

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2010

AND DEPARTMENT-WIDE FINANCIAL AUDIT

For the Year Ended June 30, 2010

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010

AND DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2010

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STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

AGENCY OFFICIALS

Director	Roger E. Walker Jr. (through 6/7/09) Michael P. Randle (6/7/09 through 9/18/10) Gladyse Taylor, Acting (9/19/10 through 5/1/11) Salvador A. Godinez (effective 5/2/11)
Assistant Director	Deanne Benos (through 5/1/10) Gladyse Taylor, Acting (5/21/10 through 5/1/11) Gladyse Taylor (effective 5/2/11)
Executive Assistant to the Director	Sergio Molina (through 3/12/10) Jerry Buscher, Acting (effective 5/9/11)
Chief of Staff	James Reinhart (through 3/12/10) David Eldridge (3/12/10 through 1/15/11) Cara Smith (effective 1/25/11)
Chief of Community Outreach	Shelith Hansbro (through 12/15/09)
Chief of Constituent Services	Shelith Hansbro (effective 12/16/09)
Chief of Administration	Bill Edley (through 3/11/10) Abolished 3/11/10
Chief of Parole	Jesse Montgomery
Chief of Investigations and Intelligence	Joseph Burke (through 5/1/09) Luke Hartigan (effective 9/1/09)
Chief Legal Counsel	Edward Huntley (through 3/31/10) Joseph Rose (effective 2/1/2010)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

AGENCY OFFICIALS - Continued

Chief of Intergovernmental Relations	Tim McLean (through 1/14/10) Jenni Scheck (effective 3/12/10)
Chief of Labor Relations	Stephanie Shallenberger (through 11/13/09) Amy McElroy (effective 6/16/10)
Chief of Operations	Rick Bard (through 3/31/10) Eddie Jones (effective 6/16/10)
Chief of Affirmative Action	Vicki Fair (through 7/31/09)
Administrator of Affirmative Action and Minority Recruitment	Vicki Fair (effective 8/1/09)
Chief Fiscal Officer	Tony Small (through 1/31/10) Bryan Gleckler (effective 6/16/10)
Chief Public Safety Officer	Michael J. McCotter (effective 4/1/10)
Chief of Programs and Support Services	Roberta Fewes (effective 10/1/09)
Chief Internal Auditor	Brett Finley (effective 8/1/2010)
Deputy Director of Finance and Administration	Tony Small (through 1/31/2010) Abolished
Deputy Director of Programs and Support Services	Roberta Fewes (9/30/09) Abolished
Deputy Director of Women and Family Services	Debbie Denning (10/15/09) Abolished
Deputy Director of District 1	Guy Pierce (through 9/30/09) Eddie Jones (effective 10/1/09)
Deputy Director of District 2	Glenn Orr (effective 10/1/09)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

AGENCY OFFICIALS - Continued

Deputy Director of District 3	Ronald Meek (through 9/30/09) Abolished
Deputy Director of District 4	Danny Hartline (through 6/30/09) Josh Garnett (6/30/09 through 9/30/09) Abolished
Deputy Director of Community Corrections	Barbara Hurt (10/15/09) Abolished
Deputy Director of Parole	Jason Garnett (through 6/30/09) Abolished

Agency General Office is located at:

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



**Illinois
Department of
Corrections**

Pat Quinn
Governor

S. A. Godinez
Director

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

Telephone: (217) 558-2200
TDD: (800) 526-0844

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

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

July 18, 2011

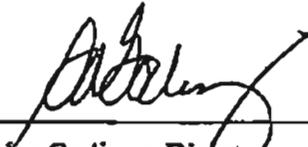
Ladies and Gentlemen:

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 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, 2010. Based on this evaluation, we assert that during the years ended June 30, 2009 and June 30, 2010, 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,

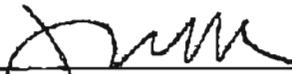
State of Illinois Department of Corrections



Salvador Godinez, Director



Bryan Gleckler, Chief Fiscal Officer



Joseph Rose, Acting Chief Legal Counsel

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE REPORT

SUMMARY

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

INTRODUCTION

Our scope as special assistant auditors to the Auditor General for the compliance examination consists of State compliance testing of the Department for the two years ended June 30, 2010, except for Illinois Correctional Industries (ICI), which was examined by other special assistant auditors. State compliance schedules contained in this report generally do not contain information for ICI.

ACCOUNTANTS' REPORTS

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	34	47
Repeated findings	24	19
Prior recommendations implemented or not repeated	23	2

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
10-1	19	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
10-2	22	Improper calculation and reporting of liabilities at year end	Material Weakness
10-3	24	Weaknesses in the financial accounting for, and reporting of capital assets	Material Weakness
10-4	27	Inaccurate and inadequate property/fixed asset recordkeeping	Significant Deficiency
10-5	30	Failure to formally document support for GAAP reporting and maintain and monitor awards and grants	Material Weakness
10-6	33	Inadequate controls over inventory	Significant Deficiency
10-7	37	Inadequate administration of locally held funds at the Correctional Centers	Significant Deficiency
FINDINGS (STATE COMPLIANCE)			
10-8	41	Weaknesses in administration of locally held funds at the General Office	Significant Deficiency and Noncompliance
10-9	43	Operation and maintenance of “cash box” imprest funds at Correctional Centers	Significant Deficiency and Noncompliance
10-10	45	Noncompliance with Uniform Disposition of Unclaimed Property Act	Significant Deficiency and Noncompliance

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE) (Continued)			
10-11	47	Failure to properly transfer unclaimed inmate cash account balances	Significant Deficiency and Noncompliance
10-12	49	Inmate commissary goods marked up more than allowed by statute	Significant Deficiency and Noncompliance
10-13	52	Noncompliance with the Illinois Procurement Code	Significant Deficiency and Noncompliance
10-14	54	Adult Transition Center records not properly maintained	Significant Deficiency and Noncompliance
10-15	57	Weaknesses in Adult Transition Center (ATC) food services contract	Significant Deficiency
10-16	59	Payroll timekeeping system not automated	Significant Deficiency and Noncompliance
10-17	61	Employee performance evaluations not performed timely or documented	Significant Deficiency and Noncompliance
10-18	63	Inadequate documentation of employee training	Significant Deficiency and Noncompliance
10-19	65	Weaknesses in contract administration	Significant Deficiency and Noncompliance
10-20	69	Inadequate controls over travel	Significant Deficiency and Noncompliance
10-21	72	Inadequate procedures regarding State vehicles	Significant Deficiency and Noncompliance

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE) (Continued)			
10-22	76	Failure to adequately maintain documentation related to personally assigned State vehicles	Significant Deficiency and Noncompliance
10-23	78	Payment of another State Agency's permanent improvements and failure to allocate joint postage expenses	Significant Deficiency and Noncompliance
10-24	80	Cash receipts and refunds not paid into the State treasury on a timely basis as required by State law	Significant Deficiency and Noncompliance
10-25	82	Failure to prepare and submit required reports as required by State statute	Significant Deficiency and Noncompliance
10-26	84	Failure to report required bilingual employee needs information	Significant Deficiency and Noncompliance
10-27	86	Failure to properly notify State's Attorney of impending early release of inmates	Significant Deficiency and Noncompliance
10-28	88	Noncompliant General Education Development (GED) program administration and reporting	Significant Deficiency and Noncompliance
10-29	91	Noncompliance with the Sex Offender Registration Act	Significant Deficiency and Noncompliance
10-30	92	Failure to track access to inmate master record files	Significant Deficiency and Noncompliance
10-31	93	Failure to provide required addiction recovery services	Significant Deficiency and Noncompliance
10-32	94	Noncompliance with applicable portions of the Arsonist Registration Act	Significant Deficiency and Noncompliance

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (STATE COMPLIANCE) (Continued)

10-33	96	Failure to update Administrative Directives	Significant Deficiency and Noncompliance
10-34	98	Correctional Center exceptions	Significant Deficiency and Noncompliance

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

10-1	19	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
10-2	22	Improper calculation and reporting of liabilities at year end	Material Weakness and Material Noncompliance
10-3	24	Weaknesses in the financial accounting for, and reporting of capital assets	Material Weakness and Material Noncompliance
10-4	27	Inaccurate and inadequate property/fixed asset recordkeeping	Significant Deficiency and Noncompliance
10-5	30	Failure to formally document support for GAAP reporting and maintain and monitor awards and grants	Material Weakness and Material Noncompliance
10-6	33	Inadequate controls over inventory	Significant Deficiency and Noncompliance
10-7	37	Inadequate administration of locally held funds at the Correctional Centers	Significant Deficiency and Noncompliance

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
PRIOR FINDINGS NOT REPEATED		
A	101	Failure to provide requested engagement documentation in a timely manner or at all and lack of cooperation during audit.
B	101	Nonpayment of revolving fund invoices
C	101	Department indebted the State without authorization
D	102	Inadequate controls over grant reporting
E	102	Failure to expend personal service appropriations in compliance with Legislative intent
F	102	Inappropriate payment of another agency's personnel costs
G	102	New computers not utilized in inmate training programs at all Correctional Centers
H	103	Timesheets not submitted in compliance with State Officials and Employees Ethics Act
I	103	Standardized procedures for separated employees not being followed
J	103	Inadequate controls over processing lump sum payments for separated employees
K	103	Failure to maintain adequate payroll documentation
L	104	Failure to maintain required personnel documentation
M	104	Inadequate monitoring of memorandums of understanding
N	104	Weaknesses in administration of lump sum appropriation accounts
O	104	Lack of documentation for interagency agreements
P	105	Failure to document reconciliations were performed in a timely manner
Q	105	Inadequate control of voucher processing at Correctional Centers
R	105	Lack of required admission documents
S	105	Written notice of correspondence restrictions not provided

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
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PRIOR FINDINGS NOT REPEATED (Continued)

T	106	Failure to properly document and/or send required notification to Public Housing Agencies
U	106	Failure to timely prepare and submit required reports to mandated entities
V	106	Subcommittee on Women Offenders to the Adult Advisory Board not created
W	106	Failure to actively serve on Illinois Public Safety Agency Network Board

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at exit conferences on June 8, 2011 and June 22, 2011. Attending were:

DEPARTMENT OF CORRECTIONS

Salvador A. Godinez (June 8, 2011 conference only)	Director
Gladyse Taylor	Assistant Director
Bryan Gleckler	Chief Fiscal Officer
Brett Finley	Chief Internal Auditor
Ron Faith	Internal Auditor

OFFICE OF THE AUDITOR GENERAL

Paul Usherwood	Audit Manager
----------------	---------------

SIKICH LLP

Nick Appelbaum	Partner
Amy Sherwood	Partner
Tara Kessler	Supervisor

Responses to the recommendations were provided by Brett Finley in correspondence dated June 17, 2011, June 23, 2011 and June 30, 2011.



3201 West White Oaks Drive, Suite 102 • Springfield, IL 62704

**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Corrections' (the Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2010. 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.

We conducted our examination 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 findings 10-1, 10-2, 10-3 and 10-5 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 requirements listed in the first paragraph of this report during the two years ended June 30, 2010. However, the results of our procedures disclosed other instances of noncompliance, 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 findings 10-4, 10-6 through 10-14 and 10-16 through 10-34.

Internal Control

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Department's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying Schedule of Findings as findings 10-1, 10-2, 10-3 and 10-5 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance as described in the accompanying Schedule of Findings as findings 10-4 and 10-6 through 10-34 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 them.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 23, 2011. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Department.

The 2010 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010 taken as a whole.

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying 2009 supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2009 Supplementary Information for State Compliance Purposes, except for the Schedule of Changes in State Property, Analysis of Employee Overtime, Annual Cost Statistics and Notes, Memorandums of Understanding, Inmate Assaults on Staff at Adult Correctional Centers, and

Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Department's basic financial statements for the year ended June 30, 2008. In our report dated July 20, 2009 on basic financial statements, we expressed qualified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information. Based on our audit, we were unable to form an opinion regarding the amounts at which inventory balances were recorded, we were not able to audit the financial activity of the DOC Residents' and Employees' Benefit Fund because of the inadequacy of the accounting records, and we noted the Department had excluded from capital assets being depreciated certain property transferred from another State agency, the amount which was not reasonably determinable. In our opinion the 2008 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited", is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole.

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.

Schick LLP

Springfield, Illinois
July 18, 2011, except for the June 30, 2010
Supplementary Information for State Compliance
Purposes, as to which the date is June 23, 2011



3201 West White Oaks Drive, Suite 102 • Springfield, IL 62704

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Corrections (the Department), as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements and have issued our report thereon dated June 23, 2011. 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.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in findings 10-1, 10-2, 10-3, and 10-5 in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in findings 10-4, 10-6 and 10-7 in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also conducted a State compliance examination of the Department as required by the Illinois State Auditing Act. The results of that examination are reported in the accompanying schedule of findings as items 10-8 through 10-34.

We also noted certain matters which we have reported to management of the Department in a separate letter dated July 18, 2011.

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

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

Schick LLP

Springfield, Illinois
June 23, 2011

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
CURRENT FINDINGS
(GOVERNMENT AUDITING STANDARDS)**

10-01 FINDING: (Weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements)

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

During the audit of the June 30, 2010 Department financial statements, the auditors noted an overall lack of a formalized methodology to accumulate information for GAAP reporting and a failure to formally document this information. Several of the issues noted where errors were identified in the GAAP Reporting forms and Department financial statements are as follows:

- Department liabilities were improperly calculated at June 30, 2009 and 2010. Liabilities for held warrants were recorded in both accounts payable and due to other funds totaling \$3.718 million and \$186,435, respectively, at June 30, 2009. At June 30, 2010, liabilities for held warrants were recorded in both accounts payable and due to other funds totaling \$37.330 million and \$516,853, respectively. The recording of held warrants duplicated reporting of these liabilities at the State-wide level. Additionally, expenditures for statewide hospitalization services totaling \$2,969,197 were not recorded as liabilities at June 30, 2009 and \$2,453,537 at June 30, 2010 (see finding 10-2).
- Weaknesses were identified in the financial accounting for, and reporting of capital assets. The Department's Automated Property Control System (APCS) did not allow for testing of depreciation by asset. The Department could not provide sufficient support for the additions, deletions, and net transfers of capital assets as originally reported to the Comptroller (see findings 10-3 and 10-4).
- The Department failed to account for the elimination of interfund billings totaling \$29,041,700 between the Department and Correctional Industries in the original submission of the financial statements.
- During testing of pay rates for compensated absences, the auditors noted 53% of the pay rates were incorrect. When projected out to the population, the compensated vacation and sick time liability is understated by \$427,000.

During testing performed at Correctional Industries, auditors noted the following:

- The auditors tested the amount recorded as accounts payable as of June 30, 2010 and found 18 of 97 vouchers (19%) were not recorded in the proper fiscal year. In addition, a liability of \$65,558 was not recorded as of year end and \$100,946 that was recorded as a liability represented an expense of the next fiscal year, resulting in a net overstatement of accounts payable of \$35,388.
- In reviewing beginning balances of the balance sheet, it was determined that inventory was overstated by \$144,779 at June 30, 2009 based upon the re-stated value due to errors identified during the testing of inventory.

Department management indicated the errors noted were due to a lack of resources and competing priorities for personnel.

In response to the prior finding, the Department stated they had devoted resources within the limitation of the current technology and budget constraints to complete the GAAP reporting as required. Department management indicated that implementation of the recommendation from the prior finding was not accomplished due to a lack of follow-up and the fact that no mechanism was in place to ensure adequate follow-up occurred.

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

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

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

It appears many of these problems were a result of an overall lack of a formalized methodology to accumulate information for GAAP reporting and a failure to formally document this information. (Finding Code No. 10-01, 08-01)

RECOMMENDATION:

We recommend the Department implement procedures to ensure GAAP Reporting Packages are prepared in an accurate and complete manner. This should include allocating sufficient staff resources and the implementation of formal procedures to ensure GAAP financial information is prepared and submitted to the Office of the Comptroller in an accurate manner, and that all supporting documentation is maintained in a contemporaneous manner.

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 complete the GAAP reporting as required. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

10-02 FINDING: (Improper calculation and reporting of liabilities at year end)

The Department of Corrections (Department) improperly calculated its liabilities at June 30, 2009 and 2010 which led to errors in its financial reporting.

The Department did not utilize a comprehensive, consistent methodology to analyze and calculate its liabilities at year end, resulting in errors in the Department's financial data as reported on their year end financial statements. The auditors recommended, and the Department made, adjustments to correct the June 30, 2010 financial statements. During testing of Department liabilities reported on the June 30, 2010 financial statements, the auditors noted the following:

- The Department developed a methodology to analyze lapse period spending for appropriate inclusion in accounts payable, but this methodology incorrectly included warrants held by the Illinois Office of the Comptroller. In addition, the Department performed a further review after the original GAAP package was submitted and improperly adjusted accounts payable for additional vouchers processed prior to July 1, 2010 for which the warrant had been generated but not released (held warrants). Held warrants are accounted for at the statewide level therefore, recognition of a liability at the Department level results in the duplication of liabilities and expenditures. As a result of this process, the Department overstated accounts payable and expenditures by approximately \$37.330 million at June 30, 2010. Additionally, the Department overstated accounts payable and expenditures by approximately \$3.904 million at June 30, 2009.
- During testing of liabilities reported on the Interfund Activity – Grantor Agency (SCO-568) for the General Revenue Fund (0001), auditors noted amounts that were duplicated for fiscal years 2010 and 2009, totaling \$516,586 and \$186,435, respectively.
- The Department incurred expenditures for statewide hospitalization services, which are processed on behalf of the Department by the Department of Healthcare and Family Services. During testing of these expenditures, the auditors noted payments had been made during fiscal year 2010 for services rendered during fiscal years 2007 through 2009. These payments totaled \$2,969,197 and had not been reported as a liability in the fiscal year 2009 GAAP reporting package. Additionally, the auditors noted that expenditures made after June 30, 2010 for services rendered during fiscal years 2008 through 2010, totaling \$2,453,537, had not been reported as a liability in the fiscal year 2010 GAAP reporting package. As such, fiscal year 2010 expenditures/expenses were incorrectly reported by a net understatement of \$825,576, and liabilities at June 30, 2010 were understated \$2,453,537.

The Comptroller's Statewide Accounting Management System (SAMS) procedure 27.20.49 defines accounts payable as "...a liability account reflecting open amounts on account that are owed to private persons or organizations for goods and services received...Accounts payable include liabilities for goods received or services performed before June 30, but for which payment vouchers have not been processed...Separate liability accounts record amounts due to other funds...These liability accounts represent

transactions between...funds in which goods or services were received by June 30, but for which payment has not been made.” SAMS allows agencies to determine accounts payable and accrued liabilities by using a reasonable estimate and SAMS defines the process by which agencies should conduct the reasonable estimate. Specific instructions are defined in SAMS to assist agencies in calculating these balances. The Department did not follow SAMS in calculating its liabilities.

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

Department management indicated the lack of reporting was due to lack of oversight and the error was due to new policies regarding the issue of held warrants being misunderstood.

In response to the prior finding, the Department stated a consistent methodology for financial reporting had been developed. The methodology developed did not address the issue of held warrants appropriately.

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

As a result, the Department originally overstated its liabilities by a net of approximately \$3.904 million at June 30, 2009 and \$35.393 million at June 30, 2010. Establishment of appropriate internal controls over the determination of Department liabilities is important due to the impact adjustments have on Department and statewide financial statements. (Finding Code No. 10-02, 08-03, 06-09)

RECOMMENDATION:

We recommend the Department establish a comprehensive, consistent methodology for determining liabilities and accumulating the information necessary for accurate financial reporting.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will revise the methodology that was developed to ensure it is comprehensive and consistent in determining liabilities and accumulating the information necessary for accurate financial reporting.

10-03 FINDING: (Weaknesses in the financial accounting for, and reporting of capital assets)

The Department of Corrections (Department) did not accurately record all capital asset information in their financial records. As a result of not including all the capital asset information, the Department presented inaccurate information on the Capital Asset Summary (SCO-538) submitted to the Illinois Office of the Comptroller and in their financial statements for fiscal year 2010.

Auditors identified the following errors and weaknesses in the Department's accounting for capital assets and SCO-538 reporting process:

- Through analytical review and other audit procedures auditors determined the ending cost of capital assets was understated by \$282,000 and accumulated depreciation was understated by \$17,991,000 as a result of input errors. Auditors recommended, and the Department made, adjustments to correct the misstatement in the June 30, 2010 financial statements.
- The Department's Automated Property Control System (APCS) does not provide information for the auditors to test depreciation by asset. For example, a specific facility may have thirty buildings in APCS with varying dates placed in service. APCS reports provide a total cost of all buildings combined, along with total depreciation combined at the end of each quarter. However, according to Department personnel, APCS does not allow for a break down of each capitalized asset's depreciation. Once the new asset is entered into APCS, it becomes a portion of the grand total, and the depreciation is theoretically calculated from that date, but a report by asset cannot be generated.
- The Department could not provide sufficient support for the additions, deletions, and net transfers they reported on the SCO-538. Due to the manual nature of how the property reports are analyzed, the Department does not maintain support for these amounts. The Department summarizes capital asset activity for additions, deletions and net transfers for preparation of the quarterly Agency Report of State Property (C-15). However, this information is not maintained and reconciled for the preparation of the SCO-538.

The Comptroller's Statewide Accounting Management System (SAMS) procedures 03.30.30 and 27.20.38 outline the instructions for capitalizing assets and the preparation of the SCO-538. This reporting process is necessary for the Comptroller to complete Department-wide and State wide financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

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

Department management indicated the exceptions and weaknesses noted were due to inherent limitations of the Department's APCS and miscommunication within the Department.

In response to the prior finding, the Department stated within the limitations of the antiquated property control system, the recommendations have been implemented. All CDB transfers that were applicable have been reported as of June 30, 2009. Procedures are in place to ensure timely and accurate reporting to the best of the ability of the Department within the existing property control system. As resources do not exist to replace the system, several manual processes are required to be maintained, which are subject to human error. The Department has implemented tracking mechanisms to ensure that appropriate capital asset transactions are captured and reported. Department management indicated that implementation of the recommendation from the prior finding was not accomplished due to a lack of follow-up and the fact that no mechanism was in place to ensure adequate follow-up occurred.

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.

Inadequate control over maintaining accurate capital assets records prevents the Department from preparing financial information in accordance with GAAP and results in inaccurate, incomplete and untimely preparation of financial information. Good internal control also dictates that supporting documentation be maintained in order to provide sufficient, appropriate evidence for additions, deletions, and transfers, including the documentation supporting the cost and other charges included in the capitalized value. (Finding Code No. 10-03, 08-06)

RECOMMENDATION:

We recommend the Department:

- Devote sufficient resources to its financial accounting function such that the capital asset information is properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Office of the Comptroller.
- Research what capital asset systems other State Agencies are utilizing to see if any can produce the type of data necessary for the Department to prepare detailed capital asset information and if any system would be available for Department use.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will continue devoting the resources necessary within the limitations of the existing Automated Property Control System (APCS) to ensure that capital asset 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 prepare detailed capital asset information. If necessary, IDOC will then research other capital asset systems and their availability. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

10-04 FINDING: (Inaccurate and inadequate property / fixed asset recordkeeping)

The Department of Corrections (Department) did not maintain accurate and adequate property / fixed asset records.

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

- The Department utilizes a summary worksheet to prepare its quarterly Agency Report of State Property Form (C-15) for submission to the Comptroller's Office. This worksheet contains summarized activity by division and category (land, site improvements, buildings and improvements, equipment, and capital leases). The worksheet does not provide individual transaction detail to support the summarized totals. The Department, however, did not provide the auditors with the summary worksheets for the first three quarters of fiscal year 2010 or any of the quarterly fiscal year 2009 Form C-15 submissions. Furthermore, the Department was unable to provide detailed information supporting the summary worksheet for the fourth quarter of fiscal year 2010 and, as such, auditors were unable to test the composition of the transactions reported on the Form C-15s in fiscal year 2010.
- Due to the failure to provide summary worksheets and the lack of transaction detail noted above, a reconciliation of Department's Form C-15 submissions for fiscal years 2009 and 2010 to the property listings generated by the Department's Automated Property Control System (APCS) at the end of each month could not be performed.
- The Department indicated the APCS generates reports which detail the property transactions for the month. These reports are not cumulative. The Department could not provide these reports for the first seven months of the audit period. Due to missing reports and the lack of detail on the Department's summary worksheets, the Department could not support the activity reported on its quarterly Form C-15 submissions to the Comptroller's Office for the first three quarters of fiscal year 2009.

