



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, 2012**

Release Date: August 6, 2013

Summary of Findings:

Total this report	18
Total last report	16
Repeated from last report	12

SYNOPSIS

- The Department of Juvenile Justice (Department) did not maintain accurate and adequate equipment and capital asset records.
- The Department's Youth Centers inadequately administered locally held (bank accounts) funds during the examination period.
- The Department failed to ensure proper controls were established in the administration of its contracts during the examination period.
- The Department's payroll timekeeping system is not automated.
- The Department was not able to locate 84 computers.

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

**ILLINOIS DEPARTMENT OF JUVENILE JUSTICE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2012**

EXPENDITURE STATISTICS	FY 2012	FY 2011	FY 2010
Total Expenditures.....	\$ 128,158,001	\$ 125,901,400	\$ 120,259,955
OPERATIONS TOTAL.....	\$ 125,396,127	\$ 124,161,479	\$ 120,162,042
% of Total Expenditures.....	97.9%	98.6%	99.9%
Personal Services.....	89,180,632	88,513,304	84,387,709
Other Payroll Costs (FICA, Retirement and Group Insurance).....	8,050,014	7,356,242	6,526,602
Contractual Services.....	23,129,451	22,972,145	23,966,723
Commodities.....	3,242,651	3,152,958	3,290,181
All Other Operating Expenditures.....	1,793,379	2,166,830	1,990,827
AWARDS AND GRANTS.....	\$ 26,931	\$ 1,631,530	\$ 18,155
% of Total Expenditures.....	0.0%	1.3%	0.0%
PERMANENT IMPROVEMENTS.....	\$ 2,572,308	\$ 70,123	\$ -
% of Total Expenditures.....	2.0%	0.1%	0.0%
REFUNDS.....	\$ 162,635	\$ 38,268	\$ 79,758
% of Total Expenditures.....	0.1%	0.0%	0.1%
Total Receipts.....	\$ 8,219,357	\$ 6,404,995	\$ 6,384,380
Property and Equipment at June 30,.....	\$ 218,657,915	\$ 216,709,124	\$ 204,042,604

SELECTED ACTIVITY MEASURES (unaudited)	FY 2012	FY 2011	FY 2010
Average Juvenile Population, June 30,	1,068	1,179	1,192
Rated Capacity, June 30,.....	1,754	1,754	1,754
Juvenile Population (Under) Rated Capacity	(686)	(575)	(562)
Average Annual Cost, Youth Centers.....	\$ 98,907	\$ 90,721	\$ 86,861
Overtime Hours Paid.....	37,545	70,852	84,101
Value of Overtime Hours Paid.....	\$ 1,640,814	\$ 3,139,152	\$ 3,729,647
Compensatory Hours Used.....	38,506	43,115	52,959
Value of Compensatory Hours Used.....	\$ 1,264,862	\$ 1,402,758	\$ 1,653,757
Average Number of Employees.....	1,208	1,239	1,204

DEPARTMENT DIRECTOR
During Examination Period: Kurt C. Friedenauer (through 7/15/10), Arthur D. Bishop (effective 7/16/10)
Currently: Arthur D. Bishop

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 (IDOC). Effective July 1, 2006, IDOC'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, 2012. During the two years ended June 30, 2012 the Department administered 8 youth centers. Subsequent to June 30, 2012 the Department closed IYC Murphysboro on January 4, 2013 and IYC Joliet on February 12, 2013.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NEED TO IMPROVE 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. Some of the exceptions noted follow:

- | | |
|---|---|
| Items purchased were not recorded in the property system or tagged | <ul style="list-style-type: none">• Items purchased from seventeen of the invoice vouchers tested totaling \$50,820 were not recorded in the property listings and were not issued property control tags. |
| Vehicles not timely reported | <ul style="list-style-type: none">• Vehicles totaling \$142,056 were purchased in June 2012 but were not recorded as additions on the Department's Agency Report of State Property Form (C-15) for submission to the Comptroller's Office until the first quarter of fiscal year 2013. |
| Lease forms not properly completed | <ul style="list-style-type: none">• Auditors noted the Department did not complete the Accounting for Leases-Lessee Form (SCO-560) as required by the Comptroller's Office for 4 new lease agreements and 1 new lease was improperly classified as an operating lease instead of a capital lease. |

