Bryan Gleckler was appointed as Acting Director. Donald Stolworthy was then appointed Acting Director on March 16, 2015 and remained until June 15, 2015. Gladyse Taylor was appointed as Acting Director on June 16, 2015 through August 13, 2015. On August 14, 2015 John Baldwin was named as the current Acting Director.

As of the report date, the Department operates the following Correctional Centers, which are listed by security level:

Security Level	Center Name
Maximum	Logan, Menard, Pontiac, and Stateville
Medium	Big Muddy River, Centralia, Danville, Dixon, Graham, Hill, Illinois River, Lawrence, Pinckneyville, Shawnee, Sheridan, and Western Illinois
Minimum	Decatur, East Moline, Jacksonville, Lincoln, Robinson, Southwestern Illinois, Taylorville, Vandalia, and Vienna
Work Camp	East Moline, Jacksonville (Greene County & Pittsfield), Shawnee (Hardin County – now closed), Southwestern Illinois, and Western Illinois (Clayton)
Medium Security Unit	Menard and Pontiac
Minimum Security Unit	Stateville
Impact Incarceration Program	Pinckneyville (DuQuoin) and Vienna (Dixon Springs)
Transitional	Crossroads Adult Transition Center, Fox Valley Adult Transition Center, North Lawndale Adult Transition Center, and Peoria Adult Transition Center
Mental Health Unit	Pontiac
Psychiatric Unit	Dixon
Special Treatment Center	Dixon

During the audit period, the Department closed the Hardin County Work Camp on December 31, 2015.

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, as well as 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 so that they will be better motivated and better equipped to restore themselves to constructive law-abiding citizens 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 has four major programs:

1. Bureau of Operations
2. Adult Institutions/Adult Transition Centers
3. Parole
4. Program Services

Nearly 85-90% 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 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 Adult Education Division submits annual vocational and special education reports to the Illinois State Board of Education and the Illinois Community College Board. Long-range planning goals are submitted to the Program Services Unit.

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 staff that follow facility/performance based standards. An annual review of programs, performed by program staff, is also reported at the end of each fiscal year.

The Department of Corrections - Illinois Correctional Industries (Industries) operates as a productive enterprise employing prisoners from institutions under the jurisdiction of the Department. The Industries programs are supported by revenues derived from the sale of its products and services. Tax-supported institutions and non-profit organizations comprise the majority of the market.

The Illinois Procurement Code (30 ILCS 500/45-30) requires State agencies give the Department preference when procuring items manufactured by the Industries. County, municipal units and other public institutions qualify as Department customers. Not-for-profit corporations chartered in Illinois, as well as individuals, may also purchase Department produced goods and services.

The current Chief Executive Officer of Industries is Jeff Bloemker, who reports directly to the Director.

The mission of the 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 to society. The Department supports this mission with its vision to operate respected Correctional Industry programs accountable to the citizens of Illinois and beneficial to incarcerated individuals and their customers.

PLANNING PROGRAM

The Industries developed the following strategies to achieve its vision:

1. Direct future growth in areas where Industries display maximum strength and ability;
2. Employ people and facilities that enhance these areas;
3. Improve continuously on these areas through education and knowledge;
4. Avoid participation in areas where Industries cannot make worthy and unique contributions;
5. Make total quality the Industries way of doing business; and
6. Make a fair profit on current operations to meet its obligations, sustain growth and reach the Department's goals.

The Industries strives to adhere the following values in achieving their vision:

Re-entry: We recognize the value of vocational training for offenders in that it assists them in their re-entry into society by increasing their chances of gaining employment therefore reducing the likelihood of re-offending.

Public Safety: We improve the security of correctional facilities by providing needed programming to occupy and employ inmates during their incarceration while also reducing recidivism.

Partnership: We build alliances with our customers, vendors and Illinois businesses which allow our quality products and training to evolve with the market place and the needs of our stakeholders.

Personnel: We strive to create a team environment which recognizes and respects the commitment of our employees to the offenders we train, the products we make and the State we serve.

The management team of the Industries composed of the Chief Executive Officer, Assistant Chief Executive Officer, Chief Fiscal Manager and Facility Managers, meet regularly to discuss the planning process and progress of its operations toward the achievement of its vision.

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

ANALYSIS OF OPERATIONS

BUDGET IMPASSE DISCLOSURES

(Unaudited)

Article 74 of Public Act 99-0524 authorized the Department to pay Fiscal Year 2016 costs using Fiscal Year 2017 appropriations for non-payroll expenditures. The following chart shows the Department's expenditures from Fiscal Year 2017 appropriations to cover its Fiscal Year 2016 costs:

Vouchered Fiscal Year 2016 Invoices
Paid from Fiscal Year 2017 Appropriations

Fund #	Fund Name	Number	Dollar Value
001	General Revenue Fund	21,430	$80,924,590
523	Department of Corrections Reimbursement Fund	79	2,775,588
686	Budget Stabilization Fund	19,670	117,353,010
		41,179	$201,053,188

In addition, the Department lacked sufficient Fiscal Year 2017 expenditure authority, from either court-ordered expenditures or enacted appropriations, to cover its Fiscal Year 2016 costs within its Fiscal Year 2017 appropriations. As of the end of fieldwork, the Department was holding 7,262 Fiscal Year 2016 invoices, totaling $155,373,615, of which were not payroll-related and therefore could not be paid from the lapsed Fiscal Year 2016 court-ordered appropriations.

Finally, the Department was subject to the Shango Consent Decree. Being subject to this consent decree required the Department to process $40,000 from the General Revenue Fund as a necessary step in achieving compliance. Court orders were also made in response to litigation that required the Department to voucher $201,862 from the General Revenue Fund. These amounts were paid during Fiscal Year 2016 and are not reflected in the table above.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS

(Unaudited)

<u>Transactions Involving the Illinois Finance Authority</u>

The Illinois Department of Corrections (Department) engaged the Illinois Finance Authority to provide payment to critical vendors who were threatening to cease services if the vendor was not paid its full amount due in the absence of enacted appropriations or other legal expenditure authority. Under the terms of an agreement between the Illinois Finance Authority and the vendor, the vendor received payment for 100% of the amount due and owing on the Department's past due invoices. The vendor, in turn, assigned its rights to both the Department's payment and interest penalties due under the State Prompt Payment Act (30 ILCS 540) to the Illinois Finance Authority. When the Department ultimately receives/received an appropriation or other legal expenditure authority to pay the past due invoice, the Department would pay/paid the amount due on the invoice and associated interest penalties to the Illinois Finance Authority.

The following chart shows the amount paid by the Illinois Finance Authority to a vendor to pay the Department's costs during Fiscal Year 2016 (as of November 10, 2016):

Vendor	Good/Services Provided	Amount
A	Food Services	$3,674,042

<u>Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program</u>

Vendor Payment Program (VPP)

In 2011, the State of Illinois (State) created the voluntary VPP in response to delays in payments for goods and services provided by the State's vendors arising from the State's cash flow deficit. The Department of Central Management Services (CMS) approved third party financing entities to act as "qualified purchasers" of accounts receivable from "participating vendors" who had submitted invoices which had not been paid by the State.

A participating vendor's accounts receivable is eligible for the VPP if it is from an invoice unpaid by the State that is (1) not for medical assistance payments (2) where 90 days have passed since the proper bill date, which is (3) entitled to interest under the State Prompt Payment Act (Act) (30 ILCS 540) and (4) free of any liens or encumbrances. Under the terms of an agreement between a qualified purchaser and the participating vendor, the participating vendor receives payment for 90% of the receivable balance. The participating vendor, in turn, assigns its rights to the interest due under the Act to the qualified purchaser. When the State Comptroller ultimately pays the invoice, the participating vendor receives the remaining 10% due (less any offsets).

Notably, while CMS approved the qualified purchasers and provided information to vendors about VPP, neither CMS nor the State are parties to the assignment agreements.

