



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS DEPARTMENT OF JUVENILE JUSTICE

**Compliance Examination For the Two Years Ended
June 30, 2010**

Release Date: August 18, 2011

Summary of Findings:

Total this report	16
Total last report	25
Repeated from last report:	14

SYNOPSIS

- The Department of Juvenile Justice (Department) did not maintain accurate and adequate equipment and capital asset records.
- The Department did not comply with statutory contracting requirements in providing commissary / concession type services to residents at five Youth Centers.
- The Department's Youth Centers inadequately administered locally held (bank accounts) funds during the examination period.
- The Department's payroll timekeeping system is not automated.
- The Department failed to ensure proper controls were established in the administration of its contracts during the examination period.

{Expenditure and activity measurers are summarized on the reverse page. }

**DEPARTMENT OF JUVENILE JUSTICE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010**

EXPENDITURE STATISTICS	FY 2010	FY 2009	FY 2008
Total Expenditures.....	\$ 120,259,955	\$ 134,153,677	\$ 124,989,077
OPERATIONS TOTAL.....	\$ 120,162,042	\$ 134,073,669	\$ 124,590,752
% of Total Expenditures.....	99.9%	100.0%	99.7%
Personal Services.....	84,387,709	79,614,271	75,613,797
Other Payroll Costs (FICA, Retirement and Group Insurance).....	6,526,602	22,582,729	18,151,593
Contractual Services.....	23,966,723	26,892,527	26,258,560
Commodities.....	3,290,181	3,562,357	3,495,686
All Other Operating Expenditures.....	1,990,827	1,421,785	1,071,116
AWARDS AND GRANTS.....	\$ 18,155	\$ 45,629	\$ 46,312
% of Total Expenditures.....	0.0%	0.0%	0.0%
PERMANENT IMPROVEMENTS.....	\$ -	\$ -	\$ 335
% of Total Expenditures.....	0.0%	0.0%	0.0%
REFUNDS.....	\$ 79,758	\$ 34,379	\$ 351,678
% of Total Expenditures.....	0.1%	0.0%	0.3%
Total Receipts.....	\$ 6,384,380	\$ 5,992,068	\$ 8,108,385
Average Number of Employees.....	1,204	1,153	1,176

SELECTED ACTIVITY MEASURES (unaudited)	2010	2009	2008
Average Juvenile Population, June 30,	1,192	1,329	1,364
Rated Capacity, June 30,.....	1,754	1,754	1,754
Juvenile Population (Under) Rated Capacity	(562)	(425)	(390)
Average Annual Cost, Youth Centers.....	\$ 86,861	\$ 87,009	\$ 78,846
Overtime Hours Paid.....	84,101	145,901	116,670
Value of Overtime Hours Paid.....	\$ 3,729,647	\$ 6,130,392	\$ 4,529,133
Compensatory Hours Used.....	52,959	56,615	52,198
Value of Compensatory Hours Used.....	\$ 1,653,757	\$ 1,655,246	\$ 1,369,068

DEPARTMENT DIRECTOR
During Examination Period: Kurt Friedenauer (through 7/14/10)
Currently: Arthur D. Bishop (effective 7/16/10)

INTRODUCTION

Effective June 1, 2006, Public Act 94-0696 established the Department of Juvenile Justice (Department). This Act transferred certain rights, powers, duties, and functions that were exercised by the Juvenile Division of the Department of Corrections (DOC). Effective July 1, 2006, DOC's school district was transferred to the Department.

This report presents our compliance attestation examination of the Department's operations for the two years ended June 30, 2010. During the two years ended June 30, 2010 the Department administered 8 youth centers.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INACCURATE AND INADEQUATE EQUIPMENT AND CAPITAL ASSET RECORDKEEPING

The Department did not maintain accurate and adequate equipment and capital asset records.

Auditors tested a sample of equipment invoice vouchers during the examination period and noted the following exceptions:

Items purchased were not recorded in the property system or tagged

- Items purchased from ten of the invoice vouchers tested totaling \$55,566 were not recorded in the property listings and were not issued property control tags.

Department could not provide property reports

- The Department could not provide property reports for the first seven months of the examination period and for several months thereafter, the Department could not provide the reports for several divisions. As a result, the auditors were unable to trace 14 items selected for testing to a relevant property control system report.

Department could not provide documentation that cost of replaced items were removed from property system

- The Department purchased \$71,699 of beds and furniture to replace beds and furniture deemed to be a danger to the health and safety of the youth. The Department was unable to document they removed the cost of the replaced beds and related furniture from their property control records.

Department was unable to provide detailed information for amounts included on worksheets

Auditors also identified the Department utilizes a summary worksheet to prepare its State property form for submission to the Office of the Comptroller. The worksheet does not provide individual transaction detail to support the summarized totals. The Department was unable to provide detailed information supporting the summary worksheets and, as such, auditors were unable to test the composition of the transactions reported on the State property form. Additionally, due to the significant number of property control system reports which were unavailable, auditors were unable to adequately test amounts included on the summary worksheets.