Failure to maintain adequate fixed asset records is noncompliance with the State Property Control Act, Fiscal Control and Internal Auditing Act, and the Office of the Comptroller's Statewide Accounting Management System procedures and increases the risk of equipment theft or loss occurring without detection, and has resulted in inaccurate property/fixed asset reporting. (Finding 2, pages 15-17) **This Finding was first reported in 2008.**

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 the recommendation and indicated they will continue devoting the resources necessary within the limitations of the existing IDOC Automated Property Control System to ensure that property and equipment information is properly recorded and maintained. (For the previous Department response, see Digest Footnote #1)

INADEQUATE ADMINISTRATION OF LOCALLY HELD FUNDS AT YOUTH CENTERS

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

Exceptions noted in administration of locally held funds at Youth Centers

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

Required committees did not maintain documentation of approvals to expend funds

- Auditors noted instances at 3 Youth Centers where meeting minutes could not be provided to determine the required committees officially met 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.

Gift card used to make purchases

- One Youth Center utilized store gift/purchase cards to make approximately \$500 worth of purchases during the examination. The Department does not have a written administrative directive relating to the use, reporting, and safeguarding of gift/purchase cards.

Bank statements not maintained

- Two Youth Centers were not properly maintaining bank statements for locally held funds. Auditors noted the Youth Centers were unable to provide bank statements for the Trust Fund and Employee Benefit Fund to support testing of locally held funds receipts and disbursements.
- Three Youth Centers did not maintain adequate documentation of Employee Benefit Fund, Resident Benefit Fund and Trust Fund receipts and/or disbursements. Auditors were provided with combinations of bank statements, committee minutes, accounting system print outs, mail room receipts and youth statement transaction reports, but documentation to support the specific receipts and/or the expenditures were not available because they were not maintained by the Youth Centers.

Documentation not maintained to support receipt or disbursement activity

The lack of following the prescribed formal administrative directive results in a breakdown of the authorization process and documentation of decisions and could lead to inappropriate expenditures not being prevented. The lack of an administrative directive outlining the proper use and control of gift / purchase cards increases the potential for unauthorized usage and unapproved spending of benefit funds. (Finding 7, pages 28-30) **This Finding was first reported in 2008.**

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. In addition, the Department should prepare a formal administrative directive to cover the overall gift/purchase card process.

Department agrees with auditors

Department officials accepted the recommendation and noted they will remind Youth Center staff of the requirements related to the operation and maintenance of locally held funds. The Assistant Deputy Director position responsible for Fiscal Accounting Compliance was filled effective February 1, 2012. Adequate resources have been added, striving to continue making improvements in the Department's centralized oversight function and by the training of facility staff. (For the previous Department response, see Digest Footnote #2)

WEAKNESSES IN CONTRACT ADMINISTRATION

During testing of contractual agreements, auditors noted the Department failed to ensure proper controls were established in the administration of its contracts. Some of the conditions noted follow:

Inadequate monitoring

- The Department could not demonstrate adequate contract monitoring for 7 of the contracts tested. Specifically, the auditors noted the Department could not provide the deliverables specified for 5 contracts totaling \$498,490, and for 2 contracts totaling \$291,460 the Department did not document their monitoring.

Contract not executed timely

- One contract for \$229,070 was not reduced to writing prior to the services being performed. The Department initiated a bridge contract in February 2011 for the period of October 2010 thru April 2011 and filed Late Execution Waivers and Late Filing Affidavits.

Emergency purchases made as a result of not adequately monitoring existing contracts

- Six emergency purchases tested totaling \$382,928 were found to be extensions of existing contracts. Auditors noted the condition that gave rise to the necessity of the emergency purchases was the Department’s failure to adequately monitor the existing contracts and did not allow for time to competitively bid a new contract or contract extension.

Failure to properly administer contractual agreements to ensure compliance with all applicable statutes and procedures could potentially compromise public accountability and oversight and results in noncompliance with statutes and Department administrative directives. (Finding 8, pages 31-32) **This Finding was first reported in 2008.**

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

Department officials accepted the recommendation and stated they will implement the necessary controls to ensure contracts are properly administered and are in compliance with applicable laws and regulations. (For the previous Department response, see Digest Footnote #3)

PAYROLL TIMEKEEPING SYSTEM NOT AUTOMATED

Need to fully automate payroll timekeeping system

The Department-wide payroll timekeeping system is not fully automated.