During Fiscal Year 2015 and Fiscal Year 2016, none of the Department's vendors participated in the Vendor Payment Program (VPP).

Vendor Support Initiative Program (VSI)

During Fiscal Year 2016, the State created the voluntary VSI as an alternative to the VPP for cases where the Department lacked an enacted appropriation or other legal expenditure authority to present invoices to the State Comptroller for payment. The VSI operated similarly to the VPP, although the Department was required to determine a participating vendor's invoice (1) would have met the requirements of the VPP and (2) provided the proper bill date of invoice prior to the qualified purchaser and participating vendor entering into an agreement where the participating vendor received payment for 90% of the receivable balance. The participating vendor, in turn, assigned its rights to the interest due under the Act to the qualified purchaser. After the State Comptroller ultimately paid/pays the invoice after the Department receives/received appropriations or other legal expenditure authority to pay the invoice, the participating vendor receives/received the remaining 10% due (less any offsets).

During Fiscal Year 2016, the Department had 51 vendors participate in VSI for 2,449 invoices, totaling $57,294,220. A summary of the amount of transactions by qualified purchaser follows (as of November 10, 2016):

Qualified Purchaser	Total Amount
A	$22,752,693
B	34,428,243
C	113,284
	$57,294,220

ANALYSIS OF OPERATIONS

INTEREST COSTS ON FISCAL YEAR 2016 INVOICES

(Unaudited)

The Illinois Department of Corrections (Department) plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016 or Fiscal Year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Department. The following chart shows the Department's prompt payment interest incurred related to Fiscal Year 2016 invoices, calculated on the accrual basis of accounting, through June 30, 2016, by fund:

PROMPT PAYMENT INTEREST INCURRED THROUGH JUNE 30, 2016

Fund #	Fund Name	Invoices	Vendors	Dollar Value
001	General Revenue Fund	26,197	3,114	$10,667,546
301	Working Capital Revolving Fund	3,102	350	546,759
523	Department of Corrections Reimbursement Fund	625	51	288,772
		29,924	3,515	$11,503,077

Department officials state their primary consideration for use of the existing cash balance in each fund, as well as appropriation authority, is to ensure the sustaining of Department operations. For instance, the Department's Illinois Correctional Industries does not issue payments for outstanding interest penalties when there is an operational need for other vouchers to be paid. Furthermore, Department officials state they were provided General Revenue Fund and Budget Stabilization Fund appropriations in Fiscal Year 2017 with the expectation to pay Fiscal Year 2016 bills, as well as those expenditures incurred through December 31, 2016. However, the appropriations were not sufficient to cover all outstanding amounts. As a result, Department officials state they are working to secure supplemental General Revenue Fund appropriation authority to pay the accrued prompt payment interest.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

AVERAGE NUMBER OF EMPLOYEES

(Unaudited)

The following table, prepared from Department of Corrections (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, 2016 and 2015.

Division	Fiscal Year 2016	Fiscal Year 2015
General Office	249	256
Education Services	190	189
Statewide and Field Services	544	549
Correctional Centers		
Big Muddy River	323	302
Centralia	389	374
Danville	287	287
Decatur	212	203
Dixon	583	541
East Moline	298	289
Southwestern Illinois	224	213
Graham	431	416
Hill	300	288
Illinois River	312	300
Jacksonville	410	390
Lawrence	397	395
Lincoln	226	220
Logan	484	418

Correctional Centers (continued)	Fiscal Year 2016	Fiscal Year 2015
Menard	877	845
Pinckneyville	443	441
Pontiac	754	720
Robinson	246	242
Shawnee	336	349
Sheridan	420	402
Stateville	1,111	1,090
Taylorville	256	236
Vandalia	347	344
Vienna	382	365
Western Illinois	358	353
Total average full-time employees	11,389	11,017

The following table, prepared from Department records, presents the average number of correctional officers for the fiscal years ended June 30, 2016 and 2015. Correctional officers are included in the total average full time employees presented above.

Correctional Centers	Fiscal Year 2016	Fiscal Year 2015
Big Muddy River	249	231
Centralia	309	297
Danville	217	222
Decatur	144	138
Dixon	469	438
East Moline	215	207
Southwestern Illinois	169	159
Graham	329	313
Hill	226	224
Illinois River	242	233
Jacksonville	305	292
Lawrence	315	313
Lincoln	176	169
Logan	375	314
Menard	663	628
Pinckneyville	345	339

Correctional Centers (continued)	Fiscal Year 2016	Fiscal Year 2015
Pontiac	630	595
Robinson	187	179
Shawnee	254	266
Sheridan	326	308
Stateville	877	843
Taylorville	192	171
Vandalia	251	252
Vienna	274	258
Western Illinois	275	273
Total average correctional officers	8,014	7,662

The following table, prepared from Department records, presents the average number of (non-inmate) employees for the Illinois Correctional Industries for the fiscal years ended June 30, 2016 and 2015.

Division	Fiscal Year 2016	Fiscal Year 2015
General Office	25	25
Correctional Centers		
Centralia	4	4
Danville	3	3
Decatur	2	3
Dixon	8	8
East Moline	6	6
Graham	3	4
Hill	11	11
Illinois River	14	14
Lincoln Central Distribution	7	8
Lincoln Sign Shop	2	2
Logan	1	3
Menard	10	12
Shawnee	3	3
Sheridan	1	2
Stateville	2	3
Vandalia	8	7
Western Illinois	5	5
Total average full-time employees	115	123

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STATE HOUSING BENEFITS

(Unaudited)

The Department of Corrections (Department) houses employees on the grounds of many of its correctional facilities in guard dormitories or houses/trailers. Currently there are approximately 10 employees living in dormitory rooms and approximately 37 employees living in houses/trailers. The Department has an administrative directive that establishes the rates paid by employees. While the Department initially pays for the utilities and maintenance, the employees pay a monthly fee that includes utility charges. Additionally a taxable fringe benefit is charged to the employee for tax purposes. The Department does not provide housing to non-employees and security deposits are required.

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ANALYSIS OF EMPLOYEE OVERTIME

(Unaudited)

Certain employees are eligible for overtime if the hours worked during the day exceed the employee’s 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 time and one half. Correctional Lieutenants receive 1 ½ times normal pay but do not stand roll call.

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 2016 and 2015.

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ANALYSIS OF EMPLOYEE OVERTIME

For the Fiscal Year Ended June 30, 2016

(Unaudited)