The Department failed to timely file 2 of 8 required quarterly Form C-15s with the Office of the Comptroller. The Form C-15 reports filed for fiscal year 2010 were revised and submitted subsequent to year end.

In addition, the auditors tested a sample of 279 equipment items from 16 Department divisions (all 7 Adult Transition Centers and 9 Correctional Centers) for fiscal years 2009 and 2010 to determine whether the equipment was in the correct location and/or was properly recorded in the Department's Automated Property Control System (APCS). As a result of the testing, the following exceptions were noted:

- Three (1%) items could not be located at the location listed on the APCS report or at all.
- One (1%) item was noted as being obsolete, but was still maintained in the APCS property listing.

- One (1%) item did not have a property control tag.
- Three (1%) items were deleted from APCS without adequate supporting documentation.
- During testing at the Correctional Centers, it was identified that the Logan Correctional Center's Business Administrator had APCS access to at least four other Centers in addition to Logan.

The auditors, in performing detail voucher testing noted 3 of 60 (5%) equipment items purchased did not have an assigned tag number.

In addition, Illinois Correctional Industries (ICI) auditors tested equipment items and noted the following exceptions:

- One of 73 (1%) items tested was not recorded on the APCS property listings.
- Three of 74 (4%) items could not be located.
- A number of equipment items were removed from APCS records in anticipation of being sold at auction. These items remained the property of ICI, but were not re-entered into the APCS system. The error caused capital assets to be understated by \$295,170 at June 30, 2010.

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

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

Department management indicated that the limitations inherent in a property control system in excess of 30 years old create difficulties in the recordkeeping related to the property items.

In response to the prior finding, the Department stated within the limitations of the antiquated property control system, the recommendation has been implemented. Procedures are in place to ensure timely and accurate reporting to the best of the ability of the Department within the existing property control system. As resources do not exist to

replace the system, several manual processes are required to be maintained, which are subject to human error. The Department has implemented tracking mechanisms to ensure that appropriate equipment transactions are captured and reported. Department management indicated that implementation of the recommendation from the prior finding was not accomplished due to a lack of follow-up and the fact that no mechanism was in place to ensure adequate follow-up occurred.

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

The Department had property and equipment totaling approximately \$1.8 billion as reported on the form C-15 at June 30, 2010 decentralized throughout the State. Failure to maintain adequate fixed asset records is noncompliance with the State Property Control Act, FCIAA and SAMS and increases the risk of equipment theft or loss occurring without detection, and has resulted in inaccurate property / fixed asset reporting. (Finding Code No. 10-04, 08-07)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) 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.

10-05 FINDING: (Failure to formally document support for GAAP reporting and maintain and monitor awards and grants)

The Department of Corrections (Department) did not formally organize and document the financial information utilized in the preparation of their financial statements and GAAP reporting to the Office of the Comptroller. Additionally, the Department was not able to provide documentation of expenditures made under awards and grants.

Auditors encountered numerous instances in which upon requesting information for testing the financial statements and GAAP reporting forms the information provided was disorganized and /or incomplete or did not agree to the information reported on the financial statements and GAAP reporting forms. For example:

- For compensated absences, to support amounts as reported on the SCO-580 GAAP reporting form the Department provided the auditors a summary report which lacked sufficient detail to support the balances reported. To facilitate testing of the \$79,687,000 compensated absence balance auditors had to subsequently request a complete report.
- Supporting documentation for the locally held funds omitted summary spreadsheets that agreed to amounts reported on the GAAP reporting forms. Auditors were provided with preliminary trial balances for each individual Center, however, the summary spreadsheet utilized to combine the balances and report the amounts on a Department-wide basis were not provided. Additionally, differences between the supporting documentation and amounts reported were noted resulting from adjustments made by the Department in the final trial balances supporting Center amounts.
- The Department is required to report grant activity on the SCO-563 (Grant Analysis), SCO-567 (Interfund Activity – Grantee Agency) and SCO-568 (Interfund Agency – Grantor Activity) GAAP reporting forms. Supporting documentation provided to the auditors by the Department did not agree with amounts reported for receipts and expenditures on these forms. Auditors compiled the differences, requested explanations, and received additional support, however, the additional information still did not agree with or reconcile to the amounts reported. After multiple attempts, the Department was able to provide documentation to reconcile the differences.
- The Department reports capital asset activity and performs necessary reconciliations on the SCO-537 and SCO-538 GAAP reporting forms. At June 30, 2010 the Department reported capital assets of \$1,696,453,000. Supporting documentation for testing amounts reported on these GAAP reporting forms as well as for the financial statements had to be requested repeatedly from the Department.
- Support to test the amounts reported as due to/due from other funds was requested multiple times and when received required the auditors to ask multiple follow-up questions to clarify the detail of the amounts reported.

The Department received an appropriation in fiscal year 2009 for grants for anti-violence crime prevention programs. An interagency agreement with the Department of Human Services (DHS) was entered into for DHS to administer the Road to Success Summer Youth Employment Program and Safety Networks Initiative. Pursuant to the interagency agreement, the Department retained financial accountability and reporting of the expenditures made for this program under the appropriation. During testing the auditors requested documentation supporting amounts reported by the Department. The Department was unable to provide contracts, vouchers, or other supporting documentation for payments made to the grantees of the programs. Furthermore, the Department did not have or provide contact information for the DHS staff responsible for administering the program. Auditors contacted DHS but were unable to obtain contracts, vouchers or other support for the payments made during fiscal year 2009 totaling \$6,062,500.

The Illinois State Auditing Act (30 ILCS 5/3-12) states, “At the request of the Auditor General, each State agency shall, without delay, make available to the Auditor General or his or her designated representative any record or information requested....” In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal control to provide assurance that revenues, expenditures and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports.

Department management indicated the use of multiple manual procedures to accumulate information for GAAP preparation attributed to the issues noted. The Department also indicated documentation for the Road to Success Summer Youth Employment Program and Safety Networks Initiative was not maintained because they believed it was the responsibility of DHS and the program administrator through an inter-agency agreement.

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.

Without being provided appropriate supporting documentation relating to the preparation of GAAP packages and financial statements, audit time is increased, audit delays occur, and auditor skepticism is raised. Good internal control dictates that supporting documentation be organized and maintained in order to provide timely, sufficient and appropriate evidence to support the accounting records and for the accurate preparation of financial reports. (Finding Code No. 10-05)

RECOMMENDATION:

We recommend the Department implement formal procedures to ensure accounting and GAAP financial information is supported by appropriate documentation maintained in a contemporaneous manner, including documentation supporting expenditures made for grants and awards.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will develop and implement formal procedures to ensure appropriate documentation is created and maintained to support accounting and GAAP financial information and expenditures made for grants and awards.

10-06 FINDING: (Inadequate controls over inventory)

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

The inventory balance reported by the Department at June 30, 2010 totaled \$11.9 million. Nearly each Correctional Center maintained a portion of that inventory balance in the way of commodity and/or commissary inventory. Auditors identified several exceptions and weaknesses related to the controls over commodity and commissary inventory as follows:

- Exceptions were identified where physical inventory counts did not agree to accounting records in The Inventory Management System (TIMS) or the Fund Accounting and Commissary Trading System (FACTS) at 7 of 27 (26%) Correctional Centers (Danville, Hill, Illinois River, Lawrence, Logan, Stateville, and Western Illinois).
- One of 27 (4%) Correctional Center (Stateville) inaccurately reported end of year commodity inventory balances to the Central Office via e-mail. The Center did not use balances from TIMS Item Status Report but adjusted inventory on hand each year on July 24, 2010 and July 13, 2010, respectively, for fiscal years 2009 and 2010. As a result, the balances were \$326,242 and \$68,657 less than the TIMS reports, respectively. This same Correctional Center did not update TIMS for items issued before June 30, 2010 until July 2010, which contributed to inaccurate inventory balances at June 30, 2010.
- Three of 27 (11%) Correctional Centers (East Moline, Stateville and Western Illinois) had large year end adjustments to agree its records to the physical inventory without adequate explanation, a large quantity of adjustments to correct its year end records, and/or inventory adjustments which were not supported by TIMS count sheets for fiscal year 2010. Auditors noted 3 of 27 (11%) Correctional Centers (Dwight, East Moline, and Hill) did not record adjustments to inventory at year end to correct their inventory records based upon the physical counts performed.
- One of 27 (4%) Correctional Center (Graham) did not maintain documentation of the annual inventory procedures performed for the year ended June 30, 2009 and was unable to provide any inventory reports. Auditors could not perform inventory testing related to commodities and commissary inventory balances for June 30, 2009; however, Center staff performed 100% inventory in January 2010 and noted a difference of approximately \$181,000 between the physical inventory and TIMS and by June 30, 2010 inventory discrepancies had been remedied.
- Mathematical inaccuracies were noted at 3 of 27 (11%) Correctional Centers (Dwight, East Moline, and Tamms). Negative balance items were noted on the year-end Inmate Commissary Item Status Report and final priced ending inventory balances did not agree to the amounts reported on the general ledger trial balances.

- Two of 27 (7%) Correctional Centers (Stateville and Tamms) reported instances of inventory items with inaccurate unit costs according to the vendor invoice.
- Two of 27 (7%) Correctional Centers (Graham and Southwestern) did not comply with specific inventory related procedures which require requisitions for inventory issuances to be prepared in a timely manner and TIMS monthly inventory counts to be reconciled.
- Weaknesses in segregation of duties for inventory procedures were noted at 5 of 27 (19%) Correctional Centers (Danville, Dwight, East Moline, Southwestern, and Vienna). Specific incompatible duties noted by the auditors included:
 - Supply supervisors working in the inmate commissary and warehouse were granted physical access to inventory and authorization to process inventory adjustments in TIMS and FACTS.
 - Independent test counts were not performed by someone in the Business Office.
 - Inventory procedures were performed solely by the commissary supply supervisor, including the monthly test counts.
 - The same employee who authorized whether inventory items were expired or scrap inventory was the employee responsible for selling or disposing of expired and scrap inventory.
- Seven of 27 (26%) Correctional Centers (Dixon, East Moline, Graham, Jacksonville, Shawnee, Stateville, and Tamms) had difficulties providing auditors with requested documentation for the inventory procedures. These Centers were unable to provide documentation of inventory procedures performed, count sheets, invoices to support balances recorded, and various inventory reports from TIMS/FACTS.
- Stockpiling, which is defined as maintaining a supply on hand greater than the level needed for a twelve month period, of inventory items was noted at 4 of 27 (15%) Correctional Centers (Robinson, Sheridan, Tamms, and Taylorville).

In response to this finding from the previous audit, the Department indicated mandatory training would be provided in fiscal year 2009 on TIMS with documentation of those attending, since TIMS was new to the Department in the previous audit period. Correctional Centers would be instructed to maintain timely and accurate inventory on TIMS for use in financial reporting. The Department attributed the exceptions noted in the current audit to human error, employee oversight, inmate theft, insufficient training and/or shortages of staff.

In addition, Department management indicated implementation of the recommendation from the prior finding was not accomplished due to a lack of follow-up and the fact no mechanism was in place to ensure adequate follow-up occurred.

The Department has established several Administrative Directives (A.D.'s) concerning inventory procedures and the above noted weaknesses. A.D. 02.82.101 requires inventory records to be maintained to reflect commodity usage and consumption to help

ensure accounting records are maintained correctly. A.D. 02.82.106 addresses storeroom issuance transactions. A.D. 02.82.112A-J requires Business Office employees to plan and supervise inventories. A.D. 02.82.114A-J requires inventory to be properly priced and addresses adjustments to inventory. A.D. 02.85.103 requires the Commissary Supervisor to maintain strict control over inventory. A.D. 02.85.110 requires the Inventory Supervisor to assign specific areas of responsibility to various counters with the Inventory Supervisor verifying count accuracy by conducting test counts of a representative number of items. A.D. 02.95.101 requires records to be properly identified for ready access and stored and safeguarded at the facility.

The Statewide Accounting Management System (SAMS) Procedure 03.60.20 requires the transportation costs of an item to be included into the inventorial cost of that item. The Illinois Procurement Code (30 ILCS 500/50-55) requires every State agency to stock no more than a 12 month need of inventory.

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

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

Strong internal controls would 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. (Finding Code No. 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) has made some revisions in maintaining and accounting for inventory with the implementation of The Inventory Management System (TIMS) and will strive to continue making improvements in the Department's centralized oversight function and the inventory accounting and maintenance within the facilities. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

10-07 FINDING: (Inadequate administration of locally held funds at the Correctional Centers)

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

During testing of the Department's DOC Commissary Funds Fund (Commissary Fund), DOC Resident's Trust Fund (Trust Fund), and the DOC Resident's and Employee's Benefit Fund (Resident Benefit Fund and Employee Benefit Fund) auditors noted the following exceptions at the Correctional Centers:

- Ten of the 27 (37%) Correctional Centers (Big Muddy River, Centralia, Dixon, Dwight, East Moline, Hill, Menard, Sheridan, Stateville, and Vienna) did not exercise adequate controls over the Resident Benefit Fund or the Employee Benefit Fund. Auditors noted instances where the Centers could not provide minutes from the benefit fund committee meetings. Other exceptions included expenditures that exceeded the approved limits established by the committees without documentation or subsequent approval provided; Centers could not provide auditors with invoices to support disbursements from the funds; improper expenditures were processed from the funds, such as to pay for non-emergency travel for released inmates; supporting documentation provided was not completed, and Centers were unable to provide a detail listing of expenditures out of the funds. Department Administrative Directive (A.D.) 02.43.102 establishes written guidelines for expenditures from both of the benefit funds, including the creation of a committee at each Center for each of the benefit funds administered which reviews and approves the requests. A.D. 02.43.102 specifies the composition of the committees and the specific types of expenditures which can be made out of the benefit funds. A.D. 02.95.105 requires records to be properly identified for ready access and to be stored and safeguarded at the facility. The State Records Act (5 ILCS 160/9) requires agencies to establish and maintain a program for agency records management, which shall include effective controls over maintenance of records.
- Testing performed at 4 of the 27 (15%) facilities (East Moline, Hill, Taylorville, and Vienna) noted inadequate controls over Commissary Fund expenditures. Auditors noted disbursements were processed for payment prior to matching the receiving reports, purchase orders and/or invoices for agreement. At another Center, invoices could not be provided. No payments were made by one Center to the Employee Benefit Fund or to the Department for salaries due to 12 of 24 months of posting negative income. At another Center, auditors noted instances when inventory unit costs did not match the unit costs on original invoices. A.D. 02.95.105 requires records to be properly identified for ready access and to be stored and safeguarded at the facility. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) require State agencies to establish and maintain a system of internal fiscal and administrative controls, which provide assurance funds are safeguarded against waste, loss, unauthorized use, and misappropriation. Appropriate controls would include proper monitoring of the employee commissary profits and inmate workers, which are further addressed in the Unified Code of Corrections (730 ILCS 5/3-4-3(c)).

- Five of the 27 (19%) Correctional Centers (Dixon, Graham, Jacksonville, Stateville, and Tamms) did not properly perform monthly reconciliations of their locally held funds. Auditors noted reconciliations with accounts detailed on the reconciliation that required an amount to be entered were left blank. Instances were identified where reconciliations were not performed at all or Centers failed to appropriately dispose of deposit errors in a timely manner. A.D. 02.40.101 requires the Business Administrator to ensure locally held funds are reconciled by an individual who has no authority to sign checks and is not a custodian of cash. A.D. 02.40.104 requires reconciliation of the locally held fund, general ledger, and subsidiary accounts shall occur monthly after the fund checking account has been reconciled and after the General Ledger posting is completed. When completed, the reconciliation shall be submitted to the Business Administrator and Chief Administrator for review and signature.
- Four of 27 (15%) Correctional Centers (Graham, Illinois River, Menard, and Stateville) inappropriately loaned funds from their locally held funds for postage. The Department's A.D. 02.43.102 allows for the purchase of postage for resale through the inmates' commissary fund, but not for loans to the Correctional Centers to fund their administrative operations.
- Four of 27 (15%) Correctional Centers (Pinckneyville, Shawnee, Tamms, and Vienna) did not properly report accounts payable at the end of fiscal years 2009 and 2010. Auditors noted the Centers were unable to provide supporting documentation to determine whether or not the Center properly excluded the item or included the item in its accounts payable listing at June 30 of each respective fiscal year. Additionally, auditors noted one Center included voided checks on its accounts payable listing. A.D. 02.95.105 requires records to be properly identified for ready access and to be stored and safeguarded at the facility. The Statewide Accounting Management System (SAMS) Manual Procedure 02.25.101 defines accounts payable as liabilities on open accounts owed to private persons, firms, or corporations, for goods or services received by the State. The State Records Act (5 ILCS 160/9) requires agencies to establish and maintain a program for agency records management, which shall include effective controls over maintenance of records.
- Eight of the 27 (30%) Centers tested (Decatur, Dixon, East Moline, Graham, Jacksonville, Lincoln, Stateville, and Taylorville) prepared and submitted inaccurate Reports of Receipts and Disbursements for Locally Held Funds (C-17 Reports). Auditors noted a variety of errors in the C-17 reports at these Centers, including: Centers did not prepare and submit the C-17 Report to the General Office for the quarter(s); omitted receipts; omitted disbursements; over/understated receipts; over/understated disbursements; over/understated cash; entered salaries amount where the Resident Benefit Fund amount should have been entered, then carried the error forward for several quarters; due to accounting errors, maintained negative cash balances; understated sales; omitted amounts transferred in from the Employee Commissary Fund on the Employee Benefit Fund C-17 Report; presented incomplete totals for cost of goods sold; and misstated the imprest cash box total. Statewide Accounting Management System (SAMS) Procedure 33.13.10 requires each Agency to submit accurate quarterly reports of receipts and disbursements of all locally held

funds to the Comptroller's Office via the C-17 report. A.D. 02.40.105 requires each Center to ensure accurate C-17 reports are prepared for each locally held fund except for the Inmates' Trust Funds from balanced and reconciled general ledger amounts.

- Six of 27 (22%) Centers (Graham, Jacksonville, Lincoln, Menard, Shawnee, and Southwestern) did not deposit locally held fund receipts timely. A.D. 02.40.110 requires the Center to deposit cash accumulated in the amount of \$1,000 or more on any Business Office working day no later than 12:00 am the next working day. The A.D. also requires deposits to be made at least once a week.
- Auditors at 1 of 27 (4%) Centers (Shawnee) noted the Center did not properly sign the Monies Received List indicating the batches tested were in balance. Administrative Directive 02.42.102 states that the mailroom employee shall sign form DOC 0167 or the Monies Received List Report at the time of delivery to the Cashier. It also states the Cashier shall sign on the appropriate line of form DOC 0167.
- At 7 of the 27 (26%) Centers tested (Dixon, Graham, Jacksonville, East Moline, Pinckneyville, Stateville, and Vienna) the Centers did not maintain an adequate segregation of duties over functions within their locally held funds. During their testing, auditors noted the following incompatible duties occurring simultaneously:
 - Employees were authorized to write checks and mail checks, but the exception was not stated in writing and approved by the Director of Finance and Administration as required by the Department's A.D.'s.
 - Employees had the authority to approve and modify receipts entered by Mailroom staff.
 - Trust Fund adjustments were entered by an Account Technician who also had the authority to write checks.
 - Supply supervisors working in the warehouse who had physical access to commodity inventory had access within The Inventory Management System (TIMS) to process both receiving reports and store requisition requests from May 2009 through June 2010.
 - Account technician who performed the bank reconciliation also is the custodian of cash.
 - Business Manager prepares bank reconciliations for locally held fund and has check signing authority for locally held fund disbursements.
 - Mailing of locally held fund checks is performed by an Account Technician who is also designated to write checks.
 - Same employee is responsible for reconciling the bank account, reconciling the receipts to deposits and entering transactions.
 - Only one person was present when removing cash from vending machine.

Auditors noted another instance where no documentation was provided as to whether the cashier acting as the receiver of the receipts from the mailroom was independent of recording the receipt in the accounting records. All Business Office employees are

authorized to accept and verify mailroom delivered receipts; however, only certain employees have access to enter receipts for each fund. Receipts reviewed did not contain documentation that identified which employee received and recorded the receipts.

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. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires state agencies to establish and maintain a system of internal fiscal and administrative controls, which provide assurance funds, property, other assets, and resources are safeguarded against waste, loss, unauthorized use, and misappropriation which include maintaining proper segregation of duties.

Department management indicated that the exceptions noted were due to employee oversight, human error, competing priorities and staffing limitations at the correctional facilities.

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

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

RECOMMENDATION:

We recommend the Department remind Center staff of the requirements set forth within the Administrative Directives, statutes and SAMS Manual related to the operation and maintenance of the locally held funds. In addition, we also recommend the Department's Internal Audit Division implement a plan to periodically perform internal audits of the locally held funds at the Centers.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will remind facility staff of the requirements related to the operation and maintenance of locally held funds. In addition, the Department's Office of Internal Audit is mandated by the Fiscal Control and Internal Auditing Act to include an audit of the obligation, expenditure, receipt, and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations at least once every two years.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
CURRENT FINDINGS
(STATE COMPLIANCE)**

10-08 FINDING: (Weaknesses in administration of locally held funds at the General Office)

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

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

The following weaknesses were noted during the testing of the Department's locally held funds for the two years ended June 30, 2010:

- The Department maintains separate accounts for the adult facility resident portion and the juvenile facility resident portion, which belongs to the Department of Juvenile Justice, of the benefit fund at a local financial institution. All disbursements are made from one operating account. At any point in time, funds from an adult facility and a juvenile facility could be transferred into this operating account for disbursement. The Department and the Department of Juvenile Justice are two separate and distinct agencies whose funds should not be commingled.
- The Department did not maintain copies of external documentation to support receipts in the resident's portion of the DOC Resident's and Employee's Benefit Fund. Receipts could not be traced to source documentation, as the source documents are not maintained by the Department's General Office.

In response to this finding from the prior audit, the Department stated the funds of the two agencies were split, thus eliminating the confusion regarding the expenditures and receipts. Facilities were given copies of banking statements on a monthly basis and access via the accounting system to track their transactions. In response to the current exceptions, Department management indicated the failure to appropriately separate the operating bank account at the central office and maintain source documentation was due to conflicting priorities and employee oversight.

The State Officers and Employees Money Disposition Act (30 ILCS 230) states "Every ...department...shall keep in proper books a detailed itemized account of all moneys received for or on behalf of the State of Illinois..." In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001), requires all State agencies to establish and

maintain a system of internal fiscal control to provide assurance that revenues, expenditures and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports.

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. 10-08, 08-08)

RECOMMENDATION:

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

- The adult facility resident portion and the juvenile facility resident portion of the DOC Resident's and Employee's Benefit Fund should be separated into two separate bank accounts.
- Sufficient source documentation should be maintained to support the receipts deposited. Handwritten notes are not sufficient.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will properly separate IDOC and the IL Department of Juvenile Justice (IDJJ) funds into two separate bank accounts and will maintain adequate source documentation to support deposited receipts.