Department attributed problems to an old property control system

Department management indicated the limitations inherent in the 30 year old property control system create difficulties in recordkeeping. This inherent problem causes the Department to maintain several manual spreadsheets and files. Management further indicated, at this time, there is no funding to purchase a new property control system. (Finding 2, pages 16 - 18)

We recommended the Department strengthen its procedures over property and equipment to ensure accurate recordkeeping and accountability for all State assets.

Department agrees with auditors

Department officials accepted our recommendation and responded they will continue devoting the resources necessary within the limitations of the existing Automated Property Control System (APCS) to ensure that property and equipment information is properly recorded and maintained.

NONCOMPLIANCE WITH STATUTORY REQUIREMENTS IN PROVIDING COMMISSARY/CONCESSION TYPE SERVICES TO RESIDENTS OF YOUTH CENTERS

Five Centers utilize the same vendor for commissary / concession service but do not have a formalized contract

The Department's St. Charles Youth Center entered into a contract with a vendor to provide commissary / concession services. Five other Youth Centers (Chicago, Harrisburg, Joliet, Pere Marquette and Warrenville) decided to use the same vendor to provide commissary / concession services but are not a party to the contract between the vendor and the St. Charles Youth Center and do not have a formal written contract with the vendor. Based on information provided by the Department, the vendor for the six Youth Centers noted above was paid approximately \$262,000 and \$205,000 by the residents,

respectively for fiscal years 2009 and 2010 for commissary / concession goods.

The following exceptions were noted with the commissary / concession services contract and operations:

Contract used by one Center did not provide complete information

- The contract entered into with the vendor was not prepared in a standard contract format and did not provide complete information. The contract was prepared by piecing together a request for proposal from the vendor to which the contract was awarded. In addition, the witness area, description of contractual purpose, date an invitation for bid was issued and description of contractual needs being addressed on the signature page were not completed.

Contract was not approved by Department Director

- The original contract was not approved by the Department Director, which at the time would have been the Director of the Department of Corrections. The Assistant Warden of Operations signed the contract both on behalf of the St. Charles Youth Center and the Department. The subsequent renewal of the vendor contract was signed by the St. Charles Youth Center Superintendent, but was not signed by the Director of the Department.

Required contract information was not publicized in the Illinois Procurement Bulletin

- Neither the solicitation for the commissary / concession service nor the subsequent notice of contract award was publicized in the Illinois Procurement Bulletin. Documentation was provided that proposals were received from three companies, but it was unclear sufficient publication and distribution of the request for proposal had been made. In addition, the contract file did not contain information indicating the basis on which the award was made or that the contract was awarded to the company with the most advantageous proposal to the State.

Prices charged Youth include a 25% mark-up

- The prices charged the residents include a mark-up on the item to provide a 25% profit to be retained in the Youth Center resident's benefit fund. The Youth Centers, through the vendor, collect the 25% commission. There is no statutory guidance on what a reasonable markup / commission is on goods to be sold to the residents.

Department indicated it is continuing to work on the problem

The Department indicated it is continuing to work to correct the problem and the Procurement Business Case for Department concessions was not approved by the Governor's Office of Management and Budget until subsequent to fiscal year 2010. (Finding 4, pages 21 - 23)

Department agrees with auditors

We recommended the Department comply with the statutory and Illinois Administrative Code requirements for selecting, awarding and contracting for commissary / concession service to the Youth Centers. In addition, we also recommended the Department review the process for pricing goods sold to residents to ensure equitable pricing between Youth Centers that are in close proximity as well as determining a reasonable amount to collect as commission on the commissary / concession sales.

Department officials accepted our recommendation and indicated they will continue to work to comply with the requirements for selecting, awarding and contracting for commissary/concession service to the Youth Centers. The Department officials also noted they will re-evaluate the current process for pricing goods sold at the commissaries / concessions.

Exceptions noted in administration of locally held funds at Youth Centers

INADEQUATE ADMINISTRATION OF LOCALLY HELD FUNDS AT YOUTH CENTERS

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

Required committees did not officially meet or maintain documentation of approvals to expend funds

- Auditors noted instances at 2 Youth Centers where the required committees did not officially meet to discuss and approve expenditures; did not maintain minutes of the meetings; and failed to document approvals of expenditures.

Deposits of receipts not made timely

- Two Youth Centers did not deposit locally held fund receipts timely.

Discharged resident trust fund balances not disbursed timely

- One Youth Center did not timely disburse 19 discharged resident trust fund account balances tested due to the absence of a key employee from November 2008 through mid-March 2009. The tested disbursements ranged from 35 to 223 days late and totaled \$4,272.

Earned interest not allocated to accounts properly

- Two Youth Centers did not deposit earned interest to individual resident accounts for balances in excess of \$200 nor did they deposit any residents' locally held trust fund accounts in excess of \$200 into individual interest bearing savings accounts in which all interest is to accrue to that account.