Division	Overtime Hours Paid	$ Value of Overtime Hours Paid	Compensatory Hours Used	$ Value of Compensatory Hours Used	Total Overtime and Compensatory Hours	Total $ Value of Overtime and Compensatory Hours
General Office	***4,823***	***$ 286,973***	***-***	***$ -***	***4,823***	***$ 286,973***
Education Services	***203***	***$ 9,141***	***-***	***$ -***	***203***	***$ 9,141***
Statewide & Field Services	***26,724***	***$ 1,401,371***	***-***	***$ -***	***26,724***	***$ 1,401,371***
Big Muddy	10,120	$ 526,747	18,209	$ 586,183	28,329	$ 1,112,930
Centralia	10,284	$ 509,886	14,322	$ 456,578	24,606	$ 966,464
Danville	14,355	$ 674,964	15,918	$ 496,322	30,273	$ 1,171,286
Decatur	10,905	$ 542,377	9,817	$ 331,041	20,722	$ 873,418
Dixon	19,295	$ 989,125	43,181	$ 1,371,187	62,476	$ 2,360,312
East Moline	13,378	$ 648,798	30,026	$ 940,301	43,404	$ 1,589,099
Graham	14,589	$ 751,679	26,023	$ 814,215	40,612	$ 1,565,894
Hill	7,766	$ 399,835	17,123	$ 533,548	24,889	$ 933,383
Illinois River	8,382	$ 408,343	17,218	$ 521,785	25,600	$ 930,128
Jacksonville	24,578	$ 1,223,676	18,035	$ 593,296	42,613	$ 1,816,972
Lawrence	19,487	$ 936,212	23,125	$ 721,675	42,612	$ 1,657,887
Lincoln	17,549	$ 801,557	7,999	$ 231,367	25,548	$ 1,032,924
Logan	48,013	$ 2,269,178	21,850	$ 632,107	69,863	$ 2,901,285
Menard	67,216	$ 2,882,736	29,416	$ 965,334	96,632	$ 3,848,070
Pinckneyville	17,197	$ 824,899	24,439	$ 768,003	41,636	$ 1,592,902
Pontiac	28,264	$ 1,522,502	30,848	$ 959,900	59,112	$ 2,482,402
Robinson	18,598	$ 906,827	13,775	$ 446,689	32,373	$ 1,353,516
Shawnee	17,062	$ 844,037	15,171	$ 510,053	32,233	$ 1,354,090
Sheridan	17,634	$ 853,642	19,186	$ 612,380	36,820	$ 1,466,022
Southwestern Illinois	7,080	$ 360,905	10,908	$ 367,844	17,988	$ 728,749
Stateville	145,713	$ 7,360,310	84,856	$ 2,890,451	230,569	$ 10,250,761
Taylorville	8,316	$ 427,794	12,224	$ 388,493	20,540	$ 816,287
Vandalia	21,005	$ 1,050,228	22,190	$ 713,297	43,195	$ 1,763,525
Vienna	21,938	$ 1,137,825	22,636	$ 756,227	44,574	$ 1,894,052
Western Illinois	22,521	$ 1,071,394	24,488	$ 776,609	47,009	$ 1,848,003
ADULT TOTAL	***611,245***	***$ 29,925,476***	***572,983***	***$ 18,384,885***	***1,184,228***	***$ 48,310,361***
DEPARTMENT TOTAL	***642,995***	***$ 31,622,961***	***572,983***	***$ 18,384,885***	***1,215,978***	***$ 50,007,846***
Correctional Industries	***11,380***	***$ 548,044***	***2***	***$ 58***	***11,382***	***$ 548,102***
GRAND TOTAL	***654,375***	***$ 32,171,005***	***572,985***	***$ 18,384,943***	***1,227,360***	***$ 50,555,948***

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ANALYSIS OF EMPLOYEE OVERTIME

For the Fiscal Year Ended June 30, 2015

(Unaudited)

Division	Overtime Hours Paid	$ Value of Overtime Hours Paid	Compensatory Hours Used	$ Value of Compensatory Hours Used	Total Overtime and Compensatory Hours	Total $ Value of Overtime and Compensatory Hours
General Office	***8,281***	***$ 452,702***	***-***	***$ -***	***8,281***	***$ 452,702***
Education Services	***144***	***$ 5,252***	***47***	***$ 1,739***	***191***	***$ 6,991***
Statewide & Field Services	***28,410***	***$ 1,484,993***	***656***	***$ 28,411***	***29,066***	***$ 1,513,404***
Big Muddy	13,224	$ 672,343	16,466	$ 546,745	29,690	$ 1,219,088
Centralia	16,569	$ 800,202	13,758	$ 447,348	30,327	$ 1,247,550
Danville	16,864	$ 791,525	14,599	$ 458,792	31,463	$ 1,250,317
Decatur	25,496	$ 1,264,294	16,413	$ 555,394	41,909	$ 1,819,688
Dixon	59,786	$ 2,961,819	47,182	$ 1,587,578	106,968	$ 4,549,397
East Moline	20,808	$ 990,364	33,130	$ 1,050,432	53,938	$ 2,040,796
Graham	28,458	$ 1,376,050	28,151	$ 916,453	56,609	$ 2,292,503
Hill	19,399	$ 940,024	15,797	$ 503,229	35,196	$ 1,443,253
Illinois River	15,742	$ 743,874	24,030	$ 761,904	39,772	$ 1,505,778
Jacksonville	33,691	$ 1,705,280	23,516	$ 783,772	57,207	$ 2,489,052
Lawrence	22,458	$ 1,545,664	31,048	$ 669,857	53,506	$ 2,215,521
Lincoln	23,971	$ 1,108,108	8,448	$ 265,491	32,419	$ 1,373,599
Logan	75,197	$ 3,496,735	20,383	$ 635,894	95,580	$ 4,132,629
Menard	79,518	$ 3,549,137	30,845	$ 1,020,558	110,363	$ 4,569,695
Pinckneyville	20,768	$ 1,020,044	24,985	$ 809,020	45,753	$ 1,829,064
Pontiac	58,289	$ 2,838,532	33,490	$ 1,071,662	91,779	$ 3,910,194
Robinson	24,175	$ 1,166,112	15,515	$ 517,152	39,690	$ 1,683,264
Shawnee	27,736	$ 1,389,623	19,368	$ 652,278	47,104	$ 2,041,901
Sheridan	34,505	$ 1,669,908	22,285	$ 739,980	56,790	$ 2,409,888
Southwestern Illinois	14,198	$ 697,636	13,296	$ 451,803	27,494	$ 1,149,439
Stateville	172,145	$ 8,728,471	90,500	$ 3,138,314	262,645	$ 11,866,785
Taylorville	19,793	$ 960,493	15,295	$ 495,020	35,088	$ 1,455,513
Vandalia	28,442	$ 1,390,308	24,103	$ 783,180	52,545	$ 2,173,488
Vienna	24,162	$ 1,340,319	34,609	$ 1,162,021	58,771	$ 2,502,340
Western Illinois	28,110	$ 1,360,037	28,411	$ 944,583	56,521	$ 2,304,620
ADULT TOTAL	***903,504***	***$ 44,506,902***	***645,623***	***$ 20,968,460***	***1,549,127***	***$ 65,475,362***
DEPARTMENT TOTAL	***940,339***	***$ 46,449,849***	***646,326***	***$ 20,998,610***	***1,586,665***	***$ 67,448,459***
Correctional Industries	***12,553***	***$ 595,842***	***323***	***$ 9,865***	***12,876***	***$ 605,707***
GRAND TOTAL	***952,892***	***$ 47,045,691***	***646,649***	***$ 21,008,475***	***1,599,541***	***$ 68,054,166***

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ANNUAL COST STATISTICS

(Unaudited)

	2016			2015		
	Rated Capacity June 30, 2016	Average Daily Population	Average Yearly Cost per Resident [(1)]	Rated Capacity June 30, 2015	Average Daily Population	Average Yearly Cost per Resident [(1)]
Adult Institutions:						
Maximum Security						
Logan	1,106	1,837	$ 26,440	1,106	1,934	$ 26,268
Menard	3,098	3,649	21,479	3,098	3,756	22,736
Pontiac	1,800	1,884	35,721	1,800	2,031	35,893
Stateville	3,162	3,507	31,927	3,162	3,775	32,847
Total - Maximum Security	9,166	10,877	28,152	9,166	11,496	28,975
Medium Security						
Big Muddy River	952	1,844	17,431	952	1,891	18,628
Centralia	950	1,528	21,844	950	1,548	23,467
Danville	896	1,785	15,892	896	1,832	17,280
Dixon	1,430	2,343	24,383	1,430	2,318	28,867
Graham	1,174	1,901	22,162	1,174	1,932	23,419
Hill	896	1,794	16,401	896	1,838	17,660
Illinois River	1,011	1,993	15,796	1,011	2,068	17,120
Lawrence	2,257	2,200	17,692	2,257	2,353	18,750
Pinckneyville	2,434	2,367	18,249	2,434	2,507	18,799
Shawnee	896	1,775	18,427	1,046	2,066	18,981
Sheridan	1,304	1,965	24,240	1,304	2,059	25,546
Western Illinois	1,102	1,946	17,452	1,102	2,102	18,725
Total - Medium Security	15,302	23,441	19,217	15,452	24,514	20,627

(Continued)