10-09 FINDING: (Operation and maintenance of “cash box” imprest funds at Correctional Centers)

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

Auditors noted numerous exceptions with the operation of the Department “cash box” imprest funds at the Correctional Centers. During testing of the “cash box” imprest funds at the Correctional Centers the following exceptions were noted:

- The Department has never officially requested to establish the “cash box” imprest funds for the Correctional Centers with the Office of the Comptroller.
- The Correctional Centers are inappropriately using the Inmates’ Trust Fund and Inmates’ Benefit Fund to supply the “cash box” imprest funds pending reimbursement from the General Revenue Fund for gate and transportation money. In order for the Correctional Centers to have cash to provide gate and transportation money, the Correctional Centers write a check out of the locally held Inmates’ Trust Fund bank account and obtain cash to use in the “cash box”. The Inmates’ Benefit Fund central bank account periodically reimburses the Inmates’ Trust Fund via check for the amount “loaned” to the “cash box” imprest funds. The Correctional Centers forward the General Revenue Fund warrant or wire transfer the amount of vouchered inmate gate and travel money to reimburse the Inmates’ Benefit Fund. For fiscal years 2009 and 2010, the total appropriated amount expended from the General Revenue Fund at all Correctional Centers for travel allowances for committed, paroled and discharged prisoners (reimbursements for “cash box” disbursements) was approximately \$657,106 and \$621,020, respectively.
- Auditors noted 7 of 27 (26%) Correctional Centers (Vienna, Graham, East Moline, Centralia, Lincoln, Hill and Stateville) at which a lack of segregation of duties existed while reconciling the “cash box” and/or the “cash box” was not counted or reconciled to supporting documents timely.

The Comptroller’s Statewide Accounting Management System (SAMS) procedure 09.10.40 sets forth the requirements State agencies retaining locally held funds must follow regarding authorization to establish locally held funds and required reporting. Department Administrative Directive 02.42.105 requires all payments from the Inmates’ Trust Fund other than payments to the Inmates’ Commissary Fund and payments of restitution shall be authorized by the offender, or as the result of a court order. In addition, Department Administrative Directive 02.40.108 states loans may only be made to the Travel and Allowance Revolving Fund, “cash box” imprest fund, when an emergency exists from the Inmates’ Benefit Fund and Inmates’ Commissary Fund.

The Unified Code of Corrections (730 ILCS 5/3-14-1) states the Travel and Allowance Revolving Funds shall be used for advancing travel and expense allowances to committed, paroled and discharged prisoners. Good internal controls dictate that the “cash box” be counted on a surprise basis by a person independent of the custodian as well being timely reconciled to supporting documents.

In response to this finding from the previous audit, the Department stated it partially accepted the finding. The Department indicated it would work with the Comptroller regarding the classification of the funds; would remind the facilities of the requirements of good internal controls; but must, by law, provide inmates being released with travel and allowance funds. These funds are reimbursed by the General Revenue Fund, but due to timing, must be ready upon the inmate’s release, and not paid weeks later. Department management stated it would strengthen its controls over the cash boxes and document inspections and counts of the cash in an effort to meet a level of compensating controls.

Department management indicated the continued exceptions noted at the facilities in the current finding were due to insufficient resources and conflicting priorities. The Department is mandated by law to provide funds to inmates upon their release.

By using the Inmates’ Trust Fund to loan money to support the “cash box” until the General Revenue Fund reimbursement is received, the Correctional Centers are using inmate’s personal accounts to fund a Correctional Center operation which is not a proper or authorized use of the Inmates’ Trust Fund and against Department Administrative Directives. In addition, the Office of the Comptroller’s ability to provide Statewide reporting is impaired when they have no record of the establishment of the funds. It is imperative that good internal controls be maintained at all times when significant amounts of cash are maintained. (Finding Code No. 10-09, 08-16)

RECOMMENDATION:

We recommend the Department work with the Office of the Comptroller to determine the appropriate means to document the establishment of the “cash box” imprest funds, and what reporting is required. We also recommend the Department discontinue using the Inmates’ Trust Fund or Inmates’ Benefit Fund as means to provide cash to pay for travel allowances for committed, paroled and discharged prisoners while waiting for reimbursement from the General Revenue Fund. In addition, we recommend the Department remind Correctional Center staff the need to maintain good internal controls over the “cash box” function.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will work with the Office of the Comptroller regarding the establishment of the “cash box” imprest funds and will remind facilities of the requirements of maintaining good internal controls over the “cash box” function. The Department will also review the uses of the Inmates’ Trust Fund and the Inmates’ Benefit Fund. The Department is, however, mandated by law to provide travel and allowance funds to inmates at the time of their release.

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

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

Department Administrative Directive 02.40.104 requires that after checks written from a locally held bank account have been open (outstanding) for a period of 14 months they be voided and the payable related to the check deleted.

The Unified Code of Corrections (730 ILCS 5/3-4-3 (b)) notes the Department shall transfer any unclaimed money held in the account of a committed person separated from the Department and unclaimed for a period of 1 year to the State Treasurer for deposit into the General Revenue Fund. This would only apply to inmate account balances in the Inmates' Trust Fund, not to outstanding checks.

The Uniform Disposition of Unclaimed Property Act (Act) (765 ILCS 1025/8.1) states all debts owed that are held by the State or by a State agency shall be presumed abandoned if the property (debt owed) has remained unclaimed for 7 years. Debts owed would consist of checks written from the Department's locally held bank accounts that are still outstanding for a period of 7 years. The Act (765 ILCS 1025/11) requires entities holding funds presumed abandoned under this Act to report and remit all abandoned property specified in a report to the State Treasurer. The report and remittance of the property specified in the report shall be filed by governmental entities before November 1 of each year as of June 30.

In response to this finding from the previous audit, the Department stated it was currently consulting with the Chief Legal Counsel at the Treasurer's Office concerning this finding. As of the time of the auditors' testing, the Department stated it had not yet had the opportunity to consult with the Treasurer's Office due to insufficient personnel resources, which was attributed to the continuation of the current Department practices.

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

RECOMMENDATION:

We recommend the Department consult with the Office of the Treasurer's Unclaimed Property Division as to how the Department should handle prior year's outstanding checks that have been added back to the locally held bank accounts. In addition, we recommend the Department change their Administrative Directive to comply with the Uniform Disposition of Unclaimed Property Act and inform those charged with administering locally held bank accounts of the requirements.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will consult with the Office of the Treasurer and Legal Counsel to determine the applicability of the Uniform Disposition of Unclaimed Property Act in this process and will revise the Administrative Directive and implement as appropriate.

10-11 FINDING: (Failure to properly transfer unclaimed inmate cash account balances.)

The Department of Corrections (Department) improperly offset DOC Resident's Trust Fund (Inmate Trust Fund) accounts with positive cash balances against accounts with negative balances prior to the transfer of unclaimed cash balances to the General Revenue Fund (GRF). As a result, dormant accounts totaling approximately \$16,929 were not transferred to the General Revenue Fund during the two fiscal years ended June 30, 2010.

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

In response to this finding in the previous audit at the Correctional Centers, the Department stated it implemented policies and procedures appropriate to statute and its Administrative Directives and did not believe that the current policy of netting the positive and negative dormant accounts resulted in a loss of revenue to the State because all funds were deposited into a legislatively appropriated fund on deposit with the Treasurer. In an auditor's comment to the Department's response, the auditors emphasized the requirement of the Unified Code of Corrections' to transfer dormant accounts to the General Revenue Fund; the Department's administrative rules related to unclaimed money held for a period of one year may be transferred to the Inmate Benefit Fund and expended for the special benefit of committed persons, which is inconsistent with the Unified Code of Corrections; and the Department has a fiduciary responsibility for the inmate accounts and should be evaluating each account within the Inmate Trust Fund individually for potential transfer to the General Revenue Fund.

In relation to the exceptions noted in the current audit, Department management indicated its internal policy for dormant accounts is to only transfer positive balances which exceed negative balances in total for all inmate accounts.

Various causes account for a negative balance, such as restitution for damages and charges for requested legal copies or postage, which could not, according to Department rules, be denied even if the inmate's trust account had an insufficient balance. The majority of negative balances did not involve cash distributions from the Inmate Trust Fund, but represented amounts the Center paid from the GRF and other funds on behalf of an inmate and can only be recouped if cash is available in an inmate's account.

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

RECOMMENDATION:

We recommend the Department revise internal policy for dormant accounts and thereby ensure dormant cash accounts are timely transferred to the General Revenue Fund as required by statute.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will review internal policy and statutory requirements to determine the appropriate process to follow regarding dormant accounts.

10-12 FINDING: (Inmate commissary goods marked up more than allowed by statute)

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

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

<u>Fiscal Year Ending June 30,</u>	<u>Dollars collected as a result of the additional charge</u>
2006	\$ 1,266,911
2007	2,259,760
2008	2,339,244
2009	2,421,179
2010	<u>2,525,888</u>
TOTAL	<u>\$ 10,812,982</u>

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

Department management stated the additional charge was to help cover the costs of State employees who work in the inmate commissary, inmate labor for the commissary and utilities to operate the commissary. Items included in State employee costs were payroll, benefits and mandated uniforms. A cost of utilities per square foot was determined and applied to the area of the commissaries. Inmate labor included only inmate payroll. The Department indicated the amounts compiled to arrive at the additional charge were based on fiscal year 2005 actual information and have not been updated. In addition, Department management indicated they felt the definition of cost of goods in the Department's enabling legislation allowed for the additional charge.

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

Upon testing the Department's collection of the additional charge from the inmate commissaries it was determined the Department used sales revenue instead of cost of goods sold to compute the additional charge to be collected. Using the sales revenue instead of the cost of goods sold in computing the additional charge, the Department collected more money than 3%-7% of the cost of goods. The increase is the result of the statutorily allowed mark-up of 25%-35% being added to the additional charge in computing the sales price. Ultimately, the 3%-7% charge equates to a markup on the cost of goods sold of 9%.

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

Fiscal Year Ending June 30,	Computed Amount Collected in Excess of the Additional Charge on the Cost of Goods Sold
2006	\$ 242,055
2007	451,888
2008	466,838
2009	465,792
2010	<u>480,604</u>
TOTAL	<u><u>\$ 2,107,177</u></u>

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

RECOMMENDATION:

We recommend the Department revise its methodology for computing cost of goods to ensure included costs are not duplicative and comply with the statute and only mark-up the goods for resale in the inmate commissary the allowable amounts.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will review the current methodology used to compute cost of goods sold in consultation with the Office of the Comptroller to ensure costs are not duplicative and comply with the statute.

10-13 FINDING: (Noncompliance with the Illinois Procurement Code)

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

The Department maintains numerous commissary operations at Correctional Centers for inmates and employees. Purchases are made from vendors for commodities to be resold in the commissaries. Total purchases made from vendors for resale in the commissaries were approximately \$31 million in fiscal year 2009 and \$34 million in fiscal year 2010. The commissaries commodity purchases are made through non-appropriated locally held funds. As a result of their testing, the auditors noted:

- Purchases were not made by competitive sealed bidding or competitive sealed proposals as required by the Code. The Correctional Centers receive catalogs from various vendors and select products from the catalogs for resale in the commissary. In addition, the commissaries contact multiple vendors by telephone and request bids.
- Terms and conditions for the purchases of goods from vendors for the commissaries were not documented in the form of a contract as required by the Code. Upon selection of a vendor an Order For Delivery (OFD) is prepared to document the purchase. OFD's are not utilized if the selected vendor uses pre-printed order forms or replenishes stock at the commissary on a regular basis.
- None of the required procurement notices were published in the Illinois Procurement Bulletin as required by the Code.
- The Department's Administrative Directive (A.D.) 02.85.102, which provides guidance to employees on commissary purchase does not include all the requirements as set forth in the Code. The A.D., effective November 1, 2000 notes that, "Whenever possible, bids shall be requested in writing or by telephone from a minimum of three vendors. The bids shall be documented and maintained on file in the commissary."

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

In response to this finding from the previous audit, the Department stated it is required to utilize the Department of Central Management Services (DCMS) for all procurement guidance and requirements. The Department stated it would once again ask DCMS for direction on the commissary purchasing. In response to the current exceptions, Department management stated they have requested guidance and direction from DCMS on commissary purchasing. Due to the security needs and specialized products, DCMS

and the Department are working together to determine the proper way to complete these purchases.

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

RECOMMENDATION:

We recommend the Department comply with the requirements of the Illinois Procurement Code in making commissary purchases.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will, in cooperation with the Department of Central Management Services' guidance and direction, comply with the requirements of the Illinois Procurement Code in making commissary purchases.

10-14 FINDING: (Adult Transition Center records not properly maintained)

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

Testing of the 7 ATCs for the two years ended June 30 2010, produced the following exceptions:

- At 4 of the 7 ATCs, year end DOC Resident's Trust Fund (Inmate Trust Fund) cash balances were misstated due to outstanding checks not being removed from the listing in a timely manner. Department Administrative Directive (A.D.) 02.40.104 requires the issuance of a stop payment for checks that are outstanding for a period of 90 days or more unless the bank's stop payment charge is greater than 50 percent of the check amount. Otherwise, these checks shall remain open until the account reaches a dormant status (outstanding over 14 months). When considered dormant, expenses shall be reversed, the checking account balance in the Inmate Trust Fund shall be increased, and a check shall be written from the Inmate Trust Fund to the General Revenue Fund.
- At 1 of the 7 ATCs, the auditors noted deficiencies related to disbursements from the Employee Benefit Fund portion of the DOC Resident's and Employee's Benefit Fund. A.D. 02.43.102 mandates requests for expenditures from the benefit funds be submitted in writing to a member of the appropriate committee who shall present the requests at the next meeting. The A.D. also outlines how the monies from the fund may be utilized. All 10 of the disbursements tested at the specific ATC did not contain documentation of the Employee Benefit Fund Committee's approval of the disbursements. The auditors also noted 3 of 10 disbursements lacked sufficient documentation to verify the appropriate purpose, in accordance with the A.D., of the nature of the expenditure; and one of the expenditures had first been submitted to the General Office to be paid from the General Revenue Fund, but had been denied and sent back to be paid from the Employee Benefit Fund.
- At 2 of the 7 ATCs, the auditors noted deficiencies related to disbursements from the Inmate Benefit Fund portion of the DOC Resident's and Employee's Benefit Fund. A.D. 02.43.102 mandates requests for expenditures from the benefit funds be submitted in writing to a member of the appropriate committee who shall present the requests at the next meeting. The A.D. also outlines how the monies from the fund may be utilized. Of the 20 disbursements tested at those two ATCs, 14 did not contain documentation of the Inmate Benefit Fund Committees' approval of the disbursements and 3 of the 20 lacked sufficient documentation to verify the appropriate purpose, in accordance with the A.D., of the nature of the expenditure. In one instance, the Department could not satisfactorily provide an explanation as to what the ATC did with the change from the purchase.
- At 1 of the 7 ATCs, the auditors noted a deficiency related to the personal property listing. A.D. 05.03.111C mandates that a personal property listing be kept on file for all residents. One file tested did not contain a current Offender Personal Property Inventory form.

- At 1 of the 7 ATCs, the auditors noted a deficiency related to property and equipment. One item (exercise equipment with a cost of \$525) on the property listing could not be physically located. The Department employee responsible for property control must safeguard all property at their designated location, in accordance with A.D. 02.70.101.

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

Description of Weaknesses	Two Years Ending June 30				
	2010	2008	2006	2004	2002
Year end cash balances misstated	X	X	X	X	X
Deficiencies in Trust & Resident's funds disbursements	X	X	X	X	X
Errors in calculating resident maintenance fees		X		X	X
Receipts not deposited timely				X	X
Financial transactions not posted timely				X	X
Weaknesses in ATC internal controls	X	X	X	X	X
Dormant resident accounts not processed timely				X	
Resident loan files not accurate		X	X	X	
Inadequate controls of property and equipment	X	X	X	X	
Financial reporting package inaccuracies					X
Resident financial files missing required documents		X	X		X
Deficiencies in personal property listing	X	X			X
Deposits in accounts outside of the ATC		X			
Notable maintenance and repair issues		X			

In response to this finding from the previous audit, the Department stated it would continue to work to ensure accurate and proper records were maintained. Department management indicated on-going issues are the result of human errors, lack of resources, and inadequate communication within the Department

The result of the exceptions noted led to inaccurate financial and resident information being maintained at the ATCs, as well as not safeguarding Department assets as a result of inadequate internal controls. (Finding Code No. 10-14, 08-18, 06-02, 04-04, 02-05, 00-05, 99-11, 98-08, 96-04, 94-05)

RECOMMENDATION:

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

- ATC Accountants follow the Department A.D. relating to the handling of outstanding checks written from the Inmate Trust Fund.
- Benefit Fund disbursements are properly processed and authorized, and ATC personnel retain all supporting documentation.

- Benefit Fund Committees authorize purchases for the respective funds as required by the A.D.s.
- Property and equipment records are properly recorded and maintained.
- All required forms are included within the resident's file.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) 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.

10-15 FINDING: (Weaknesses in Adult Transition Center (ATC) food services contract)

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

During testing at the Peoria ATC, auditors noted the Department has a contract with a vendor to provide approximately 651 meals per day (200 residents 3 meals per day plus 51 employees 1 meal per day). Based on available data, the average meal consumption was 292 meals per day and the ATC was billed for an average of 590 meals per day, resulting in a 49% utilization. It appears the ATC is receiving fewer meals than they are being billed by the vendor. The cost per meal billed was approximately \$1.35 to \$1.41 during the engagement period.

The vendor contract was negotiated by the Department's General Office and is required to be monitored by the Peoria ATC. ATC management stated the vendor prepares food for the number of residents expected for each meal rather than the number of meals to be billed per the contract. As a result, situations have occurred where the last residents served do not always get a full meal as not enough meals were prepared to serve all the residents that ended up eating at the ATC that day.

In response to this finding in the prior audit, the Department stated it would monitor the food service contract and program for compliance with the State contract. Department management indicated the current exceptions noted were due to employee oversight, staffing constraints and conflicting priorities. In addition, Department management indicated the implementation of the recommendation from the prior finding was not accomplished due to a lack of follow-up and the fact no mechanism was in place to ensure adequate follow-up.

Good fiscal internal controls dictate the ATC establish a system to determine in advance how many residents will be present for a meal and work with the vendor to ensure there is sufficient, but not excessive food. In addition, the Department should establish controls to ensure the State only pays for the meals consumed.

Paying for meals that are never utilized is a poor use of State resources. Failure to provide enough food to residents (especially when the State has already paid for the meals) is unfair to the residents who are paying a portion of their earnings as a maintenance fee to the Department to help cover their housing and meals. (Finding Code No. 10-15, 08-19)

RECOMMENDATION:

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

- Establish a system to determine in advance how many residents will be present for a meal as a means to base the number of meals the contractor should prepare and provide;

- Sufficient, but not excessive food is served at each meal;
- Establish controls to ensure the State pays only for the meals provided by the contractor, and does not pay for meals not provided.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will perform an analysis of the food service contract at the Peoria Adult Transition Center. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

10-16 FINDING: (Payroll timekeeping system not automated)

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

During the previous audit period, the Department's human resources responsibilities were consolidated with a number of other State agencies as part of the Public Safety Shared Services Center (PSSSC). The PSSSC was scheduled to create / implement an automated timekeeping system, but it was not created. As noted in previous audits, each Correctional Center continued to maintain a manual timekeeping system for several hundred employees. Correctional Center employees sign in and out, and sign-in sheets are sent to the timekeeping clerk. 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.

During testing of the Department's manual timekeeping system, timesheets for 60 employees were selected and auditors noted exceptions related to 32 (53%) of the employee timesheets. A summary of the exceptions are as follows:

- Thirty-one (52%) of the 60 employees tested did not submit timesheets in accordance with the State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-5(c)) which states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour."
 - Auditors were provided with a roll call sheet for 1 employee to demonstrate the employee was present on the day tested and a Sign In/Out sheet for 26 employees. Sign In/Out sheets and Roll Call sheets, which are utilized by most of the Department's approximately 10,300 employees, document the occurrence and reason for an employee's absence and are approved by the supervisor. The Sign In/Out sheets and Roll Call sheets do not document time spent to the nearest quarter hour on official State business.
 - Auditors were informed two of the employees selected for testing do not stand Roll Call nor do they Sign In/Out each day.
 - Auditors were provided with weekly attendance logs documenting the time 2 employees start and end work each day; however, the employees' time is not detailed to the nearest quarter hour.
- Auditors were not provided with an attendance record for 1 (2%) of the 60 employees tested. As a result, the auditors could not determine if a timesheet of any sort was properly submitted for this employee.

In response to these exceptions and similar exceptions from the previous audit, the Department stated it was limited in the implementation of the finding recommendation based upon resources and the existing manual timekeeping system. Upon implementation of an automated timekeeping system, this issue should be resolved.

Department management indicated that the existing manual timekeeping system does not allow for employee time to be maintained to the nearest quarter hour as required by the Act.

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

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.

Department management indicated the Department does not have the resources to purchase a new timekeeping system on their own, but it will participate in a new statewide system once it is implemented.

The lack of an automated timekeeping system increases the risk of errors and reduces the control efficiencies for accurately tracking time as well as not complying with required timekeeping requirements set forth by statute. (Finding Code No. 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. IL Department of Corrections (IDOC) 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.

10-17 FINDING: (Employee performance evaluations not performed timely or documented)

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

During testing of a sample of 60 employee performance evaluations, 49 (82%) were not performed on a timely basis. 39 of 49 (80%) were performed 1 to 262 days late. 10 of 49 (20%) were never performed. In addition, other auditors performing testing at Illinois Correctional Industries (ICI) noted 7 evaluations were completed by the supervisors, but the evaluation was not documented in the personnel files.

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

Department management indicated that performance evaluations were not conducted in a timely manner due to staffing constraints, vacancies, retirements, oversight and lack of adequate follow-up. Management also indicated, for 2 of the employee evaluations which were completed by the supervisors but were not in the personnel files, the evaluation had been performed by the supervisors and forwarded to the Springfield office for filing.

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. 10-17, 08-21, 06-05)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with evaluation requirements.

10-18 FINDING: (Inadequate documentation of employee training)

The Department of Corrections (Department) is not properly documenting that all employees complete their minimum required number of training hours.

During testing of the Department’s training records for fiscal years 2009 and 2010, the Department was unable to provide documentation that 23 of 60 (38%) employees selected had met the mandatory training hour requirements.

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

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

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

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

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

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with training requirements.

10-19 FINDING: (Weaknesses in contract administration)

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

During testing of 71 contractual agreements, auditors noted the following weaknesses:

- 8 out of the 71 contracts (11%) totaling \$19,908,647 did not include all of the certifications, disclosures, and clauses required by Section 15 of the Statewide Accounting Management System (SAMS) manual and various sections of the Illinois Compiled Statutes, including Articles 20 and 50 of the Illinois Procurement Code (30 ILCS 500/20 and 50), the Drug Free Workplace Act (30 ILCS 580/3), the International Anti-Boycott Certification Act (30 ILCS 582/5), Educational Loan Default Act (5 ILCS 385/3), and Article 33E of the Criminal Code of 1961 concerning public contracts (720 ILCS 5/33E-11).

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

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

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

- 2 out of the 71 contracts (3%) totaling \$5,111,577 did not contain the signatures of the director, chief legal counsel and chief fiscal officer of the Department. The State Finance Act (30 ILCS 105/9.02(a)(1)) states, “Any new contract or contract renewal in the amount of \$250,000 or more in a fiscal year, or any order against a master contract in the amount of \$250,000 or more in a fiscal year, or any contract amendment or change to an existing contract that increases the value of the contract

to or by \$250,000 or more in a fiscal year, shall be signed or approved in writing by the chief executive officer of the agency, and shall also be signed or approved in writing by the agency's chief legal counsel and chief fiscal officer."

- The Department could not demonstrate adequate contract monitoring for 22 of the 71 contracts (31%) totaling \$107,370,749. Specifically, the auditors noted:
 - The Department could not provide the deliverables specified in the contract for 18 of these 22 contracts totaling \$105,416,560 to verify the contractor performed in accordance with the contract terms.
 - The Department failed to sufficiently explain what type of monitoring occurred for 3 of the 22 contracts totaling \$194,189, despite repeated requests by the auditors for an explanation of any monitoring performed.
 - The Department insufficiently monitored 1 of these 22 contracts for \$1,760,000. The Department did not demonstrate it performed monitoring of the contractor's efforts any further than reviewing programmatic reports and did not perform any other type of reviews or site visits of the performance of the contractor.