Gift cards used to make purchases

- Seven Youth Centers utilized store gift/purchase cards to buy items as opposed to having the store bill the Youth Centers and process the payment through the normal expenditure process. Auditors noted the Youth Centers had made purchases on the gift/purchase cards during the examination period of approximately \$8,400. The Department does not have a written administrative directive relating to the use, reporting, and safeguarding of gift/purchase cards.

Department indicated exceptions were due to staff limitations and errors

Department management indicated the exceptions noted were due to staffing limitations at the Youth Centers and staff errors. (Finding 9, pages 33 to 34)

We recommended the Department remind the Youth Center staff of the requirements related to the locally held fund administration as set forth in the administrative directives. We also recommended the Department prepare a formal administrative directive to cover the overall gift / purchase card process.

Department agrees with auditors

Department officials accepted our recommendation and noted they will make every effort to ensure Youth Center's comply with the requirements related to locally held fund administration and will make any changes or revisions to the administrative directives, as necessary.

PAYROLL TIMEKEEPING SYSTEM NOT AUTOMATED

Need to fully automate payroll timekeeping system

The Department-wide payroll timekeeping system is not fully automated. During the previous engagement period the Department's human resources responsibilities were consolidated with a number of other State agencies as part of the Public Safety Shared Services Center (PSSSC). The PSSSC was scheduled to create / implement an automated timekeeping system, but it was not created.

Timekeeping data for Youth Center employees is manually tabulated and then entered into the payroll system

The Department maintains a manual timekeeping system for several hundred employees. Most Department employees sign in and out, and sign-in sheets are sent to timekeeping clerks. Other information, including notification of absence and call-in reports, are also forwarded to the timekeepers. No automation is involved except for the processing of payroll warrants.

Timesheets not submitted in accordance with statutory requirement

In addition, during testing of the Department's manual timekeeping system, timesheets for 60 employees were selected and auditors noted exceptions related to 58 of the employee timesheets. Exceptions identified were related to timesheets not submitted in accordance with the State Officials and Employees Ethics Act (Act).

State spent \$1.6 million on new statewide automated timekeeping system that is not implemented

During the current engagement it was noted the Department of Central Management Services and Capital Development Board initiated work on a statewide automated timekeeping system. The State entered into a contract with a vendor and expended \$1.6 million to the vendor. As of the end of the engagement fieldwork nothing else had been done towards implementation of the timekeeping system at the Department. Department management indicated they do not have the resources to purchase a new timekeeping system, but would participate in a new statewide system should one be purchased. (Finding 10, pages 35 - 36)

We recommended the Department implement an automated timekeeping system and comply with the State Officials and Employees Ethics Act.

Department agrees with auditors

Department officials accepted the recommendation and noted at this time they do not have the resources to purchase a new timekeeping system, however, will participate in a new statewide system should one be purchased. In addition, Department officials also noted they will make every effort to comply with the State Officials and Employees Ethics Act.

WEAKNESSES IN CONTRACT ADMINISTRATION

During testing of contractual agreements, auditors noted weaknesses in contract administration. Some of the weaknesses noted are as follows:

Contracts did not always include all of the required certifications, disclosures, and clauses

- Five contracts totaling \$230,825 did not include all of the certifications, disclosures, and clauses required by Section 15 of the Statewide Accounting Management System (SAMS) manual and various sections of the Illinois Compiled Statutes.

Contract did not contain the Director's signature

- One contract provided by the Department for testing, for \$10,968, did not contain the signature of the Department Director.

Inadequate monitoring

- The Department could not demonstrate adequate contract monitoring for 22 of the contracts tested, totaling \$12,519,969. Specifically, the auditors noted the Department could not provide the deliverables specified for 16 contracts, the deliverables provided for 1 contract did not include all information required, and for 5 contracts totaling \$1,166,690 the Department did not document their monitoring.

Emergency purchase was not posted on the Illinois Procurement Bulletin

In addition, during testing of emergency purchases auditors noted one emergency purchase totaling \$64,668 was not published in the Illinois Procurement Bulletin and the related affidavit was not filed within 10 days after the procurement occurred as required by the Illinois Procurement Code.

Department management indicated multiple reasons for the exceptions noted

Department management indicated the failure to ensure proper controls were established in the administration of contracts was due to employee oversight, human error, lack of resources and inadequate communication within the Department. (Finding 10-14, pages 42 - 44)

We recommended the Department implement the necessary controls to adequately administer its contractual agreements and ensure compliance with applicable statutes and Department Administrative Directives.

Department agrees with auditors

The Department accepted the recommendation and noted they will implement the necessary controls to ensure contracts are properly administered and in compliance with applicable laws and regulations.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Department. We will review the Department's progress towards the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

The auditors conducted a compliance examination of the Department for the two years ended June 30, 2010 as required by the Illinois State Auditing Act. The Accountants' Report does not contain any scope limitations, disclaimers or other significant non-standard language.



WILLIAM G. HOLLAND
Auditor General

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SPECIAL ASSISTANT AUDITORS

Sikich LLP were our Special Assistant Auditors for this engagement.