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ANNUAL COST STATISTICS

(Unaudited)

	2016			2015		
	Rated Capacity June 30, 2016	Average Daily Population	Average Yearly Cost per Resident [1]	Rated Capacity June 30, 2015	Average Daily Population	Average Yearly Cost per Resident [1]
Minimum Security						
Decatur	500	672	$ 28,069	500	766	$ 28,079
East Moline	688	1,388	19,814	688	1,424	21,412
Jacksonville	1,100	1,308	27,215	1,100	1,560	25,161
Lincoln	500	1,005	21,004	500	1,010	23,424
Robinson	600	1,203	19,623	600	1,210	22,089
Southwestern Illinois	600	672	36,673	600	717	38,619
Taylorville	600	1,185	20,591	600	1,197	22,686
Vandalia	1,100	1,509	20,978	1,100	1,673	21,073
Vienna	925	1,693	21,310	925	1,816	21,310
Total - Minimum Security	6,613	10,635	22,892	6,613	11,373	23,779
Adult Transition Centers (ATC)						
State-operated						
Fox Valley	100	127	$ 24,331	100	130	$ 23,272
Peoria	200	241	17,815	200	238	17,727
Total - ATC State-operated	300	368	18,217	300	368	19,721

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ANNUAL COST STATISTICS

(Unaudited)

	2016			2015		
	Rated Capacity June 30, 2016	Average Daily Population	Average Yearly Cost per Resident [(1)]	Rated Capacity June 30, 2015	Average Daily Population	Average Yearly Cost per Resident [(1)]
Contractual						
Crossroads	250	338	23,076	250	366	21,291
North Lawndale	200	158	30,918	200	162	30,155
Total - ATC Contractual	450	496	25,574	450	528	24,010
Total	31,831	45,817		31,981	48,279	
(Under)/over capacity		13,986			16,298	

Notes:
(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.

Other Notes:
The chart above does not parcel out satellite units or facilities that may be the responsibility of the parent institution.

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NOTES TO ANNUAL COST STATISTICS

(Unaudited)

The average daily population of adult institutions (maximum, medium and minimum security) has decreased from 47,383 for Fiscal Year 2015 to 44,953 for Fiscal Year 2016. This represents a decrease of 2,430 inmates for Fiscal year 2016. The rated capacity of adult institutions at June 30, 2016 was 31,081.

The average yearly cost per resident is summarized as follows for fiscal years 2016 and 2015:

	Fiscal Year 2016	Fiscal Year 2015
Adult Institution	$ 23,241	$ 24,460
Adult Transition Centers (exclude Crossroads and North Lawndale)	18,217	19,721

The Department also maintains work camps and impact incarceration camps (“Boot Camps”) at the following locations:

Work Camps

East Moline
Jacksonville (Greene County & Pittsfield)
Shawnee (Hardin County – Closed 12/31/15)
Southwestern Illinois
Vandalia
Western Illinois (Clayton)

Boot Camps

Pinckneyville (DuQuoin)
Vienna (Dixon Springs)

Adult Transition Centers

Approximately 864 inmates are housed in four 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 to 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.

ANNUAL COST STATISTICS - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

COMMODITIES EXPENDITURES

The following is an analysis of commodities expenditures of the Illinois Correctional Industries (Industries) for fiscal years ended June 30, 2016 and 2015.

	Fiscal Year 2016	Fiscal Year 2015
Clothing	$ 1,262,356	$ 1,545,258
Food & Beverage	12,856,723	19,939,787
Recycling	22,625	14,377
Furniture	276,664	776,769
Cleaning & Laundry	568,193	870,264
Eye Glasses	1,290,157	1,914,471
Metal Products	134,458	123,916
Other	13,374	23,597
Total	$ 16,424,550	$ 25,208,439

ADMINISTRATIVE COSTS

The following schedule of administrative costs, prepared by the Industries, consists of Central Administration expenses, as well as administrative expenses incurred at each shop for fiscal years ended June 30, 2016 and 2015.

	Fiscal Year 2016	Fiscal Year 2015
Central Administration:		
Marketing	$ 337,273	$ 398,761
Fiscal	776,622	1,210,916
Chief Executive Office Section	1,350,712	1,672,091
Planning	-	8,856
Services	1,148,261	1,145,679
Total	$ 3,612,868	$ 4,436,303

(The Central Administration costs shown above are included in shop costs shown in the next schedule.)

ANNUAL COST STATISTICS - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

SELLING, GENERAL, AND ADMINISTRATIVE COSTS

The following schedule of Shop Administrative Expenses plus Selling, General, and Administrative Costs (SG & A), prepared by Industries, consists of Central Administrative expenses from previous schedule, Warehouse and Trucking Selling expenses, and administrative expenses incurred at each shop.

	Fiscal Year 2016	Fiscal Year 2015
Shops:		
Illinois River	1,427,958	1,523,024
Centralia	431,364	508,811
Danville	379,853	320,568
Decatur	225,991	301,893
Dixon	1,381,674	2,025,409
East Moline	320,449	347,702
Hill	2,346,253	2,516,498
Graham	237,147	264,841
Lincoln Chair & Sign	195,461	289,671
Logan	987	707
Menard	1,191,717	1,332,332
Western	1,896,817	1,829,262
Shawnee	348,940	382,211
Sheridan (included in other clothing shops)	-	-
Stateville	294,021	462,999
Vandalia	978,084	1,309,547
Less Interest and Depreciation Expense	(108,730)	(80,824)
Central Administrative Revenue which was included in SG & A allocation	-	4,276
Total SG & A plus Shop Administrative Expenses	$ 11,547,986	$ 13,338,927
Total Operating Expenses	$ 38,901,336	$ 48,043,280
Percent of SG & A plus Shop Administrative Expenses to Total Operating Expenses	29.69%	27.76%

PARTICIPATING EDUCATIONAL INSTITUTIONS

(Unaudited)

The Department of Corrections (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, Dixon, 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

* Educational Institution ended services with the Department at the end of Fiscal Year 2015.

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EMERGENCY PURCHASES

(Unaudited)

The Department of Corrections (Department) reported the following emergency purchases to the Office of the Auditor General during Fiscal Years 2016 and 2015:

Description	Estimated Amount	Actual Amount
Fiscal Year 2016		
Replacement of transformer at the Danville Correctional Center.	$ 52,000	$ 33,803
Secure services of one or more Department of Justice (DOJ)-Certified Prison Rape Elimination Act (PREA) Auditors to perform PREA audits at all Department Correctional Facilities.	110,400	-
Purchase additional extractors and dryers for the Menard Correctional Center.	93,995	96,169
Purchase of coal for the Logan Correctional Center.	527,000	144,708
Purchase of spices and seasonings for the Illinois Correctional Industries.	200,000	86,172
Purchase bread/bun base and sweet dough base for the Illinois Correctional Industries.	190,000	186,191
Repair of cooling tower at Shawnee Correctional Center.	80,000	-
Purchase chicken nuggets for the Department.	199,080	186,282
Purchase chiller units for the Administration Building and Dietary Building located on the grounds of Western Illinois Correctional Center and the Health Care Unit Building located on the grounds of Stateville Correction Center.	62,000	-
Total Fiscal Year 2016	$ 1,514,475	$ 733,325

Description	Estimated Amount	Actual Amount
Fiscal Year 2015		
Repair the facility's absorber at the Department's General Office.	$ -	$ 98,739
A 90-day emergency to extend the current contract for the Parole Division Communications and Control Center with the current vendor.	3,207,000	3,403,753
Purchase of Sewer Lift Station Pumps and Control Board for the Graham Correctional Center.	40,000	36,604
Roof repair at Western Illinois Correctional Center/Clayton Work Camp.	29,311	29,311
Replace/repair and insulate the leaking pipe at the Vandalia Correctional Center.	13,230	12,780
Purchase of labor and parts to repair the Air Handling Unit in Housing Unit 4 at the Illinois Department of Corrections – General Office.	25,000	22,724
Repair electrical loop at the Vienna Correctional Center.	70,000	50,740
Replace water heaters and softeners at the Pontiac Correctional Center.	98,000	96,621
Total Fiscal Year 2015	$ 3,482,541	$ 3,751,272