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

- The submissions for payment of \$6,996,941 from one vendor out of the 71 contracts did not contain the support required for payment as specified in the contract. The submissions for payment for another vendor out of the 71 contracts for \$3,321,800 were repeatedly submitted late based on contract terms.
- The Department did not receive the annual audit from the vendors which was specified as required within 8 of the 71 contracts.

During testing of 60 contractual services invoice vouchers, 1 of 60 invoice vouchers (2%) was for a purchase of \$4,672 and the Department failed to obtain three written bids for the purchase as required by the Department's Administrative Directive 02.20.106.

During testing of emergency purchases, auditors identified the following weaknesses:

- 7 out of 63 emergency purchase affidavits (11%) for purchases totaling \$417,060 were not posted on the Illinois Procurement Bulletin timely as required by the Illinois Procurement Code (30 ILCS 500/20-30). The emergency purchases were posted 11 to 39 days late.
- 30 out of 63 emergency purchase affidavits (48%) for purchases totaling \$6,945,788 were not published at all in the Procurement Bulletin as required by the Illinois Procurement Code (30 ILCS 500/20-30).

- 10 out of 63 emergency purchase affidavits (16%) for purchases totaling \$1,706,060 were not filed with the Auditor General timely within the timelines established by statute. The emergency purchase affidavits were filed from 5 to 63 days late.

Other auditors performing testing at Illinois Correctional Industries (ICI) tested 7 emergency purchases in fiscal years 2009 and 2010 and noted 1 (14%) emergency purchase totaling \$29,693 was not published in the Illinois Procurement Bulletin.

Section 20-30 of the Illinois Procurement Code (30 ILCS 500) allows a purchasing agency to make emergency procurements without competitive bidding or prior notice under specific circumstances outlined within the statute; however, the term of the emergency purchase is limited to the time practically needed for a competitive procurement not to exceed 90 days. Notice (20-30(b)) of all emergency procurements is to be sent to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to lengthen an emergency contract must be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing. Emergency purchase affidavits (20-30(c)) must be filed with the Procurement Policy Board and the Auditor General within 10 days after the procurement setting forth the amount expended, the name of the contractor involved, and the conditions and circumstances requiring the emergency procurement. When only an estimate of the cost is available within 10 days after the procurement, the actual cost is to be reported without delay after it is determined.

In response to this finding from the previous audit, the Department stated it would implement controls to ensure contracts were processed timely and accurately. In response to the exceptions noted during the current audit, Department management indicated that the failure to ensure proper controls were established in the administration of contracts was due to employee oversight, lack of resources and inadequate communication within the Department. Specifically related to the ICI emergency purchase, Department management stated it was not published because it was below the reporting threshold established in the Emergency Procurement Section 1.2030 and 1.2020 of the Administrative Code which at the time of the purchase was \$32,600.

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 the SAMS manual. (Finding Code No. 10-19, 08-31, 06-19)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will implement the necessary controls to ensure contracts are properly administered and in compliance with applicable laws and regulations.

10-20 FINDING: (Inadequate controls over travel)

The Department of Correction's (Department) procedures over the submission, review and approval of travel expenditures are not sufficient to ensure travel costs are in compliance with Travel Regulations and Department Administrative Directives (A.D.).

Auditors noted the following weaknesses during testing of travel vouchers:

- Department employees failed to properly complete the travel vouchers in the following instances:
 - Three vouchers totaling \$1,737 did not include a clear purpose for travel.
 - One voucher totaling \$441 did not include the employee's residence or headquarters.
- Eight travel vouchers for a single employee totaling \$5,858 included an employee headquarters which did not agree to the headquarters listed on the applicable TA-2 form for the time periods tested. The headquarters listed on the TA-2 forms was Chicago, but the headquarters according to the eight travel vouchers tested was Springfield. The Department subsequently realized the headquarters listed on the TA-2 form was incorrect. The TA-2 form in question was originally filed on July 15, 2008, and the revised form was resubmitted on February 24, 2009.
- Three direct billed lodging expenditures and one employee was paid in excess of the approved State lodging rate by \$145 and \$46, respectively. The employee travel vouchers did not contain, nor could the Department provide, explanations as to whether this was the lowest rate available or why rates higher than those approved by the State were paid.
- Auditors also identified 2 instances where the Department made duplicate payments for direct billed lodging to hotels totaling \$609.
- Employees failed to comply with the Department's Administrative Directives (A.D.'s) regarding the timely submission of their travel vouchers. Sixteen travel vouchers were identified which were submitted 13 to 85 days after the month end following the date of the employees' travel, which is later than the timeframe required by the Department's A.D.
- Three instances were found in which the Department failed to provide the Form DC 0277 in relation to out-of-state travel.
- Seven of 60 (12%) travel vouchers totaling \$1,081 were not submitted on a timely basis for reimbursement by the employee. These travel vouchers were submitted 13 to 53 days late. According to the Department's Administrative Directive 02.37.110 all expenditures should be submitted by the end of the month for travel completed during the month.

- One of 60 (2%) travel vouchers tested reimbursed lodging in excess of the rates allowed by the Governor’s Travel Control Board Travel Guide. Lodging was paid for employee travel at a rate of \$241 per night for two nights, but the approved rate for the travel destination of travel was \$149 per night, in the absence of documentation supporting an unsuccessful attempt to obtain lodging at a rate of \$149 or lower. Approval to pay over the State rate was not documented on the travel voucher. As a result, lodging was overpaid by \$184.

Reimbursement for travel expenses are governed by the State Finance Act (30 ILCS 105/12) and regulations issued by the Governor’s Travel Control Board. Section 2800.200 of the rules promulgated by the Governor’s Travel Control Board (80 Ill. Adm. Code) state, “Each agency shall develop a system to ensure compliance with this Part, provide for prior authorization and control of travel sufficient to prevent obligation of funds exceeding appropriation and allotment limitations and to hold travel to the minimum required for the efficient and economical conduct of the State’s business. Agency documentation must be sufficiently detailed to support any decision or request made under this part.” Section 2800.240 specifies the manner in which travel vouchers should be prepared.

The Department’s Administrative Directive 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 received permission to do so from the Travel Coordinator. According to the A.D., “At the end of the month the traveler shall attach all receipts to the original copy of the C-10 and submit the C-10 to the facility Business Office.” The Department’s Administrative Directive 02.37.105 requires the traveler to submit requests for approval of out-of-State or out-of-country travel on an Out-of-State or Out-of-Country Travel Request, DOC 0277, at least 50 days in advance of the travel departure date.

The State Finance Act (30 ILCS 105/12-3) requires State agencies to file Travel Headquarter Reports with the Legislative Audit Commission for all individuals where official headquarters are located other than where their official duties require them to spend the largest part of their working time. Statewide Accounting Management System (SAMS) Procedure 17.20.10 requires the city in which the traveler’s headquarters are located, which is defined as the place where the employee’s official duties require him/her to spend the largest amount of his/her working time, and the city in which the traveler maintains residence be input on the travel voucher.

In response to this finding from the prior audit, the Department stated it would make every effort to ensure compliance with travel guidelines. Department management indicated the issues noted are inherent in a large agency where manual travel vouchers are completed. Employees are continually reminded to submit travel vouchers timely. However, travel vouchers must be paid according to statutes and failure to submit timely does not equate nonpayment.

In addition, Department management indicated employees are periodically reminded to submit travel vouchers on a monthly basis, but untimely submission could occur due to delays in obtaining the required signatures or employee oversight.

The Department expended \$1,972,925 and \$1,030,011 for travel in fiscal years 2009 and 2010, respectively. Failure to ensure an adequate system of internal control is followed in reviewing travel costs incurred by employees results in noncompliance with State statute and improper expenditure of State funds. In addition, the failure of employees to timely submit travel vouchers results in noncompliance with the Department's Administrative Directive and hinders the timely review of travel expenditures by the Department. (Finding Code No. 10-20, 08-32)

RECOMMENDATION:

We recommend the Department:

- Remind employees reviewing travel vouchers of the need to perform stringent reviews and of their responsibility to enforce the regulations issued by the Governor's Travel Control Board.
- Collect any overpayments previously made to employees or vendors.
- Develop a mechanism to enforce the requirement of having employees submit travel vouchers in a timely manner in compliance with the Department's Administrative Directives.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with all travel regulations and requirements.

10-21 FINDING: (Inadequate procedures regarding State vehicles)

The Department of Corrections (Department) had several weaknesses regarding the reporting of vehicle accidents, vehicle maintenance records, reporting the value of the “personal use” of State vehicles and annual certifications of license and vehicle liability coverage.

Auditors noted that accidents involving State / Department vehicles were not reported in a timely manner, and Department employees were not ensuring vehicles personally assigned to them were adequately maintained. In addition, the Department did not maintain adequate controls over the reporting of the value of the “personal use” of a State Vehicle as a fringe benefit. As a result, taxable fringe benefits related to the personnel use of State vehicles may not be properly recorded. Finally, the annual certification of license and vehicle liability coverage was not completed timely. Specific problems noted were as follows:

- During testing of 60 reported accidents involving State / Department owned vehicles, auditors noted 35 (58%) instances in which the accidents had not been reported to the Department of Central Management Services (DCMS) on a timely basis. The 35 required accident reports were submitted from 1 to 593 days late. An analysis of this issue for 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, 2000	9	25	36%	10 to 49
June 30, 2002	11	25	44%	1 to 63
June 30, 2004	13	25	52%	2 to 279
June 30, 2006	14	25	56%	1 to 49
June 30, 2008	14	34	41%	1 to 146
June 30, 2010	35	60 *	58%	1 to 593

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

According to 44 Ill. Adm. Code 5040.520, “A driver of a state-owned or leased vehicle which is involved in an accident of any type shall report such accident to the appropriate law enforcement agency and to DCMS by completing the “Motorist’s Report of Illinois Motor Vehicle Accident” form (SR-1)...The Form SR-1 is to be completed, as nearly as possible, in its entirety including a clear description of the accident and the conditions surrounding the accident...In no case is this report to be completed later than three (3) days following an accident. If the State driver is incapable of completing the report because of death or disability, the driver’s supervisor should complete this form.” The Department’s Administrative Directive 02.75.149 further states, “Accidents involving any vehicle operated in the conduct of state business shall be promptly reported regardless of the dollar amount.” It further states that the Vehicle Accident Coordinator shall submit appropriate reports to DCMS within seven days following the accident. When accident reports are not submitted in a timely manner, facts of the accident may become unclear and it is more

difficult to follow up on any possible liability to the Department or the State of Illinois.

- For fiscal years 2009 and 2010, auditors requested to examine 60 vehicle maintenance records and noted 14 (23%) did not receive annual maintenance in the fiscal year tested. Additionally, 24 (40%) did not receive either or both adequate tire rotations and oil changes for the year tested. The Department could not provide any maintenance records for 15 (25%) of the 60 vehicles selected for testing. 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, 2000	5	25	20%	793 to 8,160
June 30, 2002	11	25	44%	615 to 28,783
June 30, 2004	5	25	20%	1,227 to 7,514
June 30, 2006	21	25	84%	Unavailable
June 30, 2008	15	25	60%	Unavailable
June 30, 2010	37	45*	82%	1,800 to 22,933

* Sample size of 60 less the 15 in which the Department could not provide any maintenance records.

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

- The Department uses Form DC 710-1241 to document the determination of whether employees are exempt from taxation related to the fringe benefits derived from the personal use of a State vehicle. The Department was unable to provide forms for 33 of 60 (55%) employees tested, but provided exemption statuses for employees for whom it could not provide a Form DC 710-1241. The Department has adopted the U.S.

Department of the Treasury Rule and developed Form DC 352, Determination of Value of Personal Use of State Vehicle, to report the value of “personal use” of a State vehicle as a fringe benefit. During our testing of 60 employees who were allowed the “personal use” of a State vehicle, 3 were not exempt from fringe benefit taxation. For these employees, the Department failed to record the fringe benefits into the payroll system for 2 of 3 (67%) of the employees tested and recorded an incorrect amount for 1 of the 3 (33%) employees. Weaknesses were also noted in this area for the previous three audits.

Under the Treasury Rule which is published in the Internal Revenue Services’ Publication 15-B, “Employer’s Tax Guide to Fringe Benefits,” the Department determines the value of a vehicle that the Department provides to an employee for commuting use by multiplying each one-way commute by \$1.50. Administrative Directive 01.02.106 requires all Department employees who are subject to vehicle usage income to complete Form DC 352. Form DC 352 is to be completed by the required employees at the start of the calendar year, and indicates this is an estimate of vehicle personal use income for the coming year. This information is entered into the payroll system so that taxes can be withheld each pay period during the year rather than a one-time lump sum withholding in December.

- The Department could not provide documentation for license and insurance certifications for 45 of 60 (75%) employees tested that were assigned a Department vehicle. Of the 15 license and insurance certifications received and tested, 12 (80%) were not filed by the July 31st deadline. These 12 certifications ranged from 130 to 250 days late. Weaknesses were also noted in this area for the last two audits.

The Illinois Vehicle Code (625 ILCS 5/7-601) states, “Every employee of a State agency...who is assigned a specific vehicle owned or leased by the State on an ongoing basis shall provide the certification described in this Section annually to the director or chief executive officer of his or her agency. ...The certification shall be provided during the period July 1 through July 31 of each calendar year, or within 30 days of any new assignment of a vehicle on an ongoing basis, whichever is later.” Failure to obtain updated certification of license and vehicle liability coverage is a violation of a State statute and may result in uninsured, underinsured and/or unlicensed drivers operating State vehicles while performing State business.

In response to this finding in the previous audit, the Department stated it was in the process of seeking a replacement fleet management system from another State agency. It also responded that drivers would be reminded of the importance of timely notifications and documentation. In response to the exceptions in the current audit, Department management indicated the current fleet management system had not yet been replaced as planned due to budgetary constraints and the exceptions were due to conflicting priorities and employee oversight. (Finding Code No. 10-21, 08-33, 06-01, 04-03, 02-04, 00-03)

RECOMMENDATION:

We recommend the Department:

- Send a formal notice to those employees whose jobs involve travel to remind them of the requirement and importance of filing accident reports in a timely manner. The Department should consider disciplinary action for those employees who do not file reports in a timely manner.
- Monitor the submission of accident reports to ensure the requirements are being met as required by the Department's Administrative Directive.
- Enforce vehicle maintenance schedules to reduce future year expenditures for repairs and to extend the useful lives of vehicles.
- Establish controls to ensure compliance with the Treasury Rule related to personal use of a State / Department assigned vehicle.
- Establish a procedure to receive the proper Department form from each employee allowed the "personal use" of a State vehicle to ensure proper records for the reporting of fringe benefits.
- Review procedures over timely filing of the required annual certification of license and liability insurance.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with proper controls and procedures regarding State vehicles and will revise processes and procedures as needed.

10-22 FINDING: (Failure to adequately maintain documentation related to personally assigned State vehicles)

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

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

The Department did not provide the auditors with the fiscal year 2010 listing submitted to DCMS of the State vehicles personally assigned to Department employees in a timely manner. Therefore the auditors were unable to test 30 of 60 (50%) employees selected. The Department provided the fiscal year 2009 listing submitted to DCMS of the State vehicles personally assigned to Department employees in accordance with 44 Ill. Adm. Code 5040.340; however, 28 of the 30 (93%) employees selected for testing were not included on the submitted report.

The Department's Administrative Directive 01.02.106 requires, upon the personal assignment of a State vehicle, that the Department employee be provided with a Personally Assigned Vehicle Usage Packet, including instructions. The Personally Assigned Vehicle Usage Packet includes several forms that are to be completed by the employee and submitted and retained by the Correctional Center and/or division Business Office. One of those forms is the Monthly Mileage Report (DC 710-1287). Of the 60 employees to which vehicles had been personally assigned during the audit period, the Department was unable to provide completed Monthly Mileage Reports (DC 710-1287) for 19 (32%) employees. Of the 41 sets of mileage reports received, 3 (7%) were found to be inadequately completed.

Department management indicated the weaknesses regarding personally assigned State vehicles were due to conflicting priorities, human error and employee oversight.

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

RECOMMENDATION:

We recommend the Department properly complete and maintain documentation pertinent to the personal assignment of State-owned vehicles in accordance with the Illinois Administrative Code and its Administrative Directive and submit accurate lists of all Department personally assigned vehicles to DCMS in accordance with 44 Ill. Adm. Code 5040.340.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will properly complete and maintain the documentation required for all personally assigned State-owned vehicles.

10-23 FINDING: (Payment of another State agency's permanent improvements and failure to allocate joint postage expenses)

The Department of Corrections (Department) inappropriately paid for permanent improvements and failed to allocate postage expenditures between itself and the Department of Juvenile Justice.

During the audit period, the Department paid for \$8,292 of permanent improvements for the Illinois Youth Center (IYC) at Warrenville, which is administered by the Department of Juvenile Justice. The permanent improvements repaired 3 roofs during fiscal year 2009 at the IYC-Warrenville facility.

In addition, during the audit period, the Department and the Department of Juvenile Justice utilized one postage meter at the Concordia Court campus, where the General Office division of each Department is located. No allocation between the two distinct State agencies was made for postage usage. The postage balances provided to the auditors during fieldwork for the Concordia Court postage meter for the fiscal years ended June 30, 2009 and 2010, respectively, were \$6,260 and \$3,238. The identical postage balances were provided when requested by the auditors during the compliance examination of the Department of Juvenile Justice.

Department management stated the total amounts charged to the General Office of the Department of Corrections for postage in fiscal years 2009 and 2010 were \$72,859 and \$75,174, respectively. No amounts were charged to the General Office of the Department of Juvenile Justice. Auditors inferred from this information that the Department of Corrections incurred the postage expenditures of the Department of Juvenile Justice's General Office division.

The General Assembly, in Article 5 of Public Act 95-0734 and Article 33 of Public Act 96-0042, authorized the ordinary and contingent expenses of the Department for fiscal years 2009 and 2010, respectively. The Department of Juvenile Justice received authorization for its own ordinary and contingent expenses in Article 14 of Public Act 95-0734 and Article 32 of Public Act 96-0042.

Department management indicated the exceptions noted were due to employee oversight. This oversight was attributable to the fact that both agencies' expenditures are processed by the same staff at the Public Safety Shared Services Center and the Department of Juvenile Justice is a newly created Agency that was previously a part of the Department of Corrections.

Misallocation of funds between government agencies circumvents the appropriation process and undermines fiscal accountability and budgeting. (Finding Code No. 10-23)

RECOMMENDATION:

We recommend the Department comply with all statutes and other applicable rules and regulations in place pertaining to the separation of the Department of Juvenile Justice from the Department of Corrections and each operate within the fiscal restraints of its own

appropriation. In addition, we recommend the Department track the postage usage specific to the Department of Corrections for the postage meter at Concordia Court and ensure it is not paying for the postage expenditures of the Department of Juvenile Justice.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will comply with all applicable laws and regulations pertaining to the separation of the IL Department of Juvenile Justice (IDJJ) from IDOC and will operate within the fiscal restraints of IDOC appropriations.

10-24 FINDING: (Cash receipts and refunds not paid into the State treasury on a timely basis as required by State law)

The Department of Corrections (Department) did not pay into the State treasury the gross amount of the money received on a timely basis as required by State law.

During receipts testing the auditors identified the following exceptions:

- Eighteen of 60 (30%) receipts totaling \$15,347 were not deposited into the State treasury within the 15 day deposit extension. The receipts were deposited between 1 and 434 days late.
- The Department could not provide copies of the deposited check or any other date-related information for 7 of 60 (12%) receipts tested. As a result, it was not possible to determine whether the receipt was deposited on a timely basis.
- Two of 60 (3%) Receipt Deposit Transmittal (RDT) forms totaling \$11,454 were not remitted to the Illinois Office of the Comptroller in a timely manner. The RDTs were submitted 78 and 113 days after being deposited within the State Treasury.

During testing of refunds the auditors noted the following exceptions:

- Six of 50 (12%) refunds totaling \$3,554 were not deposited into the State treasury within the 15 day deposit extension. The refunds were deposited between 2 and 54 days late.
- Thirty-four of 50 (68%) refunds tested were salary refunds. Nine of 34 (26%) of the salary refunds tested totaling \$88,382 were processed 1 to 206 days late.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) states, “Every officer... unless a different time of payment is expressly provided by law or by rules or regulations promulgated under subsection (b) of this Section, shall pay into the State treasury the gross amount of money so received on the day of actual physical receipt with respect to any single item of receipt exceeding \$10,000, within 24 hours of actual physical receipt with respect to an accumulation of receipts exceeding \$10,000 or more, or within 48 hours of actual physical receipt with respect to an accumulation of receipts exceeding \$500 but less than \$10,000...” The Act further allows the State Treasurer and State Comptroller to grant time extensions for the deposit of public funds. The most recent deposit extension approved for this purpose was a 15 day extension for the period December 6, 2009 through December 6, 2011. Even with the approved deposit extension, the Department did not deposit receipts and refunds in a timely manner.

Additionally, the Comptroller’s Statewide Accounting Management System (SAMS) procedure 23.20.65 states that salary refunds are to be processed within 60 days of the original issue date. SAMS procedure 25.10.30 requires the Comptroller to order all deposits into funds held by the State Treasurer, once the State Treasurer issues a non-negotiable draft to the specific agency. The agencies are to remit to the Illinois Office of the

Comptroller the draft so that the Comptroller may order the moneys into the appropriate fund(s). As indicated in SAMS 25.20.10, when receipts are submitted to the Comptroller, the Receipts Deposit Transmittal is the form which must be utilized.

In response to this finding in the prior audit, the Department stated it would make every effort to ensure receipts and refunds are processed timely and accurately. Department management indicated that the failure to deposit receipts and refunds and submit RDTs to the Illinois Office of the Comptroller in a timely manner during the current audit was due to human error, employee oversight, competing priorities, and inadequate communication within the Department. The Department attributed the lack of source documentation related to receipts to the decentralization of the Department because, for various reasons, it was not available.

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

RECOMMENDATION:

We recommend the Department implement controls to ensure cash receipts and refunds are deposited in a timely manner in accordance with State law and SAMS. Additionally, we recommend the Department implement controls to ensure source documentation is maintained related to cash receipts and Receipt Deposit Transmittals are submitted to the Comptroller in a timely manner upon receipt of the completed draft from the Treasurer.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure receipts and refunds are processed timely and accurately and source documentation is properly maintained and submitted, if applicable.

10-25 FINDING: (Failure to prepare and submit required reports as required by State statute)

The Department of Corrections (Department) either did not submit or did not submit timely certain required reports to the Governor, Judiciary and/or the General Assembly. The first 6 bullets below were also identified as exceptions in the report for the two years ended June 30, 2008. Auditors identified the following exceptions during their testing:

- The Unified Code of Corrections (730 ILCS 5/3-5-3(d)) requires the Department to submit to the Governor and the General Assembly a 5-year long-range planning document for adult female offenders under the Department's supervision. The document shall detail how the Department plans to meet the housing, educational/training, Correctional Industries and programming needs of the escalating adult female offender population by January 1 every two years after January 1, 1991 to the Governor and General Assembly. The 5-year Female Plan was not submitted during the audit period.
- The Unified Code of Corrections (730 ILCS 5/3-6-3a (4)) requires the Department to submit to the Governor and General Assembly a report on the results of evaluations on educational, vocational, substance abuse and correctional industry programs under which good conduct credit may be increased by September 30th of each year. The Early Release Credit Report was not submitted during the audit period.
- The Unified Code of Corrections (730 ILCS 5/5-8-1.3(m)) requires the Department to provide to the Governor and the General Assembly a report on the pilot residential and treatment program for women. The report should include the composition of the program by offenders, sentence, age, offense and race before September 30th of each year. The Pilot Women Program Report was not submitted during the audit period.
- The Interstate Sex Offender Task Force Act (20 ILCS 4024) (Act) creates the Interstate Sex Offender Task Force and assigns the staff and administrative support services to the Department. The Act requires the Interstate Sex Offender Task Force to report its findings and recommendations to the Governor, Attorney General, and the General Assembly no later than January 1, 2007 (20 ILCS 4024/10(g)). This report was not submitted until January 21, 2010.
- The Unified Code of Corrections (730 ILCS 5/5-5-4.3) states the Department shall publish a report to trial and appellate court judges for their use in imposing or reviewing sentences, the report is to be published on an annual basis no later than April 30. The Department did not prepare and publish the report during the audit period.
- The State Employment Records Act (5 ILCS 410/1 et seq.) requires State agencies to annually report to the Office of the Secretary of State and the Governor's Office the number of minorities, women, and physically disabled persons along with the related salary and statistical information to provide State officials and administrators with the information to help guide efforts to achieve a more diversified workforce. The report is to be filed by January 1 of each year. The Department failed to submit its fiscal

year 2008 “Agency Workforce Report” to the Governor’s Office by the January 1, 2009 deadline. The report was submitted on May 18, 2010. Department management stated the fiscal year 2008 “Agency Workforce Report” had been prepared and signed by the Chief Fiscal Officer on December 23, 2008 and was believed to have been submitted to the Governor’s Office by the due date as required. However, the Department failed to verify receipt of the report by the Governor’s Office. When the Department was notified in May 2010 that the report had not been received, the Department promptly resubmitted the report.