During the 2008 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 approximately 1,200 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.

State spent \$1.6 million on statewide automated timekeeping system in prior years that has never been implemented

During the prior 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 this engagement fieldwork nothing else had been done towards implementation of the timekeeping system at the Department. (Finding 10, pages 34-35) **This Finding was first reported in 2008.**

We recommended the Department implement an automated timekeeping system.

Department agrees with auditors

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

INADEQUATE CONTROLS OVER COMPUTER INVENTORY

Department was unable to locate 84 computers

The Department was not able to locate 84 computers.

The Department conducts an annual physical inventory of all equipment with an acquisition cost of \$500 or more and annually reports its results to the Department of Central Management Services (DCMS). In its fiscal year 2011 Physical Inventory Report submitted to DCMS, the Department reported it was unable to locate \$23,835 of computer inventory related to 30 computers. In its fiscal year 2012 Physical Inventory Report, the Department identified \$49,996 of computer inventory which related to 54 computers which could not be located during the inventory.

Department was unsure if any confidential information was on missing computers

The Department was unable to determine whether the missing computer equipment were desktop or laptop computers. The Department considers these computers to be lost. Department personnel were not able to provide property transfer forms or any other documentation showing what happened to the computers and had not performed an assessment, and was unsure how much, if any, confidential information was on the missing computers.

Failure to follow up on missing computer equipment results in a lack of control over State property and increases the risks associated with the potential exposure of confidential information. (Finding 14, pages 41-42)

We made a number of recommendations to the Department including: 1) Improve controls over computer inventory; 2) Follow up on missing computer inventory; 3) Determine if the missing computers contained confidential information.

Department agrees with auditors

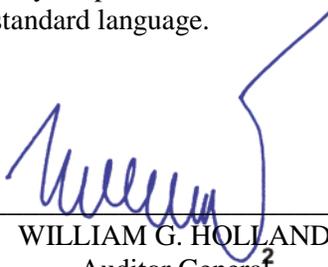
Department officials accepted the recommendations and noted they are investigating internally and will also work with the Department of Central Management Services in an effort to reconcile any missing items and make an assessment of those items reconciled to determine if computers contained confidential information.

OTHER FINDINGS

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

AUDITORS' OPINION

The Independent Accountants' Report on State Compliance and on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain any scope limitations, disclaimers or other significant non-standard language.



WILLIAM G. HOLLAND
Auditor General

WGH:RPU:rt

SPECIAL ASSISTANT AUDITORS

Sikich LLP were our Special Assistant Auditors for this engagement.

DIGEST FOOTNOTES

#1 NEED TO IMPROVE EQUIPMENT AND CAPITAL ASSET RECORDKEEPING – Previous Department Response

2010: Recommendation accepted: IL Department of Juvenile Justice (IDJJ) 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. IDOC will also re-evaluate the capabilities of the existing APCS to determine whether it can produce the type of data necessary for IDOC to ensure accurate recordkeeping and accountability for all State assets. If necessary, IDOC will then research other property control systems and their availability. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

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

2010: Recommendation accepted: IL Department of Juvenile Justice (IDJJ) will make every effort to ensure youth centers compliance with the requirements related to locally held fund administration and will make any changes or revisions to the Administrative Directives, as necessary.

#3 WEAKNESSES IN CONTRACT ADMINISTRATION – Previous Department Response

2010: Recommendation accepted: IL Department of Juvenile Justice (IDJJ) will implement the necessary controls to ensure contracts are properly administered and in compliance with applicable laws and regulations.

#4 PAYROLL TIMEKEEPING SYSTEM NOT AUTOMATED – Previous Department Response

2010: Recommendation accepted: IL Department of Juvenile Justice (IDJJ) will make every effort to comply with the State Officials and Employees Ethics Act, although IDJJ does not, at this time, have the resources to purchase a new timekeeping system. The Department would, however, participate in a new statewide system should one be purchased.