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

Fiscal Year	Memorandums of Understanding	Parties Involved Other Than the Department	Dates Involved	Description of Memorandum Requirements
2013	Storage and handling of emergency keys to the Tamms Correctional Center	Illinois State Police (ISP)	07/10/13 - Indefinitely	The terms and conditions whereby ISP will safeguard and provide access to an emergency set of keys to the Tamms Correctional Center.
2013	Utilization of the firing range at the Stateville Correctional Center by the Metropolitan Correctional Institution Chicago	Metropolitan Correctional Institution Chicago (Representative of the United States Government)	09/09/13 - 01/01/18	The Metropolitan Correctional Institution Chicago requests to use the Stateville Correctional Center's firing range. The firing range is to be used by authorized personnel of the Metropolitan Correctional Institution Chicago for firearms training.
2013	Facility Closure Agreement	American Federation of State, County, and Municipal Employees (AFSCME), Illinois Department of Corrections (IDOC)/Illinois Department of Juvenile Justice (IDJJ) Employees	Four years from the date of closure of various facilities	This is a four-year Memorandum of Understanding that outlines procedures for the transfer of Illinois Department of Corrections and Illinois Department of Juvenile Justice employees in the event of closure of the various employer's facilities.
2014	Responsible processing of replacement Social Security number (SSN) cards	Social Security Administration (SSA)	02/10/14 - 02/09/19	Establishment of an effective, secure, and efficient means for each party's field staff to process applications from certain inmates for replacement SSN cards needed by inmates to obtain employment upon their release, thereby enhancing their employment opportunities and successful reintegration into society. Staff will provide the servicing SSA field office a list of authorized officials with whom they should work; follow established covered institution policy and procedures to verify the identify of every inmate when received into custody; no more than 120 days prior to the release from the covered institution advise applicable individuals of appropriate procedures for obtaining a replacement SSN card; receive and review applicable forms; properly file and maintain the information and SSN card.

(Continued)

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COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

Fiscal Year	Memorandums of Understanding	Parties Involved Other Than the Department	Dates Involved	Description of Memorandum Requirements
2014	The purchase of water service	City of Chester	12/12/2014 - Indefinitely	IDOC agrees to purchase all water for Menard Correctional Facility from the City of Chester. Beginning July 1, 2015, IDOC shall pay monthly for water services in the sum of $2.55 per 1,000 gallons per month. Beginning July 1, 2016, IDOC shall pay $2.60 per 1,000 gallons. Beginning July 1, 2017, IDOC shall pay the sum of $2.65 per 1,000 gallons per month. Thereafter, the rates for water service provided to Menard Correctional Facility may increase effective July 1 of each year, if necessary. The City shall provide IDOC with notice by August 1 for an increase effective the following July 1.
2014	Use of Stateville Correctional Facility for ISP Training	ISP	03/31/15 - 04/30/15	Agreement to allow ISP to utilize the Stateville Correctional Center including but limited to, the building and grounds of the former Minimum Security Unit as a Rapid Deployment Training venue.
2014	Use of Stateville Correctional Facility for ISP Training	ISP	05/26/15 - 12/31/15	Agreement to allow ISP to utilize the Stateville Correctional Center including but limited to, the building and grounds of the former Minimum Security Unit as a Rapid Deployment Training venue.
2015	Funding for the Illinois Sentencing Policy Advisory Council (SPAC)	SPAC	07/01/15 - 12/31/16	$150,000 from that appropriation from the General Revenue Fund to IDOC is to be used for the ordinary and contingent expenses not including payroll of the SPAC.
2015	Use of Dwight Correctional Facility by Dwight Fire Protection District	Dwight Fire Protection District	09/01/15 - 08/31/20	Agreement allowing Dwight Fire Protection District to utilize land on the extreme west side of Dwight Correctional Facility for the purposes of training exercises.
2015	A comprehensive program evaluation of our correctional and community programs	Southern Illinois University (SIU) - Carbondale	09/15/15 - 12/30/17	SIU shall conduct an evaluation of clinical and cognitive programs at Pinckneyville Correctional Center and Sheridan Correctional Center. Based on its evaluation, SIU shall make recommendations for improved program delivery.
2015	Shared Data Agreement	Illinois Department of Employment Security (IDES), Safer Foundation	10/01/15 - 09/30/16	Agreement to implement procedures to govern the sharing of information between IDES, IDOC, and Safer Foundation.

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MEMORANDUMS OF UNDERSTANDING

(Unaudited)

Fiscal Year	Memorandums of Understanding	Parties Involved Other Than the Department	Dates Involved	Description of Memorandum Requirements
2015	Illinois State Fair Grounds	Department of Agriculture	01/01/16 - 12/31/16	Agreement allowing IDOC use of the Illinois State Fairgrounds located in Sangamon County, Illinois in connection with training event, parking and other activities.
2015	Training to IDOC staff	University of Cincinnati Research Institute (UCRI)	01/12/16 - 06/30/16	UCRI will provide (a) one 3-day training on Core Correctional Practices (b) one 5-day of training of trainers on Core Correctional Practices (c) one 3-day training on Continuous Quality Improvement.
2015	Use of Stateville Correctional Facility for ISP Training	ISP	05/04/16 - 12/31/16	Agreement to allow ISP to utilize the Stateville Correctional Center including but limited to, the building and grounds of the former Minimum Security Unit as a Rapid Deployment Training venue.
2015	IDOC's Maintenance of Sheriff's Vouchers	Illinois Office of the Comptroller	05/05/16 - Indefinitely	Defines the roles and responsibilities of IDOC with regard to the Comptroller authorizing IDOC to maintain the original Sheriff's vouchers, and the proof of all signatures, at IDOC offices pursuant to Public Act 97-0932.
2015	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Education	Department of Public Health (DPH)	06/01/16 - 07/31/17	A collaboration between IDOC and DPH provide to HIV/AIDS education to inmates. Provide case management services to inmates who are HIV+ or have AIDS. Provide mental health, substance abuse, and sexually transmitted disease prevention services.
2016	Payments made by Department of Central Management Services (CMS) on behalf of IDOC	CMS	06/03/16 - Indefinitely	An agreement which obligates CMS, on behalf of IDOC, to pay funds pursuant to contracts related to Vandalia Work Camp, Pittsfield Work Camp, Dwight Cell House, and Dixon Cell House and a promise that IDOC will reimburse CMS by the end of fiscal year 2017.
2016	Medical Program Agreement	University of Illinois Hospital and Health Science System	07/21/16 - 09/30/16	Amendment to 2010 Intergovernmental Agreement (IGA) set to expire 06/30/16 regarding past due payments for medical services the University provided to inmates. IGA extended to 09/30/16.
2016	Purchase of Natural Gas	City of Chester	08/01/16 - Indefinitely	Proposed increase of the cost of natural gas to Menard Correctional Center from $1.24 per 1,000 cubic feet to $1.72 per 1,000 cubic feet.

WORKING CAPITAL REVOLVING FUND ACTIVITY

(Unaudited)

The following is a summary of overall activity in the Working Capital Revolving Fund for the Fiscal Years ended June 30, 2016 and 2015.