- The Unified Code of Corrections (730 ILCS 5/3-5-3.1) requires the Department to submit a report to the General Assembly by January 1st, April 1st, July 1st, and October 1st of each year. Auditors noted each report was received by the General Assembly after the required due date and ranged from 1 to 148 days late. In addition, the reports are required to include certain information. The reports failed to include required information on the projections for exits and admissions for the succeeding twelve months following each reporting date.

Department staff indicated the reports were not completed due to timing constraints and conflicting priorities.

The Department did comply with submitting its annual reports as recommend in the previous audit.

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

RECOMMENDATION:

We recommend the Department prepare the required reports/plans on a timely basis and submit them to the required parties in accordance with State statutes.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to file the reports/plans timely and as required.

10-26 FINDING: (Failure to report required bilingual employee needs information)

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

DCMS requested receipt of the Department's Bilingual Needs and Bilingual Pay Survey by November 21, 2008. The Department failed to comply with the request. As a result, the Department's bilingual employee needs were not included in the State of Illinois 2009 Hispanic Employment Plan (2009 Plan), which was submitted to the Illinois General Assembly on February 1, 2009. The Department's failure to comply with DCMS' request was cited in the 2009 Plan.

The Civil Administrative Code of Illinois (20 ILCS 405/405-120)(Code) requires DCMS to "...develop and implement plans to increase the number of Hispanics employed by State government and the number of bilingual persons employed in State government at supervisory, technical, professional, and managerial levels." The Code (20 ILCS 405/405-125) further requires all agencies to "...implement strategies and programs in accordance with the State Hispanic Employment Plan to increase the number of Hispanics employed by the State and the number of bilingual persons employed by the State at supervisory, technical, professional, and managerial levels." DCMS develops the plan required by the Code through its assimilation of the needs noted in the Bilingual Needs and Pay Survey completed by each agency.

In response to this finding in the prior audit period, the Department replied that it would make every effort to file the report information as required. During the current audit period, Department management indicated the exception was due to resource limitations and competing priorities.

According to the State's 2009 Plan, the Department employed 219 (10%) of the 2,114 total Hispanic employees statewide in coded positions. The 2009 Plan identified 1,251 of the 2,114 Hispanic employees as those who received bilingual pay. The Department employed 38 (3%) of those 1,251 employees. The Department's failure to comply with the DCMS Bilingual Needs and Bilingual Pay Survey request represented a disregard for the reporting process. Noncompliance also prevented the Department's potential need for more or less bilingual employees from consideration in the 2009 Plan. (Finding Code No. 10-26, 08-40)

RECOMMENDATION:

We recommend the Department submit its annual Bilingual Needs and Bilingual Pay Survey to DCMS in a timely manner.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) submitted the 2009 report information as required for inclusion in the 2010 Plan and will make every effort to continue to file the report information as required.

10-27 FINDING: (Failure to properly notify State’s Attorneys of impending early release of inmates)

The Department of Corrections (Department) failed to properly notify State’s Attorneys of impending early release of inmates.

The Rules and Regulations for Early Release of the Unified Code of Corrections (730 ILCS 5/3-6-3 (a)(5)) require the Department, when it releases any inmate earlier than it otherwise would because of a good conduct credit for meritorious service to provide the State’s Attorney of the county where the prosecution took place, and if applicable, the State’s Attorney of the county into which the inmate will be released, reasonable notice of the impending release not less than 14 days prior to the date of release. The grant of good conduct credit for meritorious service can be given to the inmate at any point during the inmate’s incarceration for these rules to apply.

Auditors noted the Department did not provide timely notice to the State’s Attorneys of impending release of inmates at 12 of 27 (44%) Correctional Centers (Centralia, Danville, Dwight, East Moline, Decatur, Graham, Hill, Logan, Menard, Shawnee, Stateville, Southwestern) for 37 of 60 (62%) inmates tested. The notices ranged from 1 to 14 days late.

Auditors further noted 3 of 27 (11%) Correctional Centers (Danville, Dixon, and Stateville) were either unable to locate the notice of impending release in the inmates’ file, or failed to submit the notice, for 5 of 60 (8%) inmates tested.

Department management indicated the failure to give the State’s Attorneys the required 14 days notice of impending early release of inmates was because the Department does not always have knowledge or notice of the pending release 14 days in advance and the Department cannot legally hold an inmate beyond his/her release date. Department management noted the reasons they might not have such knowledge or notice include, but may not be limited to, good credit earned which pushes up a release date, hearings that determine parole in less than 14 days, and/or notification received to release within the 14 days.

The local authorities and the victims and their families need to be informed of an offender taking up residence in their particular county so they have time to respond or prepare for a prisoner’s release. Failure to notify State’s Attorneys of impending release of an inmate 14 days prior to the inmate’s release is noncompliance with the State Statute and could impair public safety. (Finding Code No. 10-27)

RECOMMENDATION:

We recommend the Department give adequate notice of impending release no later than 14 days prior to the inmate release date or seek legislative modification to the current statutory requirement to accommodate parole hearings held less than 14 days from the release date and/or notification of release received within the 14 day notification window.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) does not always have knowledge or notice of a pending release 14 days in advance because of special hearings, good credit earned or a judges ruling and cannot legally hold an inmate beyond his/her release date. The Department, therefore, will seek legislation to appropriately modify the current 14 day notification requirement.

10-28 FINDING: (Noncompliant General Education Development (GED) program administration and reporting)

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

Section 3-6-8 of the Unified Code of Corrections requires the Department to develop and establish a program in its Adult Division to increase the number of committed persons enrolled in programs for the high school level Test of General Educational Development (GED) and pursuing GED certificates by at least 100% over the 4-year period following the effective date of the amendatory Act of the 94th General Assembly (Public Act 94-0744), which was effective May 8, 2006. As part of this program, each adult institution and facility is to report annually to the Department’s Director on the number of committed persons enrolled in GED programs; those who pass the GED test; and the number of committed persons in the Department’s Adult Division who are on waiting lists for participation in GED programs.

At the conclusion of each fiscal year, each adult institution and facility reports to the Chief of Program and Support Services, who prepares a report internally to submit to the Director of the Department with the statistics of the GED program for that fiscal year. For fiscal years 2009 and 2010, the GED statistics pursuant to the reporting requirements of Section 3-6-8 of the Unified Code of Corrections were as follows:

Statistic	Fiscal Year 2009	Fiscal Year 2010
Number of committed persons enrolled in GED programs	6,930	6,443
Number of committed persons who passed the GED test and received GED certificates	1,662	1,600
Number of committed persons who are on waiting lists for participation in the GED programs as of August 1, 2009 and 2010, respectively	856	982

Auditors noted 1 of 27 (4%) Correctional Center (Stateville) did not provide the mandatory GED education for approximately five months of the audit period (July through November 2008). Furthermore, auditors detected discrepancies between the data provided by 7 of 27 (26%) Correctional Centers (Big Muddy River, Lincoln, Shawnee, Southwestern, Taylorville, Vandalia, and Vienna) and the data reported about those Correctional Centers to the Department’s Director as part of the before mentioned statistics. The specific discrepancies noted by the auditors included:

Fiscal Year Statistic	Sent by Correctional Center to Department	Internally Reported to Director	Difference
Fiscal Year 2009			
Number of committed persons enrolled in GED programs	2,102	1,972	130
Number of committed persons who passed the GED test and received GED certificates	110	101	9
Number of committed persons who are on waiting lists for participation in the GED programs as of August 1, 2009	224	244	(20)
Fiscal Year 2010			
Number of committed persons who passed the GED test and received GED certificates	179	220	(41)
Total	2,615	2,537	78

Department management indicated the difference in numbers reported could be explained by when the numbers were gathered and subsequently reported. A one day difference could impact the numbers as waiting lists and enrollments continually change due to releases, transfers or assignment drops. Also, the only educator at the Stateville Correctional Center did not return from a leave of absence until December 1, 2008.

Inaccurate internal reporting and proper staffing of the program negatively impacts the Department's ability to gauge its performance against the outcomes desired by the General Assembly in Public Act 94-0744. Considering the decline in the GED program and enrollment and pass rate from fiscal year 2009 to 2010 and the corresponding increase in the number of committed persons who are on waiting lists for participation in the GED programs, the importance of reporting accurate source data from the Correctional Centers to the Director and proper staffing is critical for the Department's executive management to develop an action plan for intended compliance with this statute. Failure to accurately report the data to the Director and provide the GED program at all Correctional Centers results in noncompliance with State statute. (Finding Code No. 10-28)

RECOMMENDATION:

We recommend the Department specify a uniform reporting deadline to its adult institutions and facilities. Once received, this information should be the data reported to the Director concerning the GED program. Should modifications need to be made to the source data provided, documentation should be maintained to support the differences between the original source data and the information provided to the Director in order for the Department to maintain a valid picture of its compliance with GED program performance. Additionally, the Department should ensure the GED program is provided at all Correctional Centers as required by statute. Should an assigned employee be unavailable, the Department should make other temporary or contractual assignments in the interim.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will re-evaluate the current methodology used to report the GED program information and will ensure accurate information is reported. The Department will also ensure the GED program is provided at all facilities as required.

10-29 FINDING: (Noncompliance with the Sex Offender Registration Act)

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

Section 4 of the Sex Offender Registration Act (730 ILCS 150/4) (the Act) requires the Department, prior to discharging a sex offender from the Department, to direct a sex offender to read and sign such form as may be required by the Department of State Police stating the duty to register and the procedure for registration as a sex offender within 3 days of release from the Department.

The form required by the Department of State Police during the audit period was the Sex Offender Requirements Form. The instructions on the Sex Offender Requirements Form state the Center must read to the offender each of the 14 registration requirements and the offender must initial each requirement.

Auditors noted 3 of 27 (11%) Centers (Dixon, Hill, and Logan) failed to properly ensure completion of the Sex Offender Requirements Form for 3 of 15 (20%) inmates selected for testing at those Centers. Additionally, one of 27 (4%) Center (Lawrence) was unable to provide the completed Sex Offender Requirement Form for 1 of 5 (20%) of inmates selected for testing.

Department management indicated the reason the Sex Offender Requirements Form was not properly completed could be attributed to misfiling, misunderstanding, and/or miscommunication.

Compliance with the Sex Offender Registration Act is critical to ensure all sex offenders understand their duty and requirement to properly register as a sex offender. Failure to follow the instructions prescribed by the Department of State Police represents noncompliance with State statute. (Finding Code No. 10-29)

RECOMMENDATION:

We recommend the Department comply with the instructions outlined by the Department of State Police and ensure each offender understands and initials the individual requirements of the Sex Offender Requirements Form. Furthermore, we recommend the Department ensure it requires the completion of the form for each discharged sex offender and maintains the documentation to support the completion thereof.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with the Department's responsibilities regarding the Sex Offender Registration Act.

10-30 FINDING: (Failure to track access to inmate master record files)

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

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

Auditors noted 6 of 27 (22%) Correctional Centers (Centralia, Graham, Lawrence, Pinckneyville, Pontiac, and Tamms) did not maintain a record of outside persons who accessed inmate files, the files reviewed, file material copied or the purpose of the access as required by the Code.

Department management indicated records were not maintained because inmate master files are not accessible to personnel outside the facility unless there is a court order, writ, subpoena or similar legal documentation and those documents are maintained.

Failure to maintain a record of outside personnel who access inmate files, the files reviewed, the material copied, and the purpose of the access results in statutory noncompliance. (Finding Code No. 10-30)

RECOMMENDATION:

We recommend the Department either comply with the requirements as outlined within the Code or seek legislative modification to permit the maintenance of the court order, writ, subpoena or similar legal documentation as substitution for such record of access to the inmates' master record file.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will ensure a record is maintained at every facility tracking access to inmate master files as required.

10-31 FINDING: (Failure to provide required addiction recovery services)

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

Section 3-6-2(m) of the Unified Code of Corrections (730 ILCS 5) (Code) requires the Department to make a room in the institution or facility available for addiction recovery services to be provided to committed individuals on a voluntary basis. The services are to be provided for one hour once a week at a time determined by the chief administrative officer of the institution or facility if certain conditions are met which are outlined within the Code.

Auditors noted 2 of 27 (7%) Correctional Centers (Menard and Lawrence) were not providing addiction recovery services as outlined in the Code. Lawrence did not have any meetings during the audit period. Auditors further noted Menard had not established an internal addiction recovery service program as defined by the Code.

Department management indicated the Correctional Centers were not providing addiction recovery services as required by the Code due to a shortage of Clinical Services staff and/or volunteers and a lack of inmate participation.

Allowing committed persons to attend addiction recovery services could aid in their rehabilitation while incarcerated within the Department. Failure to offer such classes once a week on a voluntary basis to inmates results in statutory noncompliance. (Finding Code No. 10-31)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will ensure addiction recovery services are provided at facilities as required.

10-32 FINDING: (Noncompliance with applicable portions of the Arsonist Registration Act)

The Department of Corrections (Department) had not implemented a process to inform and document convicted arsonists of their duty to register upon their discharge, parole or release in accordance with the Arsonist Registration Act.

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

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

In response to this finding from the prior year, the Department stated it was limited in its ability to implement the mandate because it was required to wait for the Illinois State Police (ISP) to formalize and direct this process. The Department stated it would fully comply with any direction as issued from the ISP.

During the current audit period, the Department informed auditors it had not established policies and procedures to inform released and/or discharged offenders of their arson registration obligation. The Department also did not believe I-CLEAR was fully functional or accessible throughout the State and directed the auditors to verify this with the Chicago Police Department or the ISP.

In March 2010, the Illinois Law Enforcement Alarm System (ILEAS) began publishing "ISP ICLEAR Bulletins" to inform I-CLEAR users and potential users of efforts to update and enhance the I-CLEAR systems. Auditors noted the May 2010 Bulletin stated ILEAS and ISP were aggressively deploying the I-CLEAR Data Warehouse to law enforcement agencies statewide. On May 19, 2011, ISP personnel informed auditors I-CLEAR was being used by the ISP statewide.

Department management stated the Department is waiting for the ISP to formalize and direct this process. The Department will fully comply with any direction issued by the ISP.

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with the Department's responsibilities regarding the Arsonist Registration Act.

10-33 FINDING: (Failure to update Administrative Directives)

The Department of Corrections (Department) needs to update its Administrative Directives to reflect the creation of the Department of Juvenile Justice and operational changes that have occurred in recent years.

During testing auditors noted where the Department had not consistently updated its own Administrative Directives (A.D.) to reflect the change for the creation of the Department of Juvenile Justice (DJJ). For example, A.D. 02.42.106, effective date 1/1/2000 still references the juvenile division, which no longer exists with the creation of DJJ.

In addition, as of the auditors testing, the Department's A.D.'s have effective dates ranging from February 15, 1984 to April 1, 2010. Noted in the table below are the Department's 459 A.D.'s listed by the decade the A.D.'s were either effective, updated or amended:

Year	Number of A.D.'s	% of Total A.D.'s
1984 – 1989	15	3%
1990 - 1999	156	34%
2000 - 2009	274	60%
2010	14	3%
TOTAL	459	

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

In the previous audit, instances were identified where Adult Transition Centers (ATCs), had an internal policy concerning operations which either was not addressed or differed from the Administrative Directives. Examples of these instances included:

- When residents were released and paroled from the ATC, the DOC Resident's Trust Fund (trust fund) account is closed and a check is issued to the resident for the balance. ATC procedure detailed that a Termination Statement and a signed receipt must be completed to acknowledge the resident's receipt of the remaining account balance. Department A.D. 02.42.106 does not require that the termination statement be completed and maintained on file. This A.D. was not modified during the current audit period.
- ATC procedures varied in terms of the level of allowance permitted to a resident based upon employment status and time served at the ATC. Any amounts requested and disbursed from the resident's trust fund in excess of the approved allowance was to be supported by additional explanation and approval. One ATC requires the resident to provide receipts once the additional funds requested are expended to support the purchases. A.D. 02.42.105 addresses disbursements from the trust fund, but it does not address the resident's maximum allowance or disbursements exceeding this amount. It also does not address documentation to be provided by

residents when additional funds are requested. This A.D. was not modified during the current audit period.

- ATC policy requires a resident to sign an authorization to withdraw the loan form and to maintain this form in the resident's file. However, this is not specifically addressed in an A.D.
- ATC guidelines require a resident's signature on the personal property listings maintained by the ATC. However, A.D. 05.03.111C does not specifically address the requirement of a resident signature. This A.D. was not modified during the current audit period.

The General Office took over the administration of the locally held bank account of the resident portion of the DOC Resident's and Employee's Benefit Fund in 2006. This change has not been addressed in the A.D.'s. Additionally, the Department has not updated its A.D.'s to account for the common technology of cellular phones. A.D. 02.15.115, effective 12/1/2005, requires the Department to maintain a current inventory of all Department pagers, but does not address cellular phones, which are now the more prevalent technology.

In response to this finding in the previous audit, the Department stated it had prepared a plan to update the fiscal directives over the next reporting period. Department management stated competing priorities and the level of effort to achieve consensus in the drafting of A.D.'s prohibited it from updating the A.D.s during the current audit period.

As defined in A.D. 01.01.101, an Administrative Directive is "an internal management policy and procedure adopted by the Department." As such, the A.D.s should be updated as concurrently as possible when significant changes occur in the Department, no less often than annually. Failure to do so represents the potential for the breakdown in the standardization of procedures throughout the Department, which is the intent of the A.D.'s. (Finding Code No. 10-33, 08-44)

RECOMMENDATION:

We recommend the Department perform a comprehensive review of its A.D.'s and update them as necessary to ensure they represent the most current, standardized practices of the Department. Additionally, the Department should review A.D. 01.01.101 and modify it as necessary to specifically define the maintenance procedures so necessary updates are assigned the appropriate level of priority.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will ensure sufficient resources are devoted to review and update the Administrative Directives as necessary. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

10-34 FINDING: (Correctional Center exceptions)

A number of exceptions were noted during testing at the Department of Corrections' (Department) Correctional Centers.

The Department operates 27 Correctional Centers. Auditors noted the following exceptions in the areas of personnel, information systems controls, and commodity purchases.

Personnel

- One of 27 (4%) Correctional Centers (Sheridan) has an employee assigned to the Special Operation Response Team (SORT). However, the employee only spent approximately 5% of his time at the Sheridan Correctional Center and the remaining 95% of his time performing SORT services for other Department Centers statewide. In addition, his timesheets, submitted via email, and time off forms, dropped off by the employee, were approved by Sheridan Correctional Center personnel, who did not exercise direct supervision over the employee. The timesheets approved by Sheridan Correctional Center personnel appear to be blanket timesheets that were preset with corresponding days off. The immediate supervisor of the employee is located offsite and is not an employee of Sheridan Correctional Center.
- Two of 27 (7%) Correctional Centers (Graham and Pontiac) did not conspicuously display a notice of State employee protection under the Whistle Blower Protection Article (5 ILCS 430/15).
- One of 27 (4%) Correctional Centers (Stateville) was not staffed in key functional areas during the audit period. Auditors specifically noted the following:
 - The Office Administrative Specialist (LAN Administrator) position had been vacant since December 31, 2007. This position oversees, maintains, and updates the computer system for both Stateville and the Northern Reception and Classification (NRC). A replacement had not been assigned those duties since the vacancy occurred.
 - The Public Service Administrator (Health Care Unit Administrator) position was vacant from March 31, 2008 to April 19, 2009 and then again from December 19, 2009 to April 30, 2010. This position oversees and supervises both State and contractual staff for Stateville and the NRC health care units. A replacement was not assigned those duties during the vacancies.
 - The Public Services Administrator (Business Manager) position was vacant from February 10, 2006 to June 30, 2009. This position is responsible for the evaluation and control of fiscal activities related to budgetary projects, contracting and procurement, and warehousing services for the Center. A replacement had not been assigned those duties since the vacancy occurred.

- The June 30, 2010 report of critical positions that needed to be filled included an Account Tech for Payroll, two Office Assistants for the Mailroom, two Office Assistants for the Records Office, three Correctional Food Services Supervisors, an Executive Secretary, and a Clinical Service Supervisor. These vacancies had created backlogs as current employees could not keep up with the volume of activity of the Center. The estimated overtime cost on the report totaled \$4,560 weekly in addition to \$270 to \$787 per day for the Food Service Supervisors.

Information Systems Controls

- One of 27 (4%) Correctional Centers (Stateville) failed to remove access rights from separated employees. Auditors noted one employee who retired in December 2007 still had access rights to the Property Control System (PCS) as of their testing. Additionally, two separated employees had access to the Accounting Information System (AIS). One of these employees retired in September 2009 and she had access to modify cash receipts. The other employee transferred to another Center on March 1, 2010 still had access to modify invoice information.
- Two of 27 (7%) Correctional Centers (Vandalia and Vienna) had provided incompatible access rights to their employees within AIS and PCS. Specifically:
 - At Vandalia, a review of the AIS access reports disclosed the individual holding both the titles as the Center's acting Business Administrator and Business Manager was authorized to add, change, delete, inquire, and approve obligations, obligation amendments, and invoices. The Accountant was authorized to change, delete, inquire, and approve obligations, obligation amendments, and invoices. A review of the PCS access report disclosed the Center's Property Control Office was authorized to add, change, delete, and inquire of equipment items from PCS.
 - At Vienna, a review of the access rights on the Central Payroll System (CPS) and AIS disclosed the Business Manager's computer access rights allowed entering transactions in to CPS, while this employee is also responsible for approving the accuracy of the payroll voucher. The Business Administrator's computer access rights on AIS allowed entering and approval of invoice vouchers.

Commodity Purchases

- One of 27 (4%) Correctional Centers (Vienna) did not obtain proper approvals for commodity purchasing surveys. Surveys are request worksheets printed by a Center and are used for purchasing on a scheduled basis, semiannually, or annually.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls which should provide assurance that resources are utilized efficiently, effectively, in compliance with applicable laws and are safeguarded against waste, loss, unauthorized use, and misappropriation. This requires each Center to pay for those personal services costs directly related to the specific Center and a direct supervisor approve employee timesheets. It also includes eliminating system access for separated employees and ensuring compatible duties when assigning system access to employees. The information technology guidelines (including the National Institute of Standards and Technology and Government Accountability Office) endorse adequate access controls and security controls to ensure the security over data.

The Whistle Blower Protection Article (5 ILCS 430/15-40) requires the Department to conspicuously display notices of State employee protection under the State Officials and Employees Ethics Act (5 ILCS 430). Statewide Accounting Management Systems (SAMS) Procedure 15.20.20 requires purchase orders to include the signature of an authorized Department representative, which in the case of a commodity survey, would be a Center representative.