	Fiscal Year 2016	Fiscal Year 2015
Gross profit	$ 10,523,373	$ 12,783,916
Selling, general and administrative expenses	8,097,153	9,642,957
Operating income	2,426,220	3,140,959
Other income (expenses), net	268,168	816,045
Income before transfer	2,694,388	3,957,004
Net transfers	-	-
Net income (loss) after transfer	2,694,388	3,957,004
Net assets, beginning of year	21,433,171	17,476,167
Net assets, end of year	$ 24,127,559	$ 21,433,171

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INMATE ASSAULTS ON STAFF
AT ADULT CORRECTIONAL CENTERS

(Unaudited)

Security Level	Fiscal Year 2016	Fiscal Year 2015
Maximum Security		
Logan (Female)	80	75
Menard	19	27
Pontiac	224	129
Stateville	70	95
Medium Security		
Big Muddy River	9	6
Centralia	2	6
Danville	8	1
Dixon	35	74
Graham	3	3
Hill	6	2
Illinois River	6	17
Lawrence	32	21
Pinckneyville	26	23
Shawnee	10	11
Sheridan	20	20
Western Illinois	15	14
Minimum Security		
Decatur (Female)	3	1
East Moline	4	5
Jacksonville	1	10
Lincoln	2	-
Robinson	1	3
Southwestern Illinois	1	-
Vandalia	7	8
Vienna	13	15
Total	597	566

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SERVICE EFFORTS AND ACCOMPLISHMENTS

(Unaudited)

MISSION AND ORGANIZATION

To serve justice in Illinois and increase public safety by promoting positive change in offender behavior, operating successful reentry programs, and reducing victimization.

VISION

- We will operate safe, secure, and humane correctional facilities.
- We will provide quality services to those who require medical and mental health treatment.
- We will evaluate offenders individually and develop an appropriate course of action based on individual needs.
- We will reduce recidivism by offering seamless, efficient services that are geared toward offender rehabilitation.
- Staff is our greatest asset and we will ensure that all staff is trained to the highest professional level.
- This is a team-based environment where open communication and sharing new ideas are encouraged.
- We value the well-being of the Illinois Department of Corrections (Department) staff and offenders and will serve the people of Illinois with compassion and fairness.

ACHIEVEMENTS AND ACCOUNTABILITY

- Launched the initial phase of the Offender 360 computing platform. This initial phase will allow for better data sharing and collaboration with the Department at both the state agency and local level.
- Made significant efforts to bring the Department into compliance with the Rasho lawsuit. These efforts included capital projects at the former Illinois Youth Center Joliet, Pontiac, Logan and Dixon; as well as more contractual oversight and enhanced mental health staff as part of the contract with our contracted medical provider.
- Increased overall staffing levels and implemented a system of hiring cadets to backfill security positions and reduce the overall expenses related to overtime.

STRATEGIC INITIATIVES AND PRIORITIES

- Addressing the Health Care Needs of our Population: The Department is constitutionally mandated to provide adequate levels of health care to all those in our custody. While the Department has taken serious steps in trying to achieve full compliance - increased staffing, policy changes, further improved training, newly issued medical Request for Proposal - inadequacies in our system still exist. These inadequacies must be overcome with a mix of continued training and development, increased staffing levels, and a robust medical services contract that fully encompasses the needs of the Department and is responsible to the taxpayers. Total funding request for medical care and services is approximately $250 million.
- Continued Investment in Staffing: For the Department to help Illinois' residents achieve the highest levels of public safety, it is imperative that we have a sufficient number of well trained staff. Sufficient staffing ensures our centers are adequately manned in order to continue driving down overtime costs. Furthermore, a well trained staff helps ensure dedication of the Department's mission and that both offenders and staff work in a professional and safe environment. Total General Revenue Fund request for personal services and related expenses is approximately $950 million.
- Investment in our IT Infrastructure: The IT infrastructure of the Department is moving from an antiquated and crippling environment to a cloud based approached that is more accommodating to our daily operations and conducive to data sharing. In Fiscal Year 2016 the Department was able to convert an outdated mainframe offender tracking system to a new cloud based system and in Fiscal Year 2017 the Department is working on the reception and classification process. However, there is more work that needs to be done. The Information Technology infrastructure of the Department must be a robust system that encapsulates inventory management and offender shopping, electronic medical records, scientific validation of offender classification, and an offender banking solution. These solutions will not only help modernize the Department, but will also lead to more efficiency and accountability. Total General Revenue Fund request for electronic data processing is $36.2 million.
- Support for Capital Funding: The Department is a system soon to be made up of over twenty-eight correctional centers and one satellite that operate 24/7/365. It is no secret that due to the lack of funding over the years, the physical conditions of many of these structures have fallen into disrepair. Some buildings are in such utter shape that the Department is fending off litigation due to the conditions staff and offenders must work/live in; others are operating with inefficient mechanical systems resulting in arbitrarily high utility bills; areas of our facilities where blind spots exist due to broken or non-existent cameras; roofs and windows that are to the point of deterioration; and cell house designs that require inefficient staffing models. The Fiscal Year 2018 Capital Budget Book has the Department's total deferred maintenance need at approximately $1.9 billion.
- Enhancement of Offenders Quality of Life: In an effort to help offenders successfully progress through their period of incarceration within the Department and then re-integrate back into society upon release, the Department is opening up two dedicated facilities that will help teach life skills re-entry programming. These two centers will be located at the former Illinois Youth Center Kewanee and Murphysboro locations. Total funding for staff brought on for this purpose totals approximately $33.6 million.

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.
Program Goals:	The Department is responsible for providing care, custody, treatment, and rehabilitation for adult offenders committed by the courts.
Objectives:	Reduce recidivism, the number of people who return to prison within three years of release. Continually improve staff and offender safety and security.
Funds:	General Revenue Fund, Working Capital Revolving Fund, Department of Corrections Reimbursement Fund
Statutory Authority:	Illinois Compiled Statutes, Chapter 730 (Unified Code of Corrections)

Input Indicators	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Target/ Projected	Fiscal Year 2016 Actual	Fiscal Year 2017 Target/ Projected (b)
Total expenditures - all sources (in thousands) (a)	$1,355,491	$1,386,354	$0	$955,630	$1,360,316
Total expenditures - state appropriated funds (in thousands)	$1,355,491	$1,386,354	$0	$955,630	$1,360,316
Average monthly full-time equivalents	10,847	11,716	0	Not Available	Not Available
Output Indicators					
Percentage of adults reincarcerated within 3 years of release	43.5%	46.9%	41.9%	Not Available	Not Available

Output Indicators	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Target/ Projected	Fiscal Year 2016 Actual	Fiscal Year 2017 Target/ Projected (b)
Number of parolees returned to prison each month as a percent of average daily parole population	31.4%	31.9%	30.1%	Not Available	Not Available
Number of offenders transferred to a lower security level due to good behavior (per 1,000 offenders per month)	1.2	1.3	1.4	Not Available	Not Available
Number of offenders whose security level was increased due to discipline for problem behavior (per 1,000 offenders per month)	2.5	2.4	2.2	Not Available	Not Available
Number of contraband confiscations (per 1,000 offenders per month)	30.5	28.0	25.0	Not Available	Not Available

Output Indicators	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Target/ Projected	Fiscal Year 2016 Actual	Fiscal Year 2017 Target/ Projected (b)
Number of offender-on-staff assaults (per 1,000 staff per month)	4.5	4.2	3.8	Not Available	Not Available
Number of offender-on-offender assaults (per 1,000 offenders per month)	3.6	3.8	3.4	Not Available	Not Available

Notes:

(a) The Fiscal Year 2017 expenditure for the General Revenue Fund, Working Capital Revolving Fund, and Department of Corrections Reimbursement Fund portion is the enacted appropriation of $1,360,316. The Department will be seeking a supplemental appropriation. However, the amount has not been determined at this time.

(b) The Fiscal Year 2017 data is subject to change pending further review by the Department staff.

SALES BY CUSTOMER

The following is an analysis of net sales by customer type for the Illinois Correctional Industries for the Fiscal Years ended June 30, 2016 and 2015:

	Fiscal Year 2016	Fiscal Year 2015
Illinois Department of Corrections	$ 33,343,660	$ 37,896,904
Illinois Department of Human Services	1,290,405	1,709,514
Illinois Department of Transportation	6,636	32,765
Other State Agencies	5,678,340	10,485,719
Local Governments	91,700	160,441
Colleges and Universities	13,439	83,452
Not-for-Profit Organizations	809,860	766,141
Other Customers	1,452,817	1,508,067
Total sales	$ 42,686,857	$ 52,643,003

INMATE ASSIGNMENTS

In Fiscal Year 2016, Illinois Correctional Industries filled 74% of industry assignments throughout the year, while in Fiscal Year 2015, the Industries filled 87% of industry assignments.

The first column, Total Available, reflects the established number of positions for a shop working at full capacity. When a shop is not working at full capacity, it is generally due to lack of sales, inmates being confined to their cells (uninterested in assignments, illness or lockdown), or vacancies due to routine turnover.

	Fiscal Year 2016		Fiscal Year 2015	
INDUSTRY	Total Available	Average Working	Total Available	Average Working
Centralia Administration	5	4	5	5
Centralia Mattress *	N/A	N/A	-	7
Centralia Recycling	13	10	13	12
Centralia Sewing	37	21	27	17
Danville Administration	5	5	5	5
Danville Recycling	2	2	2	2
Danville Silkscreen/Embroidery	50	26	50	43
Decatur Administration	2	3	2	2
Decatur Sewing	40	21	40	15
Decatur Dog Grooming	6	6	6	6
Dixon Administration	8	6	8	8
Dixon Optical	95	74	95	95
East Moline Administration	4	4	4	4
East Moline Laundry	45	35	36	36
Graham Administration	4	2	4	4
Graham Furniture	36	22	36	36
Graham Mattress	7	8	7	7
Graham Vehicle Repair/State Garage	6	4	6	5
Hill Administration	5	4	5	5
Hill Meat Processing	31	27	31	28
Hill Milk Processing	30	28	30	30
Illinois River Administration	16	14	16	14
Illinois River Bakery	129	99	129	106
Jacksonville Recycling *	N/A	N/A	14	14
Lincoln Furniture	9	3	9	5
Lincoln Sign Shop	5	3	5	3
Lincoln Warehouse Administration	2	1	2	1
Lincoln Warehouse Central Distribution	7	2	7	5
Logan Helping Paws	17	16	15	15
Logan Recycling	20	17	20	14

INDUSTRY (Continued)	Fiscal Year 2016 Total Available	Fiscal Year 2016 Average Working	Fiscal Year 2015 Total Available	Fiscal Year 2015 Average Working
Menard Administration	6	5	6	6
Menard Broom & Wax	10	7	10	10
Menard Knit	58	37	58	47
Menard Meat Processing	15	10	13	8
Menard Waste Removal/Recycling	28	18	28	20
Shawnee Administration	5	5	5	5
Shawnee Metal Furniture	25	20	25	20
Shawnee Recycling	N/A	N/A	2	2
Sheridan Garment Cutting	12	10	12	11
Stateville Administration	4	2	4	4
Stateville Furniture	12	5	12	12
Stateville Soap	6	5	6	6
Vandalia Administration	3	2	3	3
Vandalia Meat Processing	25	20	25	25
Vandalia Milk/Oil Processing	18	15	18	18
Vandalia Recycling	9	3	9	9
Western Illinois Administration	4	4	16	16
Western Illinois Food Processing	18	15	64	48
Western Illinois Recycling **	66	57	N/A	N/A
TOTAL	960	707	945	819

** Indicates shop closed midway through Fiscal Year 2015. Represents best data available.*

*** Indicates combination of Western, Jacksonville, & Pittsfield Recycling*

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SUMMARY OF OPERATIONS BY INDUSTRY - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

Fiscal Year 2016

Industry/Shop	Revenue	Manufacturing Costs	Garment Cutting Allocated to Sewing Shops	Factory Administrative Overhead/Expenses	Selling, General and Administrative Expenses	Depreciation	Increase (Decrease) in Net Assets	Average # of Inmate Workers
Illinois River Bakery	$ 5,611,262	$ 3,771,688	$ -	$ 340,757	$ 1,084,895	$ 42,961	$ 370,961	99
Illinois River Recycling	4,651	16,029	-	1,407	899	-	(13,684)	-
Lincoln Furniture	71,131	109,580	-	67,993	13,753	-	(120,195)	3
Lincoln Sign Shop	19,691	169,448	-	109,907	3,807	11,108	(274,579)	3
Decatur Sewing/Garment	235,452	304,414	30,018	180,468	45,523	788	(325,759)	21
Decatur Dog Grooming	-	36,461	-	-	-	-	(36,461)	6
Lincoln Warehouse & Trucking	-	4,455,478	-	-	(4,484,289)	28,811	-	3
Centralia Sewing/Garment	626,044	494,735	254,455	291,693	121,041	-	(535,880)	21
Centralia Recycling	7,271	40,343	-	17,225	1,406	5,624	(57,327)	10
Graham Furniture	164,256	350,548	-	64,333	31,758	-	(282,383)	22
Graham Mattress	403,673	321,958	-	58,344	78,047	-	(54,676)	8
Graham Vehicle	18,295	6,365	-	1,128	3,537	-	7,265	4
Logan Recycling	5,104	200,294	-	-	987	-	(196,177)	17
Menard Broom, Wax & Soap	655,074	671,992	-	68,777	126,654	7,308	(219,657)	7
Menard Knit	1,194,246	904,205	15,542	90,910	230,898	2,350	(49,659)	37
Menard Meat/Food Processing	2,387,756	1,271,660	-	122,452	461,654	15,026	516,964	10
Menard Waste Removal/Recycling	316,704	272,680	-	29,140	61,232	27,676	(74,024)	18
Logan Helping Paws	-	163,128	-	-	-	-	(163,128)	16
Sheridan Garment Cutting	-	311,422	(312,864)	-	-	1,442	-	10

(Continued)

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SUMMARY OF OPERATIONS BY INDUSTRY - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

Fiscal Year 2016 (continued)

Industry/Shop	Revenue	Manufacturing Costs	Garment Cutting Allocated to Sewing Shops	Factory Administrative Overhead/Expenses	Selling, General and Administrative Expenses	Depreciation	Increase (Decrease) in Net Assets	Average # of Inmate Workers
Stateville Furniture	$ 2,603	$ 91,490	$ -	$ 34,995	$ 503	$ 2,051	$ (126,436)	5
Stateville Soap	499,444	414,310	-	161,841	96,564	5,340	(178,611)	5
Stateville Recycling	93	254	-	100	18	-	(279)	-
Vandalia Milk/Juice Processing	1,724,477	1,328,549	-	80,397	333,415	22,486	(40,370)	15
Vandalia Meat/Food Processing	2,426,466	1,439,388	-	81,526	469,139	1,383	435,030	20
Vandalia Recycling	27,937	147,906	-	8,205	5,401	540	(134,115)	3
East Moline Laundry	1,124,208	666,962	-	103,092	217,357	23,170	113,627	35
Danville Silk screening & Embroidery	422,940	417,027	12,849	283,673	81,772	19,127	(391,508)	26
Danville Recycling	7,130	22,118	-	13,029	1,379	-	(29,396)	2
Dixon Optical	4,802,114	2,268,152	-	453,222	928,452	52,567	1,099,721	74
Hill Meat/Food Processing	4,175,825	2,186,421	-	108,704	807,364	34,137	1,039,199	27
Hill Milk/Juice Processing	6,341,505	4,045,353	-	204,103	1,226,082	152,202	713,765	28
Western Illinois Meat/Food Processing	8,288,097	4,470,420	-	291,708	1,602,441	37,547	1,885,981	15
Western Illinois Recycling	7,397	16,776	-	1,238	1,430	2,700	(14,747)	57
Shawnee Metal Furniture	295,570	418,564	-	287,580	57,146	1,715	(469,435)	20
Shawnee Recycling	13,468	970	-	1,610	2,604	1,350	6,934	-
Total	$ 41,879,884	$ 31,807,088	$ -	$ 3,559,557	$ 3,612,869	$ 499,409	$ 2,400,961	647
Interest Expense included in Allocations	-	-	(3,625)	(3,970)	(17,666)	-	25,261	
Net Gain/Loss from Operations							$ 2,426,222	
Other income (expenses), net	-	-	-	-	-	-	268,168	
Net Gain/(Loss)	$ 41,879,884	$ 31,807,088	$ (3,625)	$ 3,555,587	$ 3,595,203	$ 499,409	$ 2,694,390	

Note:
During Fiscal Year 2016, Industries had an average of 60 inmate workers in administrative positions at various locations, bringing the total number of inmate workers to 707.