The decentralization of the Department increases the need for strong internal controls at the Centers. Failure to implement such controls could lead to theft and loss of assets and noncompliance with Department and statutory guidelines. (Finding Code No. 10-34)

RECOMMENDATION:

We recommend the Department improve its centralized oversight function related to these issues at the noted Correctional Centers to improve controls over the areas identified with exceptions.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to improve the centralized oversight function related to the exceptions noted at the Correctional facilities. In addition, IDOC has established a follow-up control mechanism to ensure adequate and appropriate implementation occurs.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

PRIOR FINDINGS NOT REPEATED – DEPARTMENT-WIDE

- A. Prior Finding (Failure to provide requested engagement documentation in a timely manner or at all and lack of cooperation during audit)

The prior audit noted the Department did not provide all the requested documentation to the auditors in a timely manner and generally demonstrated a lack of cooperation during the audit.

During the current engagement, auditors noted the Department improved the timeliness and responsiveness to audit requests. As a result, the finding is not repeated. (Finding Code No. 08-2, 06-9)

- B. Prior Finding (Nonpayment of revolving fund invoices)

The prior audit noted the Department failed to pay \$13,120,311 to the Department of Central Management Services (DCMS) as of June 30, 2008.

During the current engagement, auditors noted the Department reported liabilities for revolving fund invoices consistently with those reported by DCMS. In addition, auditors tested the status of any unpaid invoices to DCMS, noting the Department was current with invoices owed to DCMS. As a result, the finding is not repeated. (Finding Code No. 08-4, 06-17)

- C. Prior Finding (Department indebted the State without authorization)

The prior audit noted the Department indebted the State for approximately \$10.6 million by procuring services and products for amounts that exceeded the funds appropriated without authorization.

Although numerous vendors were not paid as of June 30, 2010 and were referred to the Court of Claims for payment, auditors did not note the instances when the Department manipulated the appropriation/budgeting process to increase the State's indebtedness without authorization. As a result, the finding is not repeated. (Finding Code No. 08-5)

D. Prior Finding (Inadequate controls over grant reporting)

The prior audit noted the Department failed to implement adequate controls over grant reporting.

During the current engagement, auditors noted the Department correctly reported amounts received under the grants. As a result, the finding is not repeated. (Finding Code No. 08-10)

E. Prior Finding (Failure to expend personal service appropriations in compliance with Legislative intent)

The prior audit noted the Department failed to satisfy the legislative intent of its appropriation authority during fiscal year 2007 by utilizing part of the funds authorized for hiring of front line staff for the purposes of paying personal services expenditures for its existing staff. In addition, the Department did not expend any funds during fiscal year 2008 that the legislature appropriated to hire new front line staff.

During the audit period, the testing performed on a sample of transactions indicated the Department expended its personal service appropriations within the limitations and guidelines of appropriation language as passed by the legislature. As a result, the finding is not repeated. (Finding Code No. 08-11)

F. Prior Finding (Inappropriate payment of another agency's personnel costs)

The prior audit noted the Department paid the personnel costs of an employee working for the Governor's Office of Management and Budget (GOMB).

During the audit period, the testing performed on a sample of transactions indicated the Department paid the personnel costs of only its employees. As a result, the finding is not repeated. (Finding Code No. 08-12)

G. Prior Finding (New computers not utilized in inmate training programs at all Correctional Centers)

The prior audit noted instances where newly purchased computers were not being used at four of the Department's Correctional Centers.

During the audit period, the Department utilized newly acquired equipment for its intended purpose. As a result, the finding is not repeated. (Finding Code No. 08-17)

H. Prior Finding (Timesheets not submitted in compliance with the State Officials and Employees Ethics Act)

The prior audit noted the Department was not requiring all of its employees to submit timesheets as required by the State Officials and Employees Ethics Act (Act).

During the current audit period, the deficiencies continued. However, due to its similarity to the weaknesses related to the Department's payroll timekeeping system not being automated, the exceptions noted in the current audit period related to timesheets not submitted in compliance with the Act were consolidated with Finding 10-16. (Finding Code No. 08-22, 06-15)

I. Prior Finding (Standardized procedures for separated employees not being followed)

The prior audit noted the Department failed to follow the established standardized procedures when employees leave employment with the Department.

During the current audit period, auditors noted the Department made improvements in following its standardized procedures related to separated employees. Although there were still minor exceptions identified, this finding is not repeated. (Finding Code No. 08-24, 06-20, 04-05)

J. Prior Finding (Inadequate controls over processing lump sum payments for separated employees)

The prior audit noted the Department failed to implement adequate controls over processing lump sum payments for separated employees.

During the current audit period, auditors noted the Department made improvements in implementing controls in processing these payments. Although there were still minor exceptions, this finding is not repeated. (Finding Code No. 08-25)

K. Prior Finding (Failure to maintain adequate payroll documentation)

The prior audit noted the Department failed to adequately maintain documentation for payroll deductions authorized by its employees.

During the current audit period, auditors noted the Department made improvements in maintaining adequate payroll documentation. Although there were still minor exceptions, this finding is not repeated. (Finding Code No. 08-26)

L. Prior Finding (Failure to maintain required personnel documentation)

The prior audit noted the Department failed to maintain all required documentation in the employee's personnel file.

During the current audit period, auditors noted the Department made improvements related to maintaining required personnel documentation. Although there were still minor exceptions, this finding is not repeated. (Finding Code No. 08-27)

M. Prior Finding (Inadequate monitoring of memorandums of understanding)

The prior audit noted the Department failed to develop and implement adequate monitoring procedures for memorandums of understanding effective during the audit period.

During the audit period, the auditors did not note weaknesses concerning the Department's monitoring of memorandums of understanding. As a result, the finding is not repeated. (Finding Code No. 08-28)

N. Prior Finding (Weaknesses in administration of lump sum appropriation accounts)

The prior audit noted several weaknesses in the Department's administration of its lump sum appropriation accounts.

During the audit period, the auditors did not note exceptions concerning the Department's administration of its lump sum appropriation accounts. As a result, the finding is not repeated. (Finding Code No. 08-29)

O. Prior Finding (Lack of documentation for interagency agreements)

The prior audit noted the Department did not have adequate support for Interagency Agreements with the Office of the Governor detailing the methodology for determining the allocation of expenditures to be paid by the Department for actuarial and legal services.

During the audit period, the auditors did not note exceptions concerning the Department's Interagency Agreements. As a result, the finding is not repeated. (Finding Code No. 08-30)

P. Prior Finding (Failure to document reconciliations were performed in a timely manner)

The prior audit noted the Department could not demonstrate the timely reconciliation of Department expenditure records to those of the Illinois Office of the Comptroller, as required by the Comptroller's Statewide Accounting Management System (SAMS).

During the audit period, the auditors did not note exceptions concerning the timely performance of the Department's reconciliations. As a result, the finding is not repeated. (Finding Code No. 08-34)

Q. Prior Finding (Inadequate control of voucher processing at Correctional Centers)

The prior audit noted the Department did not have adequate controls over voucher processing for its Correctional Centers.

During the current audit period, auditors noted the Department made improvements relating to processing of Correctional Center vouchers. Although there were still minor exceptions noted, this finding is not repeated. (Finding Code No. 08-35)

R. Prior Finding (Lack of required admission documents)

The prior audit noted the Department did not receive all required admission documents or specify why they were not received upon a person's incarceration as specified by the Unified Code of Corrections.

The auditors did not note exceptions concerning a failure to receive required admission documents during the current audit period. As a result, the finding is not repeated. (Finding Code No. 08-37, 06-08)

S. Prior Finding (Written notice of correspondence restrictions not provided)

The prior audit noted the Department did not provide sufficient documentation to indicate they provided inmates with written notice of outgoing mail restrictions or prohibitions.

The auditors did not note exceptions concerning not providing written notice of correspondence restrictions. As a result, the finding is not repeated. (Finding Code No. 08-38, 06-10)

- T. Prior Finding (Failure to properly document and/or send required notification to Public Housing Agencies)

The prior audit noted the Department could not provide documentation the required notification was sent to the appropriate Public Housing Agencies addressing where individuals reside or resided.

The auditors did not note exceptions concerning the Department not properly documenting and/or sending the required notification to Public Housing Agencies during the current audit period. As a result, the finding is not repeated. (Finding Code No. 08-39, 06-13, 04-18)

- U. Prior Finding (Failure to timely prepare and submit required reports to mandated entities)

The prior audit noted the Department failed to timely prepare and submit required reports including the report to trial and appellate court judges for their use in imposing or reviewing sentences; the Service Efforts and Accomplishments Report; the annual Real Property Utilization Report; and the Travel Headquarters Report.

During the current audit period, auditors noted only the report to trial and appellate court judges for their use in imposing or reviewing sentences was not prepared. Due to its similarity with the other weaknesses, it was grouped and repeated as Finding 10-25. (Finding Code No. 08-42, 06-12, 04-16)

- V. Prior Finding (Subcommittee on Women Offenders to the Adult Advisory Board not created)

The prior audit noted the Department did not establish a subcommittee on Women Offenders to the Adult Advisory Board.

Auditors did not note exceptions concerning this subcommittee during the current audit period. As a result, the finding is not repeated. (Finding Code No. 08-46, 06-07)

- W. Prior Finding (Failure to actively serve on Illinois Public Safety Agency Network Board)

The prior audit noted the Department failed to provide the Illinois Public Safety Agency Network (IPSAN) with an active representative during the audit period.

During the audit period IPSAN was inactive and the Department could not obtain information concerning its meetings, therefore this finding is not repeated. (Finding Code No. 08-47)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

PRIOR FINDINGS NOT REPEATED – CORRECTIONAL CENTERS

The following table depicts the results of the auditors' follow-up on the findings from the limited scope compliance examinations performed at the individual Correctional Centers for the two years ended June 30, 2008. If the table below indicates the finding was repeated, the issues within the prior year finding were included in one of the findings resulting from the Department-wide (less Illinois Correctional Industries) compliance examination for the two years ended June 30, 2010 and the Department-wide financial statement audit for the year ended June 30, 2010. If the finding was not repeated, the auditors determined sufficient corrective action was implemented during the current engagement period at the specific Correctional Center and/or collectively the individual weakness did not exist on a Department-wide level to warrant a current year finding. Individual reports on each correctional center are not being issued for the two years ended June 30, 2010.

Prior Finding No.	Finding	Repeated
Big Muddy River		
08-1	Inadequate controls over inventory	No
08-2	Inaccurate property reporting	Yes
08-3	Locally held fund weaknesses	No
08-4	Computer access	No
Centralia		
08-1	Failure to properly transfer unclaimed inmate cash account balances	Yes
Danville - No prior year findings.		
Decatur		
08-1	Failure to properly transfer unclaimed inmate cash account balances	Yes
Dixon		
08-1	Lack of segregation of duties	Yes
08-2	Inadequate contract monitoring	No
08-3	Commissary inventory not recorded	No
08-4	Lack of supporting documentation for Center inventory	No
Dwight - No prior year findings.		
East Moline - No prior year findings.		
Graham		
08-1	Inventory weaknesses	Yes
08-2	Noncompliance with contract requirements	No
08-3	Failure to properly transfer unclaimed inmate cash account balances	Yes
08-4	Voucher processing weaknesses	No
Hill		
08-1	Center did not maintain a record or logbook of outside personnel who accessed the Master Record File of inmates	No
08-2	Center did not properly calculate inmate and employee commissary funds distribution of excess cash	Yes

Prior Finding No.	Finding	Repeated
Illinois River		
08-1	Failure to properly transfer unclaimed inmate cash account balances	Yes
Jacksonville		
08-1	Inadequate controls over inventory	No
08-2	Inadequate controls over contractual services expenditures	Yes
08-3	Inadequate controls over employee timekeeping	Yes
08-4	Inadequate controls over state property	Yes
Lawrence - No prior year findings.		
Lincoln		
08-1	Lack of proper segregation of duties over locally held funds	No
08-2	Inadequate controls over voucher processing	No
08-3	Failure to properly transfer unclaimed inmate cash account balances	Yes
Logan		
08-1	Failure to properly transfer unclaimed inmate cash account balances	Yes
Menard		
08-1	Voucher processing weaknesses	No
Pinckneyville		
08-1	Failure to properly transfer unclaimed inmate cash account balances	Yes
08-2	Employee commissary goods marked up more than allowed by statute	Yes
08-3	Inadequate controls over inmate trust fund receipts	No
08-4	Inadequate segregation of duties	Yes
08-5	Lack of controls over personal usage of state vehicle certifications	Yes
Pontiac - No prior year findings.		
Shawnee		
08-1	Inadequate controls over inventory	Yes
Sheridan		
08-1	Inadequate control over personnel	Yes
08-2	Inadequate control over voucher processing and expenditure records	No
08-3	Inadequate control over employee benefit fund	No
Southwestern Illinois - No prior year findings.		
Stateville		
08-1	Inadequate controls over commodities	Yes
08-2	Inadequate control over equipment and related records	Yes
08-3	Inadequate segregation of duties	Yes
08-4	Inadequate staffing	Yes
08-5	Inadequate employee training	No
08-6	Inadequate control over locally held funds	Yes
08-7	Expenditure processing weaknesses	No

Prior Finding No.	Finding	Repeated
Tamms		
08-1	Inadequate controls over employee commissary fund general ledger	Yes
08-2	Failure to transfer employee commissary fund profits	No
08-3	Failure to properly transfer unclaimed inmate cash account balances	Yes
08-4	Inadequate segregation of duties	No
Taylorville - No prior year findings.		
Thomson		
08-1	Inadequate segregation of duties over locally held funds	No
08-2	Inadequate equipment records	Yes
Vandalia - No prior year findings.		
Vienna		
08-1	Inadequate segregation of duties over locally held funds	Yes
08-2	Lack of reconciliations on general ledger accounts	No
08-3	Inadequate computer access rights	Yes
08-4	Inadequate controls over locally held fund cash disbursements	No
08-5	Lack of review of supporting documentation when signing checks	Yes
08-6	Inaccurate reporting on the report of receipts and disbursements locally held funds	No
08-7	Inaccurate reporting of assets, liabilities, revenues and expenses	No
08-8	Failure to properly transfer dormant accounts	Yes
08-9	Lack of inventory count sheet	No
08-10	Vouchers not timely submitted	No
08-11	Lack of employee benefit fund purchase approval	Yes
08-12	Lack of physical inventory test counts	No
08-13	Incorrect retail prices	No
08-14	Inaccurate property control records	No
08-15	Lack of cash receipt transmittals	No
08-16	Untimely prepared store receiving reports for employees' and residents' commissaries	No
08-17	Inappropriate Control Over Vending Machine Cash	Yes
08-18	Lack of signatures on "Offender Authorization for Payment" forms	No
08-19	Inadequate documentation of cash receipts	No
Western Illinois		
08-1	Failure to properly transfer unclaimed inmate cash account balances	Yes

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

STATUS OF MANAGEMENT AUDIT
For the Years Ended June 30, 2010 and 2009

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

In August 2007, the Office of the Auditor General (OAG) released its report of the Program Audit of Funding Provided by or Through the State of Illinois to the Chicago Project for Violence Prevention for the CeaseFire Program. The audit included three recommendations (recommendations #2, #7, #9) for improvement which were specific to the Department of Corrections (Department). We followed upon the recommendations during the two years ended June 30, 2010.

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

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

This recommendation has been partially implemented. According to the terms of the 2009 grant agreement, the first payment is not contingent upon anything other than execution of the agreement. The first payment for fiscal year 2009 was made in February 2009 after the execution of the agreement.

The Department withheld the second payment until UIC submitted adequate documentation of its expenditures. This payment was made on August 11, 2009.

The fiscal year 2009 agreement was silent on an administrative fee, but the budget allowed for specific personnel and non-personnel costs such as supplies, telephones, travel, etc.

According to the terms of the 2010 grant agreement, the first payment is not contingent upon anything other than execution of the agreement and is made "as soon as practical". The first payment for fiscal year 2010 was made in December 2009 after the execution of the agreement.

The Department withheld any further payments to UIC due to the fact they once again failed to submit deliverables as outlined in the agreement.

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

This recommendation has been partially implemented. The fiscal year 2009 and 2010 agreements identified the following statistics to be provided by UIC to the Department:

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

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

Although both the 2009 and 2010 agreements have appropriate deliverable wording in them, these statistical items were never submitted by UIC.

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

This recommendation has been partially implemented. We obtained copies of fiscal year 2009 and 2010 agreements between the Department and UIC, which do contain wording which more accurately clarified funding details and discretionary use of funding by the Chicago Project.

There is also a request for the Chicago Project to provide documentation to show how all its funding from both State and non-State funds is to be utilized; however, the Department did not obtain this documentation for either fiscal year. As noted in Recommendation 2, the Department did not make payments for the full amount noted in the agreement due to UIC failing to submit how it intended to use both State and non-State funding.

Based upon the procedures performed during our Compliance Examination of the Department, it appears the Department has partially implemented its portion of the recommendations; however, they are not obtaining required deliverables as recommended by the OAG during their Performance Audit of the CeaseFire Program. The Department's compliance with these recommendations will be reviewed again during the next examination.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
FINANCIAL STATEMENT REPORT

SUMMARY

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

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



3201 West White Oaks Drive, Suite 102 • Springfield, IL 62704

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Corrections (the Department), as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Working Capital Revolving Fund (Correctional Industries), which represents 100 percent of the assets and revenues of the Proprietary Fund and 1.6 percent and 7.8 percent, respectively, of the net assets and changes in net assets of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Correctional Industries, are based on the report of the other auditors.

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

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2010, and the changes in its

financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Department, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2011 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Department has not presented a management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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.

Sikil, LLP

Springfield, Illinois
June 23, 2011

State of Illinois
Department of Corrections

Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

	<u>Governmental Activities</u>
ASSETS	
Unexpended appropriations	\$ 82,865
Cash equity with State Treasurer	2,110
Cash and cash equivalents	9,877
Other receivables, net	1,184
Due from other State funds	2,516
Due from Local government	18
Due from Federal government	472
Due from State of Illinois component units	13
Inventories	19,668
Prepaid expenses	1
Capital assets not being depreciated	67,078
Capital assets being depreciated, net	910,943
Total assets	<u>1,096,745</u>
LIABILITIES	
Accounts payable and accrued liabilities	102,725
Due to other State funds	10,563
Due to Department fiduciary funds	4,803
Due to Local government	4
Due to federal government	2,981
Due to State of Illinois component units	1
Long term obligations:	
Due within one year	4,106
Due subsequent to one year	77,029
Total liabilities	<u>202,012</u>
NET ASSETS	
Invested in capital assets, net of related debt	977,976
Unrestricted	(83,243)
Total net assets	<u>\$ 894,733</u>

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, 2010 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Public protection and justice	\$ 1,296,715	\$ 56,248	\$ 14,036	\$ (1,226,431)
Interest	5	-	-	(5)
Total governmental activities	\$ 1,296,720	\$ 56,248	\$ 14,036	(1,226,436)
General revenues and transfers				
Appropriations from State Resources				1,261,773
Lapsed appropriations				(75,498)
Receipts collected and transmitted to State Treasury				(30,009)
Interest and investment income				63
Other revenues				14,014
Other expenses				(7)
Transfers-in				7,523
Transfers-out				(17,159)
Total general revenues and transfers				1,160,700
Change in net assets				(65,736)
Net assets, July 1, 2009				960,469
Net assets, June 30, 2010				\$ 894,733

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, 2010 (Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	\$ 78,767	\$ 4,098	\$ 82,865
Cash and cash equivalents	-	9,877	9,877
Other receivables, net	-	39	39
Due from other Department funds	-	8,766	8,766
Due from other State funds	-	488	488
Due from Federal government	-	472	472
Due from State of Illinois component units	-	12	12
Inventories	9,955	1,993	11,948
Total assets	\$ 88,722	\$ 25,745	\$ 114,467
LIABILITIES			
Accounts payable and accrued liabilities	\$ 94,907	\$ 5,773	\$ 100,680
Due to other Department funds	6,146	8,160	14,306
Due to other State funds	7,923	398	8,321
Due to Department fiduciary funds	4,255	129	4,384
Due to Federal government	2,911	35	2,946
Unavailable revenue	-	472	472
Total liabilities	116,142	14,967	131,109
FUND BALANCES (DEFICITS)			
Reserved for:			
Encumbrances	2,753	196	2,949
Inventories	9,955	1,993	11,948
Unreserved, undesignated			
General fund	(40,128)	-	(40,128)
Special revenue funds	-	8,589	8,589
Total fund balances (deficits)	(27,420)	10,778	(16,642)
Total liabilities and fund balances (deficits)	\$ 88,722	\$ 25,745	\$ 114,467

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

State of Illinois
Department of Corrections
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2010
(Expressed in Thousands)

Total fund balances-governmental funds		\$	(16,642)
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			975,938
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.			472
Internal service funds are used to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported as governmental activities in the Statement of Net Assets.			14,697
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These activities consist of:			
Capital lease obligations	\$	(45)	
Compensated absences		<u>(79,687)</u>	
			<u>(79,732)</u>
Net assets of governmental activities		\$	<u>894,733</u>

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, 2010 (Expressed in Thousands)

	<u>General Fund</u>	<u>Nonmajor funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal government	\$ -	\$ 14,040	\$ 14,040
Interest and other investment income	-	63	63
Other	17	13,440	13,457
Other charges for services	55	40,782	40,837
Total revenues	<u>72</u>	<u>68,325</u>	<u>68,397</u>
EXPENDITURES			
Public protection and justice	1,192,761	67,705	1,260,468
Debt service - principal	70	-	70
Debt service - interest	5	-	5
Capital outlays	534	-	534
Total expenditures	<u>1,193,370</u>	<u>67,705</u>	<u>1,261,075</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,193,298)</u>	<u>620</u>	<u>(1,192,678)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	1,176,773	85,000	1,261,773
Lapsed appropriations	(21,925)	(53,573)	(75,498)
Receipts collected and transmitted to State Treasury	(72)	(29,937)	(30,009)
Transfers-in	-	7,519	7,519
Transfers-out	-	(10,709)	(10,709)
Proceeds from capital lease financing	38	-	38
Net other sources (uses) of financial resources	<u>1,154,814</u>	<u>(1,700)</u>	<u>1,153,114</u>
Net change in fund balances	<u>(38,484)</u>	<u>(1,080)</u>	<u>(39,564)</u>
Fund balances, July 1, 2009	9,561	11,779	21,340
Increase for changes in inventories	1,503	79	1,582
FUND BALANCES (DEFICITS), JUNE 30, 2010	<u>\$ (27,420)</u>	<u>\$ 10,778</u>	<u>\$ (16,642)</u>

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

State of Illinois
Department of Corrections
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2010
(Expressed in Thousands)

Net change in fund balances	\$ (39,564)
Change in inventories	1,582
	(37,982)

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. (21,539)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 70

Some capital additions were financed through other financing arrangements. In governmental funds these other financing arrangements are considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability. (38)

Some capital assets were transferred in from other State agencies and therefore, were received at no cost. -

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. (5,150)

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. (242)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (4)

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 compensated absences obligation (851)

Change in net assets of governmental activities \$ (65,736)

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

State of Illinois
Department of Corrections

Statement of Net Assets -
Proprietary Fund
June 30, 2010 (Expressed in Thousands)

	Governmental Activities - Internal Service Fund
	Working Capital Revolving Fund
	<hr/>
ASSETS	
Cash equity with State Treasurer	\$ 2,110
Other Receivables, net	1,145
Due from other Department funds	5,540
Due from other State funds	2,028
Due from Local governments	18
Due from State of Illinois component units	1
Inventories	7,720
Prepaid expenses	1
Total current assets	<hr/> 18,563
Capital assets being depreciated, net	2,083
Total assets	<hr/> 20,646
LIABILITIES	
Accounts payable and accrued liabilities	2,045
Due to other State funds	2,242
Due to Department fiduciary funds	219
Due to Local government	4
Due to Federal government	35
Due to State of Illinois component units	1
Current portion of long-term obligations	95
Total current liabilities	<hr/> 4,641
Noncurrent portion of long-term obligations	1,308
Total liabilities	<hr/> 5,949
NET ASSETS	
Invested in capital assets, net of related debt	2,083
Unrestricted	12,614
Total net assets	<hr/> \$ 14,697

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 Net Assets - Proprietary Fund**

For the Year Ended June 30, 2010 (Expressed in Thousands)

	Governmental Activities - Internal Service Fund
	Working Capital Revolving Fund
OPERATING REVENUES	
Charges for sales and services	\$ 44,453
Total operating revenues	44,453
OPERATING EXPENSES	
Cost of sales and services	23,933
General and administrative	19,042
Depreciation	732
Total operating expenses	43,707
Operating income	746
NONOPERATING REVENUES (EXPENSES)	
Other revenues	557
Other expenses	(7)
Transfers in	4
Transfers out	(6,450)
Net income/(loss)	(5,150)
Net assets, July 1, 2009	19,847
NET ASSETS, JUNE 30, 2010	\$ 14,697

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

State of Illinois

Department of Corrections

Statement of Cash Flows -

Proprietary Fund

For the Year Ended June 30, 2010 (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	\$ 10,915
Cash received from sales and services to other State funds	35,042
Cash payments to suppliers for goods and services	(31,248)
Cash payments to employees for services	(8,913)
Cash receipts from other operating activities	335
Net cash provided by operating activities	<u>6,131</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers-out to other funds	(4,837)
Net cash used by noncapital activities	<u>(4,837)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(64)
Principal paid on capital debt	(11)
Proceeds from the sale of equipment	9
Net cash used by capital and related financing activities	<u>(66)</u>
Net increase in cash and cash equivalents	1,228
Cash equity with State Treasurer, July 1, 2009	<u>882</u>
CASH EQUITY WITH STATE TREASURER, JUNE 30, 2010	<u>\$ 2,110</u>
Reconciliation of operating income to net cash provided by operating activities:	
OPERATING INCOME	<u>\$ 746</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	732
Cash receipts from other nonoperating income	335
Changes in assets and liabilities:	
Increase in other receivable	(165)
Increase in due from local governments	(18)
Decrease in due from other funds	1,627
Decrease in due from State of Illinois component units	3
Decrease in inventory	2,577
Decrease in accounts payable and accrued liabilities	(168)
Increase in due to federal government	9
Increase in due to other funds	168
Increase in due to State of Illinois component units	1
Increase in other liabilities	284
Change in assets/liabilities for nonoperating activities	-
Total adjustments	<u>5,385</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,131</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Fair Market Value of loss on disposal of capital assets	\$ (7)
Cash receipts for disposal for capital assets	4
Fair Market Value of Transfer of assets from (to) other funds	4

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, 2010 (Expressed in Thousands)

	<u>Agency Fund</u> <u>DOC Residents'</u> <u>Trust</u>
ASSETS	
Cash and cash equivalents	\$ 947
Due from other Department funds	4,603
Other receivables	2
Total assets	<u><u>\$ 5,552</u></u>
LIABILITIES	
Other liabilities	\$ 5,552
Total liabilities	<u><u>\$ 5,552</u></u>

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2010

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

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

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

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2010

2) Fiscal dependency on the primary government.

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

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Corrections, are intended to present the financial position and the changes in financial position 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, 2010 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Fund Financial Statements. The fund financial statements provide information about the Department's funds, including the Department's fiduciary fund. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis on 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.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2010

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, among others, public protection and justice. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

Additionally, the Department administers the following fund types:

Governmental Fund Types:

Special Revenue – These funds account for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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

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general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

(d) Shared Fund Presentation

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

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

Unexpended Appropriations

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

Appropriations from State Resources

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

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records. For State fiscal year 2010, the Illinois General Assembly extended the lapse period from August 31 to December 31, 2010, to allow for the liquidation of all expenditure transactions for the year.

Receipts Collected and Transmitted to State Treasury

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

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(e) Eliminations

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

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

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

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(f) Capital and Intangible Assets

Capital and intangible assets, which include property, plant, equipment, and 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
Computer Software	25,000	10

(g) 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.

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(k) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative State plans that are subject to change.

(l) Net Assets

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

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

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

(m) Use of Estimates

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

(n) New Accounting Pronouncements

Effective for the year ending June 30, 2010 the State adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which established guidance for recognition and amortization of intangible assets in the financial statements of governments. There was no significant impact on the Department’s financial statements as a result of adopting this statement.

(o) Future Adoption of GASB Statements

Effective for the year ending June 30, 2011 the Department will adopt GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications and clarifies the definitions of fund types. The Department has not yet determined the impact on the Department’s financial statements as a result of adopting this statement.

(3) Deposits

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

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

(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2010 represent amounts due from other Department and State of Illinois funds.

<u>Fund</u>	<u>Due from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
Nonmajor governmental funds	\$ 8,766	\$ 488	Due from other Department funds for inmate payments, commissary salaries, and reimbursements and other State funds for unreimbursed grant expenditures.
Internal service fund	5,540	2,028	Due from other Department and other State funds for purchases of goods and services.
Fiduciary Fund	4,603	-	Due from other Department funds for reimbursement of expenditures and accrued inmate payroll.
	<u>\$ 18,909</u>	<u>\$ 2,516</u>	

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The following balances (amounts expressed in thousands) at June 30, 2010 represent amounts due to other Department and State of Illinois funds.

Fund	Due to			Description/Purpose
	Other Department Funds	Other State Funds	Department Fiduciary Funds	
General	\$ 6,146	\$ 7,923	\$ 4,255	Due to other Department funds for purchases and for reimbursements, to other State funds for services provided, and to Department fiduciary funds for reimbursements of expenditures and accrued inmate payroll.
Nonmajor governmental funds	8,160	398	129	Due to Department nonmajor governmental funds for excess fund balances, other State funds for unspent grant proceeds, and other Department fiduciary funds for reimbursements of expenditures.
Internal service fund	-	2,242	219	Due to State internal service funds for operating expense reimbursements and due to Department fiduciary funds for reimbursements of expenditures and accrued payroll.
	<u>\$ 14,306</u>	<u>\$ 10,563</u>	<u>\$ 4,603</u>	

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(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2010, were as follows:

<u>Fund</u>	<u>Transfers in from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
Nonmajor governmental funds	\$ 7,519	\$ -	Transfers from other Department funds pursuant to statute of excess fund balances.
Internal service fund	-	4	Transfers from other State funds due to capital asset being transferred in.
	<u>\$ 7,519</u>	<u>\$ 4</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2010, were as follows:

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
Nonmajor governmental funds	\$ 7,519	\$ 3,190	Transfers to other Department funds pursuant to statute of excess fund balances and to other State funds pursuant to statute.
Internal service fund	-	6,450	Transfers to other State funds relating to budget stabilization.
	<u>\$ 7,519</u>	<u>\$ 9,640</u>	

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Notes to Financial Statements

June 30, 2010

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

The following balances (amounts expressed in thousands) at June 30, 2010 represent amounts due from State of Illinois Component Units for reimbursements for expenses incurred.

Due From	Internal Service Fund	Department of Corrections Reimbursement Fund
Illinois Finance Authority	\$ 1	\$ -
University of Illinois	-	12
	\$ 1	\$ 12

The following balances (amounts expressed in thousands) at June 30, 2010 represent amounts due to State of Illinois Component Units for reimbursements for expenses incurred.

Due to	Internal Service Fund
Toll Highway Authority	\$ 1
	\$ 1

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DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2010

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2010 was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2010</u>
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	<u>\$ 67,320</u>	<u>\$ -</u>	<u>\$ 242</u>	<u>\$ -</u>	<u>\$ 67,078</u>
Total capital assets not being depreciated	<u>67,320</u>	<u>-</u>	<u>242</u>	<u>-</u>	<u>67,078</u>
Capital assets being depreciated:					
Site improvements	85,239	91	-	-	85,330
Building and building improvements	1,474,039	-	-	9,216	1,483,255
Equipment	84,210	708	1,594	(710)	82,614
Computer Software	<u>161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161</u>
Total capital assets being depreciated	<u>1,643,649</u>	<u>799</u>	<u>1,594</u>	<u>8,506</u>	<u>1,651,360</u>
Less accumulated depreciation:					
Site improvements	54,419	(470)	-	-	53,949
Building and building improvements	576,427	32,870	-	-	609,297
Equipment	78,684	618	1,578	(714)	77,010
Computer Software	<u>161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161</u>
Total accumulated depreciation	<u>709,691</u>	<u>33,018</u>	<u>1,578</u>	<u>(714)</u>	<u>740,417</u>
Total capital assets being depreciated, net	<u>933,958</u>	<u>(32,219)</u>	<u>16</u>	<u>9,220</u>	<u>910,943</u>
Governmental activity capital assets, net	<u>\$ 1,001,278</u>	<u>\$ (32,219)</u>	<u>\$ 258</u>	<u>\$ 9,220</u>	<u>\$ 978,021</u>

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Notes to Financial Statements

June 30, 2010

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2010 was charged as follows:

Public protection and justice \$ 32,286

(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, 2010 were as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 80,751	\$ 65,346	\$ 65,007	\$81,090	\$ 4,077
Capital lease obligations	88	38	81	45	29
Total	<u>\$ 80,839</u>	<u>\$ 65,384</u>	<u>\$ 65,088</u>	<u>\$81,135</u>	<u>\$ 4,106</u>

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

(b) Capital lease obligations

The Department leases equipment with a historical cost and accumulated depreciation of \$246 and \$82 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. Future minimum lease payments (amounts expressed in thousands) at June 30, 2010 are as follows:

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Year Ending June 30	Principal	Interest	Total
2011	\$ 29	\$ 2	\$ 31
2012	13	-	13
2013	3	-	3
	\$ 45	\$ 2	\$ 47

(7) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2010 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2010. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

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

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2010, the employer contribution rate was 28.377%.

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

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

The State of Illinois has suspended its 0.58% contributions to TRS on behalf of the district's TRS-covered employees.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and state funding requirements can be found in the TRS Comprehensive Annual Financial Report for

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June 30, 2010

the year ended June 30, 2010. The report may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253.

(8) Post-employment Benefits

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

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

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

(9) Fund Deficits

The General Fund had a fund deficit (amount expressed in thousands) of \$27,420 at June 30, 2010. This deficit resulted from liabilities recognized at June 30, 2010 which will be paid from future year appropriations. The deficit is expected to be eliminated through reduction of current expenditures in future year appropriations.

(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.

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June 30, 2010

(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 \$59 for the year ended June 30, 2010.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 431
2012	324
2013	34
	<u>\$ 789</u>

(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, 2010, 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.

SUPPLEMENTARY INFORMATION

State of Illinois

Department of Corrections

**Combining Balance Sheet -
Non-major Governmental Funds**

June 30, 2010 (Expressed in Thousands)

	Special Revenue			Total
	Department of Corrections Reimbursement	DOC Commissary	DOC Residents' and Employees' Benefit	
ASSETS				
Unexpended appropriations	\$ 4,098	\$ -	\$ -	\$ 4,098
Cash and cash equivalents	-	6,393	3,484	9,877
Other receivables, net	-	35	4	39
Due from other Department funds	1,632	23	7,111	8,766
Due from other State funds	488	-	-	488
Due from Federal government	472	-	-	472
Due from State of Illinois component units	12	-	-	12
Inventories	-	1,993	-	1,993
Total assets	\$ 6,702	\$ 8,444	\$ 10,599	\$ 25,745
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,665	\$ 1,516	\$ 592	\$ 5,773
Due to other Department funds	3	6,928	1,229	8,160
Due to other State funds	398	-	-	398
Due to Department fiduciary funds	-	-	129	129
Due to Federal government	35	-	-	35
Unavailable revenue	472	-	-	472
Total liabilities	4,573	8,444	1,950	14,967
FUND BALANCES (DEFICITS)				
Reserved for:				
Encumbrances	196	-	-	196
Inventories	-	1,993	-	1,993
Unreserved, undesignated	1,933	(1,993)	8,649	8,589
Total fund balances	2,129	-	8,649	10,778
Total liabilities and fund balances	\$ 6,702	\$ 8,444	\$ 10,599	\$ 25,745

State of Illinois
Department of Corrections

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

For the Year Ended June 30, 2010 (Expressed in Thousands)

	Special Revenue			Total
	Department of Corrections Reimbursement	DOC Commissary	DOC Residents' and Employees' Benefit	
REVENUES				
Federal government	\$ 14,040	\$ -	\$ -	\$ 14,040
Interest and other investment income	-	15	48	63
Other	4,048	-	9,392	13,440
Other charges for services	(1,298)	42,080	-	40,782
Total revenues	<u>16,780</u>	<u>42,095</u>	<u>9,440</u>	<u>68,325</u>
EXPENDITURES				
Public protection and justice	20,660	34,655	12,390	67,705
Total expenditures	<u>20,660</u>	<u>34,655</u>	<u>12,390</u>	<u>67,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,870)</u>	<u>7,440</u>	<u>(2,950)</u>	<u>620</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	85,000	-	-	85,000
Lapsed appropriations	(53,573)	-	-	(53,573)
Receipts collected and transmitted to State Treasury	(29,937)	-	-	(29,937)
Transfers-in	3,957	-	3,562	7,519
Transfers-out	(3,190)	(7,519)	-	(10,709)
Net other sources (uses) of financial resources	<u>2,257</u>	<u>(7,519)</u>	<u>3,562</u>	<u>(1,700)</u>
Net change in fund balances	<u>(1,613)</u>	<u>(79)</u>	<u>612</u>	<u>(1,080)</u>
Fund balances, July 1, 2009	3,742	-	8,037	11,779
Increase for changes in inventories	-	79	-	79
FUND BALANCES, JUNE 30, 2010	<u>\$ 2,129</u>	<u>\$ -</u>	<u>\$ 8,649</u>	<u>\$ 10,778</u>

State of Illinois

Department of Corrections

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2010 (Expressed in Thousands)

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
DOC Resident's Trust				
ASSETS				
Cash and cash equivalents	\$ 995	\$ 14,595	\$ 14,643	\$ 947
Due from other Department funds	3,960	8,915	8,272	4,603
Other receivables	2	-	-	2
Total assets	<u>\$ 4,957</u>	<u>\$ 23,510</u>	<u>\$ 22,915</u>	<u>\$ 5,552</u>
LIABILITIES				
Other liabilities	\$ 4,957	\$ 15,238	\$ 14,643	\$ 5,552
Total liabilities	<u>\$ 4,957</u>	<u>\$ 15,238</u>	<u>\$ 14,643</u>	<u>\$ 5,552</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:
 - Schedule of Expenditures of Federal Awards
 - Year Ended June 30, 2010
 - Year Ended June 30, 2009
 - Notes to the Schedules of Expenditures of Federal Awards
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Fiscal Year 2010
 - Fiscal Year 2009
 - 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 (Unaudited and Not Examined)
 - Comparative Schedule of Cash Receipts
 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending
 - Analysis of Accounts Receivable
- Analysis of Operations:
 - Agency Functions and Planning Program
 - Average Number of Employees
 - State Housing Benefits
 - Analysis of Employee Overtime (Unaudited and Not Examined)
 - Annual Cost Statistics and Notes (Unaudited and Not Examined)
 - Participating Educational Institutions
 - Emergency Purchases
 - Memorandums of Understanding (Unaudited and Not Examined)
 - Inmate Assaults on Staff at Adult Correctional Centers (Unaudited and Not Examined)
 - Service Efforts and Accomplishments (Unaudited and Not Examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010
(Expressed in Thousands)

Federal Grantor/Pass-Through Grantor /Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Commerce</u>		
Passed Through the Illinois Emergency Management Agency: Public Safety Interoperable Communications Grant Program	11.555	\$ 48
<u>U.S. Department of Justice</u>		
Direct Programs:		
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	114
State Criminal Alien Assistance Program	16.606	6,619
Public Safety Partnership and Community Policing Grants	16.710	445
Passed Through the Illinois Criminal Justice Information Authority:		
Crime Victim Assistance	16.575	50
Violence Against Women Formula Grants	16.588	67
Residential Substance Abuse Treatment for State Prisoners	16.593	121
Project Safe Neighborhoods	16.609	58
Edward Byrne Memorial Justice Assistance Grant Program	16.738	648
Anti-Gang Initiative	16.744	8
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	4,162
Passed through the Illinois Department of Human Services:		
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	192
Total U.S. Department of Justice		<u>12,484</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331	519

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010
(Expressed in Thousands)

<u>Federal Grantor/Pass-Through Grantor /Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Passed Through the Illinois Community College Board:		
Adult Education - Basic Grants to States	84.002	\$ 257
Career and Technical Education - Basic Grants to States	84.048	240
Passed Through the Illinois State Board of Education:		
Title I State Agency Program for Neglected and Delinquent Children	84.013	<u>123</u>
Total U.S. Department of Education		<u>1,139</u>
<u>U.S. Department of Homeland Security</u>		
Passed Through the Illinois Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>6</u>
Total Expenditures of Federal Awards		<u>\$ 13,677</u>

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009
(Expressed in Thousands)

Federal Grantor/Pass-Through Grantor /Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Justice</u>		
Direct Programs:		
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	\$ 193
State Criminal Alien Assistance Program	16.606	7,070
Passed Through the Illinois Criminal Justice Information Authority:		
Crime Victim Assistance	16.575	42
Edward Bryne Memorial Formula Grant Program	16.579	220
Violence Against Women Formula Grants	16.588	80
Residential Substance Abuse Treatment for State Prisoners	16.593	180
Edward Bryne Memorial Justice Assistance Grant Program	16.738	592
Anti-Gang Initiative	16.744	34
Passed through the Illinois Department of Human Services:		
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	<u>194</u>
Total U.S. Department of Justice		<u>8,605</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
Grants to States for Incarcerated Youth Offenders	84.331	1,284
Passed Through the Illinois Community College Board:		
Adult Education - Basic Grants to States	84.002	310
Career and Technical Education - Basic Grants to States	84.048	296
Passed Through the Illinois State Board of Education:		
Title I State Agency Program for Neglected and Delinquent Children	84.013	(351)
Title IV Safe and Drug Free School Formula	84.186	(2)
Improving Teacher Quality State Grants	84.367	<u>(6)</u>
Total U.S. Department of Education		<u>1,531</u>

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009
(Expressed in Thousands)

<u>Federal Grantor/Pass-Through Grantor /Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Homeland Security</u>		
Passed Through the Illinois Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>\$ 108</u>
<u>U.S. Department of Commerce</u>		
Passed Through the Illinois Emergency Management Agency: Public Safety Interoperable Communications Grant Program	11.555	<u>48</u>
Total Expenditures of Federal Awards		<u><u>\$ 10,292</u></u>

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

For the Years Ended June 30, 2010 and 2009

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the federal award programs of the Department of Corrections (Department). The Schedule of Expenditures of Federal Awards includes the expenditures of all federal awards received by the Department.

The Schedules of Expenditures of Federal Awards was prepared for State compliance purposes only. A separate single audit of the Department was not conducted. A separate single audit of the entire State of Illinois (which includes the Department) was performed and released under separate cover.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards for the year ended June 30, 2010 has been prepared on the cash basis of accounting.

3. DESCRIPTION OF FEDERAL AWARD PROGRAMS

The following is a brief description of the significant grant programs included in the Schedule of Expenditures of Federal Awards:

U.S. Department of Justice

- A. State Criminal Alien Assistance Program – CFDA No. 16.606 – The State Criminal Alien Assistance program is a payment program designed to provide assistance to states that incur costs for incarcerating undocumented criminal aliens who are being held as a result of state charges or convictions.
- B. Edward Byrne Memorial Justice Assistance Grant Program – CFDA No. 16.738 – The Edward Byrne Memorial Justice Assistance Grant (JAG) Program supports all components of the criminal justice system from multijurisdictional drug and gang task forces to crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives. JAG funded projects may address crime through the provision of services directly to individuals and/or communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

- C. ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories – CFDA No. 16.803 – The Edward Byrne Memorial JAG Program supports all components of the criminal justice system from multijurisdictional drug and gang task forces to crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives. JAG-funded projects may address crime through the provision of services directly to individuals and/or communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.
- D. Public Safety Partnership and Community Policing Grants – CFDA No. 16.710
 - The Public Safety Partnership and Community Policing grant advances the practice of community policing as an effective strategy in communities' efforts to improve public safety. COPS grants support innovative programs that respond directly to the existing and emerging needs of state, local, and tribal law enforcement, to shift law enforcements focus to preventing, rather than solely responding to crime and disorder within their communities; develop state-of-the-art training and technical assistance to enhance law enforcement officers problem-solving and community interaction skills, promote collaboration between law enforcement and community members to develop innovative initiatives to prevent crime, and provide responsive, cost effective service delivery to our grantees to ensure success in advancing community policing strategies within their communities.

U.S. Department of Education

- A. Grants to States for Workplace and Community Transition Training for Incarcerated Individuals – CFDA No. 84.331 – The Incarcerated Youth Offenders Program assists and encourages incarcerated youths to acquire functional literacy, life, and job skills through the pursuit of postsecondary education certificates, associate in arts degrees, and bachelor of arts degrees.
- B. Adult Education – Basic Grants to States – CFDA No. 84.002 – The Adult Education Program funds local programs of adult education and literacy services, including workplace literacy services, family literacy services, and English literacy and civics education programs. Participation in these programs is limited to adults and out-of-school youths aged 16 and older who do not have a high school diploma or equivalent.
- C. Career and Technical Education – Basic Grants to States – CFDA No. 84.048
 - The Career and Technical Education Program is designed to develop more fully the academic, career, and technical skills of secondary and postsecondary students who elect to enroll in career and technical education programs.