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SUMMARY OF OPERATIONS BY INDUSTRY - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

Fiscal Year 2015

Industry/Shop	Revenue	Manufacturing Costs	Garment Cutting Allocated to Sewing Shops	Factory Administrative Overhead/Expenses	Selling, General and Administrative Expenses	Depreciation	Increase (Decrease) in Net Assets	Average # of Inmate Workers
Illinois River Bakery	$ 6,490,061	$ 4,029,361	$ -	$ 306,748	$ 1,213,218	$ 57,537	$ 883,197	106
Illinois River Recycling	9,086	19,056	-	1,367	1,690	-	(13,027)	-
Lincoln Furniture	500,309	534,269	-	147,442	92,673	-	(274,075)	5
Lincoln Sign Shop	19,403	158,961	-	45,866	3,691	11,445	(200,560)	3
Decatur Sewing/Garment	238,875	266,394	60,570	258,504	43,389	66	(390,048)	15
Decatur Dog Grooming	-	35,863	-	-	-	-	(35,863)	6
Lincoln Warehouse & Trucking	-	5,038,132	-	-	(5,065,343)	27,211	-	6
Jacksonville Telemarketing	3,846	144,767	-	-	(140,921)	-	-	-
Jacksonville Recycling	4,101	15,585	-	-	679	2,025	(14,188)	14
Centralia Mattress	240,334	213,451	-	49,434	40,475	-	(63,026)	7
Centralia Sewing/Garment	875,877	601,716	542,066	230,710	163,999	-	(662,614)	17
Centralia Recycling	4,296	75,874	-	23,425	768	5,624	(101,395)	12
Graham Furniture	436,022	622,612	-	93,602	81,187	-	(361,379)	36
Graham Mattress	279,704	188,062	-	29,736	56,283	-	5,623	7
Graham Vehicle	16,860	6,420	-	1,005	3,028	-	6,407	5
Logan Recycling	5,538	305,896	-	-	708	-	(301,066)	14
Menard Broom, Wax & Soap	795,340	705,777	-	81,976	150,868	7,308	(150,589)	10
Menard Knit	1,739,871	1,132,579	61,049	133,040	325,460	2,350	85,393	47
Menard Meat/Food Processing	2,170,017	1,234,215	-	136,603	404,489	15,026	379,684	8
Menard Waste Removal/Recycling	335,386	278,424	-	34,952	64,944	25,540	(68,474)	20
Logan Helping Paws	-	151,618	-	-	-	-	(151,618)	15
Sheridan Garment Cutting	-	707,864	(709,306)	-	-	1,442	-	11

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DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

SUMMARY OF OPERATIONS BY INDUSTRY - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

Fiscal Year 2015 (continued)

Industry/Shop	Revenue	Manufacturing Costs	Garment Cutting Allocated to Sewing Shops	Factory Administrative Overhead/Expenses	Selling, General and Administrative Expenses	Depreciation	Increase (Decrease) in Net Assets	Average # of Inmate Workers
Stateville Furniture	$ 284,905	$ 272,493	$ -	$ 85,468	$ 51,123	$ 14,012	$ (138,191)	12
Stateville Soap	633,555	537,683	-	209,189	117,219	16,045	(246,581)	6
Stateville Recycling	-	-	-	-	-	-	-	-
Vandalia Milk/Juice Processing	2,329,058	1,536,968	-	135,470	450,461	32,844	173,315	18
Vandalia Meat/Food Processing	3,012,263	2,045,586	-	159,645	552,053	-	254,979	25
Vandalia Recycling	14,660	137,784	-	8,650	3,267	-	(135,041)	9
East Moline Laundry	1,052,702	677,846	-	148,136	199,566	23,742	3,412	36
Danville Silk screening & Embroidery	530,601	459,986	45,621	206,009	106,053	12,922	(299,990)	43
Danville Recycling	4,158	19,157	-	7,695	810	-	(23,504)	2
Dixon Optical	8,664,964	3,429,998	-	437,661	1,587,748	47,777	3,161,780	95
Hill Meat/Food Processing	4,570,885	2,933,060	-	114,622	858,702	27,533	636,968	28
Hill Milk/Juice Processing	7,272,662	4,569,547	-	185,988	1,357,186	151,119	1,008,822	30
Western Illinois Meat/Food Processing	8,426,900	5,982,532	-	265,180	1,563,403	30,888	584,897	48
Shawnee Metal Furniture	787,313	797,204	-	227,656	145,238	1,715	(384,500)	20
Shawnee Recycling	12,126	19,400	-	7,127	2,190	1,350	(17,941)	2
Total	$ 51,761,678	$ 39,886,140	$ -	$ 3,772,906	$ 4,436,304	$ 515,521	$ 3,150,807	738
Non operating expenses included in Allocation	-	-	(117)	(8)	9,971	-	$ (9,846)	
Net Gain/(Loss) from Operations							$ 3,140,961	
Other income (expenses), net	-	-	-	-	-	-	$ 816,045	
Net Gain/(Loss)	$ 51,761,678	$ 39,886,140	$ (117)	$ 3,772,898	$ 4,446,275	$ 515,521	$ 3,957,006	

Note:
During Fiscal Year 2015, Industries had an average of 81 inmate workers in administrative positions at various locations, bringing the total number of inmate workers to 819.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2016
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016

FARM LEASES BY LOCATION - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

				Past Due Receivable at June 30	
Location	Acres	Expiration Date	Annual Billing	2016	2015
Dixon	102.68	12/31/17	$ 20,638	$ -	$ -
Dwight	33.75	12/31/18	11,526	-	-
Kewanee	4.00	12/31/16	400	-	-
Lawrence	62.21	12/01/16	12,131	-	-
Menard	305.80	12/31/18	49,845	-	-
Menard	583.40	12/31/18	58,340	-	-
Menard	40.00	12/31/18	2,800	-	-
Pontiac	311.13	12/31/17	100,028	-	-
Stateville	593.50	12/31/18	195,261	-	-
Tamms	81.62	12/13/15	1,200	-	-
Vandalia	932.18	12/31/18	209,741	-	-
Vienna North	236.66	12/31/18	28,399	-	-
Vienna South	305.35	12/31/18	36,642	-	-
Grayville	N/A	N/A	-	-	2,583
Stateville	N/A	N/A	-	-	190,380
Vienna	N/A	N/A	-	17,200	27,200
			$ 726,951	$ 17,200	$ 220,163

Detail on past due receivable:

	2016	2015
Over a year past due	$ 17,200	$ 220,163

The Illinois Department of Central Management Services (DCMS) is responsible for the negotiation of the lease arrangements including determining fair market conditions and customary practices for the lease arrangements. DCMS has a practice of obtaining bids in order to obtain fair market conditions.

In Fiscal Year 2016, through collection efforts and legal proceedings, Illinois Correctional Industries (Industries) collected $202,963 of the outstanding receivable over a year past due. DCMS and Industries were in legal proceedings to collect $17,200 at June 30, 2016.

Lease agreements were revamped in 2014 and all new leases require each lessee to provide a letter of credit from a bank. Rent for the above leases is negotiated as a flat rate per acre per year. As expressly written in the leases, annual rent for the most of the lease agreements are due in two installments, April 1 and October 1.