4. AMOUNTS PAID TO SUBRECIPIENTS

The Department did not provide federal awards to subrecipients during the year ended June 30, 2010.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2010

Fourteen Months Ended August 31, 2010

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2010	Approximate Lapse Period Expenditures July 1, 2010 to August 31, 2010	Approximate Total Expenditures	Approximate Balances Lapsed
Public Acts 96-0042, 96-0046, 96-0890					
GENERAL REVENUE FUND - 0001					
General Office:					
Personal services for non-bargaining unit employees	\$ 24,364,600	\$ 17,638,528	\$ 605,782	\$ 18,244,310	\$ 6,120,290
Personal services for bargaining unit employees	725,307,200	686,729,167	38,428,324	725,157,491	149,709
State contributions to social security for non-bargaining unit employees	2,110,300	1,310,954	45,383	1,356,337	753,963
State contributions to social security for bargaining unit employees	54,115,200	50,733,916	2,862,824	53,596,740	518,460
Operation expenses, awards, grants, and permanent improvements	13,468,000	10,230,096	2,622,152	12,852,248	615,752
Operation expenses	351,904,400	305,137,386	32,815,930	337,953,316	13,951,084
	1,171,269,700	1,071,780,047	77,380,395	1,149,160,442	22,109,258
Field Services:					
Operation of the Franklin County Juvenile Detention Center	1,500,000	1,500,000	-	1,500,000	-
Governor's Discretionary Appropriations:					
Governor's Discretionary Appropriations	4,000,000	47,801	272,193	319,994	3,680,006
Governor's Discretionary Appropriations	3,000	-	-	-	3,000
	4,003,000	47,801	272,193	319,994	3,683,006
Total General Revenue Fund	1,176,772,700	1,073,327,848	77,652,588	1,150,980,436	25,792,264
DEPARTMENT OF CORRECTIONS REIMBURSEMENT FUND - 0523					
General Office:					
School district programs	15,000,000	2,203,441	665,275	2,868,716	12,131,284
Federal programs	27,000,000	1,585,055	83,365	1,668,420	25,331,580
Miscellaneous programs	23,000,000	19,650,807	2,666,321	22,317,128	682,872
Federal Stimulus - ARRA	65,000,000	23,439,303	3,414,961	26,854,264	38,145,736
Federal Recovery - ARRA	20,000,000	3,693,833	868,262	4,562,095	15,437,905
Total Department of Corrections Reimbursement Fund	85,000,000	27,133,136	4,283,223	31,416,359	53,583,641
TOTAL APPROPRIATED FUNDS	\$ 1,261,772,700	\$ 1,100,460,984	\$ 81,935,811	\$ 1,182,396,795	\$ 79,375,905

Notes: All data in this schedule has been obtained from Department records and reconciled to those of the State Comptroller. No balances were reappropriated as of July 1, 2010. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor. Approximate lapse period expenditures do not include interest payments approved for payment by the Department and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2009

Fourteen Months Ended August 31, 2009

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2009	Lapse Period		Balances Lapsed
			Expenditures July 1, 2009 to August 31, 2009	Total Expenditures	
<u>Public Acts 95-0734; 96-0004</u>					
GENERAL REVENUE FUND - 0001					
General Office:					
Personal services	\$ 13,412,900	\$ 12,643,008	\$ 629,382	\$ 13,272,390	\$ 140,510
State contributions to state employees' retirement system	2,375,500	2,375,500	-	2,375,500	-
Continuing appropriation for State contributions to employees' retirement system	429,200	287,352	132,510	419,862	9,338
State contributions to social security	1,003,600	945,634	47,419	993,053	10,547
Contractual services	7,674,300	6,561,139	969,100	7,530,239	144,061
Travel	220,000	195,973	23,912	219,885	115
Commodities	215,100	155,288	24,166	179,454	35,646
Printing	2,400	1,275	930	2,205	195
Equipment	20,300	3,282	3,480	6,762	13,538
Electronic data processing	6,516,300	5,876,563	377,784	6,254,347	261,953
Telecommunications services	2,420,100	1,957,873	428,075	2,385,948	34,152
Operation of automotive equipment	431,400	392,918	38,482	431,400	-
Tort claims	829,000	478,969	350,000	828,969	31
Cook County Juvenile Detention Center	7,500,000	-	-	-	7,500,000
Cook County Boot Camp	1,500,000	-	1,500,000	1,500,000	-
Statewide hospitalization services	9,656,300	9,310,659	-	9,310,659	345,641
Sheriffs' fees for conveying prisoners	337,400	337,398	-	337,398	2
State's share of Assistant State's Attorneys' salaries	376,400	246,163	30,308	276,471	99,929
Repairs, maintenance and other capital improvements	750,000	454,673	295,327	750,000	-
Frontline staff	12,000,000	7,279,424	155,882	7,435,306	4,564,694
	<u>67,670,200</u>	<u>49,503,091</u>	<u>5,006,757</u>	<u>54,509,848</u>	<u>13,160,352</u>
Adult Education:					
Personal services	13,242,100	11,746,068	542,360	12,288,428	953,672
Student, member and inmate compensation	15,300	11,609	1,164	12,773	2,527
State contributions to state employees' retirement system	2,628,900	2,377,857	110,092	2,487,949	140,951
Continuing appropriation for State contributions to employees' retirement system	104,700	-	-	-	104,700
State contributions to state teachers' retirement system	4,500	2,654	124	2,778	1,722
State contributions to social security	813,900	769,867	36,298	806,165	7,735
Contractual services	6,508,200	4,593,290	1,563,255	6,156,545	351,655
Travel	10,000	7,400	1,910	9,310	690

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2009

Fourteen Months Ended August 31, 2009

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2009	Lapse Period Expenditures July 1, 2009 to August 31, 2009	Total Expenditures	Balances Lapsed
<u>Public Acts 95-0734; 96-0004</u>					
GENERAL REVENUE FUND-0001 (continued)					
Adult Education (continued):					
Commodities	\$ 211,600	\$ 138,708	\$ 37,626	\$ 176,334	\$ 35,266
Printing	44,700	26,093	9,702	35,795	8,905
Telecommunications services	60,900	39,940	4,005	43,945	16,955
Operation of automotive equipment	15,900	12,060	612	12,672	3,228
	<u>23,660,700</u>	<u>19,725,546</u>	<u>2,307,148</u>	<u>22,032,694</u>	<u>1,628,006</u>
Field Services:					
Personal services	54,383,400	51,178,073	2,397,128	53,575,201	808,199
Student, member and inmate compensation	82,500	77,909	4,495	82,404	96
State contributions to state employees' retirement system	9,780,400	9,780,400	-	9,780,400	-
Continuing appropriation for State contributions to employees' retirement system	1,586,900	1,009,059	504,632	1,513,691	73,209
State contributions to social security	4,004,900	3,824,880	179,390	4,004,270	630
Contractual services	33,709,700	29,510,347	3,823,529	33,333,876	375,824
Travel	200,000	169,993	10,982	180,975	19,025
Travel and allowance for prisoners	31,000	24,725	-	24,725	6,275
Commodities	375,300	295,191	50,573	345,764	29,536
Printing	18,000	16,283	555	16,838	1,162
Equipment	37,800	5,453	5,249	10,702	27,098
Telecommunications services	7,472,200	6,723,313	601,202	7,324,515	147,685
Operation of automotive equipment	4,929,000	4,460,344	417,892	4,878,236	50,764
Operation of the Franklin County Juvenile Detention Center	1,500,000	1,455,000	-	1,455,000	45,000
Anti-violence crime prevention programs	6,250,000	6,062,500	-	6,062,500	187,500
Operation Ceasefire	6,250,000	1,604,167	368,468	1,972,635	4,277,365
	<u>130,611,100</u>	<u>116,197,637</u>	<u>8,364,095</u>	<u>124,561,732</u>	<u>6,049,368</u>
Correctional Centers - Consolidated:					
Personal services	661,173,500	608,919,140	35,401,809	644,320,949	16,852,551
Student, member and inmate compensation	7,108,000	6,179,295	815,480	6,994,775	113,225
State contributions to state employees' retirement system	116,440,000	116,404,299	35,701	116,440,000	-
Continuing appropriation for State contributions to employees' retirement system	20,801,500	11,851,275	7,429,228	19,280,503	1,520,997
State contributions to social security	48,022,100	45,166,459	2,651,204	47,817,663	204,437
Contractual services	195,476,900	174,455,662	19,375,555	193,831,217	1,645,683
Travel	750,300	582,362	141,335	723,697	26,603

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2009

Fourteen Months Ended August 31, 2009

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2009	Lapse Period		Balances Lapsed
			Expenditures July 1, 2009 to August 31, 2009	Total Expenditures	
<u>Public Acts 95-0734; 96-0004</u>					
GENERAL REVENUE FUND-0001 (continued)					
Correctional Centers - Consolidated (continued):					
Travel and allowance for prisoners	\$ 718,500	\$ 593,948	\$ 60,553	\$ 654,501	\$ 63,999
Commodities	63,717,900	57,579,939	5,297,665	62,877,604	840,296
Printing	583,500	494,672	31,712	526,384	57,116
Equipment	796,800	269,405	321,277	590,682	206,118
Telecommunications services	3,161,800	2,459,672	564,504	3,024,176	137,624
Operation of automotive equipment	4,781,800	3,989,973	503,326	4,493,299	288,501
	<u>1,123,532,600</u>	<u>1,028,946,101</u>	<u>72,629,349</u>	<u>1,101,575,450</u>	<u>21,957,150</u>
Public Safety Shared Services	5,804,300	4,877,968	529,054	5,407,022	397,278
Shared Services Center					
	<u>1,351,278,900</u>	<u>1,219,250,343</u>	<u>88,836,403</u>	<u>1,308,086,746</u>	<u>43,192,154</u>
Total General Revenue Fund					
DEPARTMENT OF CORRECTIONS REIMBURSEMENT FUND - 0523					
General Office:					
School district programs	15,000,000	2,508,492	685,926	3,194,418	11,805,582
Federal programs	27,000,000	1,536,255	168,958	1,705,213	25,294,787
Miscellaneous programs	23,000,000	18,405,797	2,648,501	21,054,298	1,945,702
Federal recovery and programs	5,000,000	-	-	-	5,000,000
Total Department of Corrections Reimbursement Fund	<u>70,000,000</u>	<u>22,450,544</u>	<u>3,503,385</u>	<u>25,953,929</u>	<u>44,046,071</u>
TOTAL APPROPRIATED FUNDS	\$ <u>1,421,278,900</u>	\$ <u>1,241,700,887</u>	\$ <u>92,339,788</u>	\$ <u>1,334,040,675</u>	\$ <u>87,238,225</u>

Notes: All data in this schedule has been obtained from Department records and reconciled to those of the State Comptroller. No balances were reappropriated as of July 1, 2009. 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, 2010, 2009, and 2008

	Fiscal Year		
	2010	2009	2008
	P.A. 96-0042, 96-0046 & 96-0890	P.A. 95-0734 & 96-0004	P.A. 95-0348
ALL FUNDS			
<u>Appropriations (Net after Transfers)</u>	\$ 1,261,772,700	\$ 1,421,278,900	\$ 1,301,282,100
<u>Expenditures</u>			
Personal services	757,200,344	745,646,748	727,572,302
Retirement	1,368,847	155,244,485	119,124,949
Social security	55,454,828	54,681,056	53,375,372
Group insurance	983,201	1,051,813	1,221,141
Contractual services	265,274,852	261,772,917	241,238,148
Travel	1,030,011	1,972,925	1,107,087
Travel and allowances for committed, paroled, and discharge prisoners	639,850	681,831	617,805
Commodities	62,676,730	64,462,928	59,064,860
Equipment	3,888,965	2,370,233	2,529,800
Electronic data processing	471,229	589,956	905,678
Telecommunications services	11,152,254	12,832,215	10,265,143
Operation of automotive equipment	6,468,397	9,789,092	6,638,269
Lump sums and other purposes	3,267,673	1,977,289	6,469,755
Awards and grants	12,389,836	20,220,495	17,951,686
Permanent improvements	115,711	613,872	156,734
Refunds	14,067	132,820	1,177,248
Total Expenditures	1,182,396,795 ⁽¹⁾	1,334,040,675	1,249,415,977
Lapsed Balances	\$ 79,375,905 ⁽¹⁾	\$ 87,238,225	\$ 51,866,123

Notes: ⁽¹⁾ Approximate lapse period expenditures for fiscal year 2010 do not include interest payments by the Department and submitted to the Comptroller for payment after August.

The comparative schedule of net appropriations, expenditures and lapsed balances by object code does not include State Officers' salaries paid by the Office of the Comptroller. For the years ended June 30, 2010, 2009 and 2008, State Officers' salaries were as follows:

	2010	2009	2008
Director	\$ 150,228	\$ 150,056	\$ 144,728
Assistant Director	121,294	127,739	123,063
	\$ 271,522	\$ 277,795	\$ 267,791

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPARATIVE SCHEDULE OF EXPENDITURES BY CORRECTIONAL CENTER - ALL FUNDS

For the Fiscal Years Ended June 30, 2010, 2009 and 2008

	Fiscal Year		
	2010	2009	2008
	P.A. 96-0042, 96-0046 & 96-0890	P.A. 95-0734 & 96-0004	P.A. 95-0348
CORRECTIONAL CENTER:			
Big Muddy River	\$ 29,632,997	\$ 32,627,904	\$ 30,046,792
Centralia	31,023,470	34,711,128	32,724,174
Danville	28,222,596	32,351,585	30,795,665
Decatur	17,668,436	21,156,127	20,116,033
Dixon	52,001,871	57,548,188	53,253,366
Dwight	38,003,424	42,363,084	38,700,216
East Moline	23,278,575	27,415,947	25,402,341
Graham	36,546,881	40,265,813	37,715,561
Hill	28,942,925	32,418,527	29,393,308
Illinois River	32,042,049	35,879,189	33,178,246
Jacksonville	35,434,651	41,592,595	38,854,966
Lawrence	37,363,535	41,120,817	37,982,108
Lincoln	21,985,208	24,208,027	22,666,544
Logan	30,662,323	35,353,183	33,389,770
Menard	68,920,579	77,409,958	71,871,289
Pinckneyville	41,342,393	44,167,458	40,565,582
Pontiac	49,628,595	54,270,397	53,245,945
Robinson	23,075,664	26,622,460	24,361,405
Shawnee	32,602,724	37,027,307	34,395,053
Sheridan	43,952,772	44,996,053	41,121,301
Southwestern Illinois	27,635,802	30,308,707	27,245,338
Stateville	103,379,320	118,322,927	109,751,661
Tamms	25,309,841	28,668,702	27,697,956
Taylorville	22,835,136	25,363,196	23,760,575
Thomson	5,611,319	9,546,348	6,307,564
Vandalia	28,288,770	34,381,979	34,326,778
Vienna	28,763,242	34,040,510	31,630,868
Western Illinois	33,161,926	37,437,334	34,221,930
Total	\$ 977,317,024	\$ 1,101,575,450	\$ 1,024,722,335

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SCHEDULE OF CHANGES IN STATE PROPERTY

For the Fiscal Years Ended June 30, 2009 and 2010

(Unaudited and Not Examined)

	Equipment	Land and Land Improvements	Buildings	Site Improvements	Capital Lease Equipment	Total
Balance at July 1, 2008	\$ 169,641,659	\$ 69,741,405	\$ 1,474,696,201	\$ 85,835,570	\$ 2,162,605	\$ 1,802,077,440
Additions	385,900	-	539,872	555,760	-	1,481,532
Deletions	1,236,505	1,003,041	546,980	-	891,385	3,677,911
Net Transfers	(3,263,335)	-	10,843,053	1,152,506	-	8,732,224
Balance at June 30, 2009	\$ 165,527,719	\$ 68,738,364	\$ 1,485,532,146	\$ 87,543,836	\$ 1,271,220	\$ 1,808,613,285
Balance at July 1, 2009	\$ 165,527,719	\$ 68,738,364	\$ 1,485,532,146	\$ 87,543,836	\$ 1,271,220	\$ 1,808,613,285
Additions	3,249,220	1	9,562,506	52,600	70,263	12,934,590
Deletions	15,239,695	292,019	4,431,438	659,023	115,440	20,737,615
Net Transfers	(1,663,773)	-	7,020,158	74,105	858,798	6,289,288
Balance at June 30, 2010	\$ 151,873,471	\$ 68,446,346	\$ 1,497,683,372	\$ 87,011,518	\$ 2,084,841	\$ 1,807,099,548

Note: As indicated in Finding 10-4, the Department could not provide transaction details for the amounts comprising its Agency Report of State Property Forms (C-15) for fiscal years 2009 and 2010. We utilized property reports generated by the Department's Automated Property Control System, but the Department did not maintain these property reports for every month of the audit period. Because of these weaknesses, this schedule is unaudited.

Totals on this schedule do not agree to totals in the Department's financial statements due to timing differences and differences in capitalizing fixed assets for financial statement purposes.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For Fiscal Years Ended June 20, 2010, 2009 and 2008

	2010	2009	2008
<u>Fund 0001 - General Revenue Fund</u>			
General Office:			
Jury duty	\$ 1,175	\$ 95	\$ -
Concession and vending revenue	6,095	5,915	3,543
Prior year refunds	114,658	224,975	77,976
Miscellaneous	6,413	9,827	5,719
Adult Field Services:			
Dormant trust accounts	375	-	77
Jury duty	463	30	-
Miscellaneous	-	2,313	1,015
Correctional Centers:			
Jury duty	10,520	11,160	12,656
Dormant trust accounts	9,983	17,184	2,314
Copy fees, subpoena fees, and contraband	3,746	478	1,194
Rent, jury duty, phone calls, pallets, and recycling	4,114	2,568	718
Witness fees	169	-	7,497
Replacement badges	3,264	301	1,301
Involuntary withholding collection	11,279	-	-
Miscellaneous	14,338	10,203	31,346
Total - Fund 0001	186,592	285,049	145,356
<u>Fund 0523 - Department of Corrections Reimbursement Fund</u>			
Court ordered reimbursement	9,876	73,976	27,570
Inmate maintenance work release	1,137,748	1,696,309	1,794,702
Illinois Department of Public Health	179,783	29,540	161,003
Library reimbursement	73,682	76,074	62,798
Inmate reimbursement - miscellaneous	645,109	681,395	728,803
Recovered workers' compensation	11,053	11,026	24,368
U.S. Department of Justice	7,243,633	7,287,016	8,059,700
National Institute of Justice	628,139	960,786	950,625
Illinois Criminal Justice Information Authority	909,593	1,239,432	16,797,525
Electronic device monitoring	5,760	-	-
Illinois Department of Human Services	242,853	161,400	3,162,256
Private organizations	341,067	173,295	162,012
College tuition reimbursement	3,830	14,261	22,906
U.S. Social Security Administration	353,400	310,800	296,800
Illinois Community College Board	1,856,665	1,824,871	2,261,941
Medicaid receipts	-	123,010	111,342
Telephone commissions	5,299,992	5,299,992	5,299,992
Illinois Emergency Management Agency	114,762	196,486	16,879

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For Fiscal Years Ended June 20, 2010, 2009 and 2008

	2010	2009	2008
<u>Fund 0523 - Department of Corrections Reimbursement Fund (continued)</u>			
Inmate commissary sales profit	\$ 6,149,926	\$ 6,515,263	\$ 6,063,120
Illinois Department of Commerce and Economic Opportunity	-	-	873
Miscellaneous	146,845	-	-
Federal Stimulus Package	4,588,434	-	-
Prior year refunds	27,061	2,470	274,978
 Total - Fund 0523	 29,969,211	 26,677,402	 46,280,193
 Total All Funds	 \$ 30,155,803	 \$ 26,962,451	 \$ 46,425,549

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER

For the Fiscal Years Ended June 30, 2010 and 2009

	Fund 0001 General Revenue Fund	Fund 0523 Department of Corrections Reimbursement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>Fiscal Year 2010</u>			
Receipts per Department records	\$ 186,592	\$ 29,969,211	\$ 30,155,803
Deposits in-transit to the State Comptroller:			
Beginning of year	(143)	(4,535)	(4,678)
End of year	<u>-</u>	<u>-</u>	<u>-</u>
Deposits recorded by the State Comptroller	<u>\$ 186,449</u>	<u>\$ 29,964,676</u>	<u>\$ 30,151,125</u>
 <u>Fiscal Year 2009</u>			
Receipts per Department records	\$ 285,049	\$ 26,677,402	\$ 26,962,451
Deposits in-transit to the State Comptroller:			
Beginning of year	1,662	-	1,662
End of year	<u>143</u>	<u>4,535</u>	<u>4,678</u>
Deposits recorded by the State Comptroller	<u>\$ 286,854</u>	<u>\$ 26,681,937</u>	<u>\$ 26,968,791</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Fiscal Years Ended June 30, 2010 and 2009

The Department of Corrections' (Department) explanations for significant fluctuations in expenditures in excess of 25% and \$250,000 among fiscal years 2008, 2009 and 2010 as presented in the Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances by Object – All Funds is detailed below.

Retirement

Retirement expenditures increased \$36,119,536 or 30% in fiscal year 2009 due to an increase in the percentage the State is required to contribute. In fiscal year 2008, the State was required to contribute 16.6% for each employee. This amount was increased to 21% in fiscal year 2009. In fiscal year 2010, there was a decrease of \$153,875,638 or 99% due to no General Revenue Fund retirement expenditures made by the agencies as retirement was funded out of the statewide continuing appropriation through proceeds from the sale of bonds.

Travel

Travel expenditures increased \$865,838 or 78% in fiscal year 2009 due to the Memorandum of Understanding (MOU) between the union and the Department regarding the detailing of Correctional Officers to other northern facilities due to the fact that Thomson Correctional Center did not open. The staff were detailed to other institutions in order to negate rising overtime costs. In fiscal year 2010, there was a decrease in travel expenditures of \$942,914 or 48% due to the Thomson staff being permanently assigned to other Centers.

Equipment

Equipment expenditure increased by \$1,518,732 or 64% in fiscal year 2010 due to vehicles being purchased with ARRA funds for the Parole Agents. There were 12-Passenger vans leased-purchased for the institutions, motor pool cars were purchased for the General Office fleet and vehicles were purchased under the U.S. Marshall Grant for Apprehension.

Electronic data processing

Electronic data processing decreased by \$315,722 or 35% in fiscal year 2009 due to the Department purchasing more computers and associated equipment in fiscal year 2008 when compared to fiscal year 2009.

Telecommunications services

Telecommunications services expenditures increased \$2,567,072 or 25% in fiscal year 2009 due to the Department not having enough funding to pay the backlog of Central Management Services Communications Revolving Fund invoices from prior years. The Department paid prior year and current year invoices during fiscal year 2009 to alleviate the backlog.

Operation of automotive equipment

Operation of automotive equipment expenditures increased \$3,150,823 or 47% in fiscal year 2009 due to the Department not having enough funding to pay the backlog of Central Management Services State Garage Revolving Fund invoices from prior years. The Department paid prior year and current year invoices in fiscal year 2009 to alleviate the backlog. In fiscal year 2010, there was a decrease in operation of automotive equipment expenditures of \$3,320,695 or 34% due to Department being current with Central Management Services State Garage Revolving Fund invoices.

Lump sums and other purposes

Lump sums and other purposes expenditures decreased \$4,492,466 or 69% in fiscal year 2009 due to the Department making less anti-violence expenditures during the year as they did during the prior fiscal year. In fiscal year 2010, there was an increase in lump sums and other purposes expenditures of \$1,290,384 or 65% due to the amount of prompt payment interest paid during fiscal year 2010 due to the State's continued deteriorating cash flow.

Awards and grants

Awards and Grants expenditures decreased \$7,830,659 or 39% in fiscal year 2010 due to Statewide Hospitalization expenditures being less than those made in fiscal year 2009 and the Department making less anti-violence expenditures during the year.

Permanent improvements

Permanent improvement expenditures increased \$457,138 or 292% in fiscal year 2009 and decreased \$498,161 or 81% in fiscal year 2010 due to three grants that paid for the installation of security cameras at Dwight Correctional Center. This was a one time expenditure in fiscal year 2009.

Refunds

Refunds decreased \$1,044,428 or 89% in fiscal year 2009 due to over \$1,000,000 in refunds for federal grants paid in fiscal year 2008 that were not paid in fiscal year 2009.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Fiscal Years Ended June 30, 2010 and 2009

The Department of Corrections' (Department) explanations for significant fluctuations in receipts in excess of 25% and \$250,000 among fiscal years 2008, 2009 and 2010 as presented in the Comparative Schedule of Cash Receipts is detailed below.

Corrections Reimbursement Fund – 0523

Receipts for inmate maintenance work release decreased from fiscal year 2009 to fiscal year 2010 by \$558,561 or 33%. This decrease was due to the timing of funds transmitted in accordance with state statutory guideline requirements. During fiscal year 2010, the Jesse Ma Houston ATC closed, decreasing the funds available for receipt from inmates by the Department.

In fiscal year 2010, there was a decrease in receipts from the National Institute of Justice of \$332,647 or 35% as a result of an overall decrease in grant funds at the federal and state level.

Receipts for Illinois Criminal Justice Information Authority decreased by \$15,558,093 or 93% from fiscal year 2008 to fiscal year 2009 due to the Department receiving less funding from the grantor as a result of the federal program, Violence Offender Incarceration and Truth in Sentencing (VOITIS), ending. Federal funding again decreased in fiscal year 2010, resulting in a decrease from fiscal year 2009 to fiscal year 2010 of \$329,839 or 27%.

Receipts from the Illinois Department of Human Services (DHS) decreased \$3,000,856 or 95% from fiscal year 2008 to fiscal year 2009. DHS, pursuant to Temporary Assistance for Needy Families (TANF) agreements, eliminated the revenue sharing with the Department. This elimination of the revenue sharing significantly decreased receipts in fiscal year 2009. The decision to discontinue revenue sharing was made by DHS subject to the TANF agreements for Illinois.

In fiscal year 2010, there was an increase in receipts for the Federal Stimulus Package from fiscal year 2009 of \$4,588,434 or 100%. This increase is due solely to the initiation of the Federal Stimulus program in the State of Illinois.

Receipts for prior year refunds decreased from fiscal year 2008 to fiscal year 2009 by \$272,508 or 99%. Prior year refunds are based upon actual checks received from vendors for refunds of expenditures incurred by the Department for various reasons. The refunds are cyclical in nature and solely dependent upon actual receipts. Prior year refunds would therefore, vary by year based upon the nature of the actual physical receipt of the refund check.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Fiscal Years Ended June 30, 2010 and 2009

The Department of Corrections' (Department) explanations for significant lapse period expenditures in excess of 25% of total expenditures and \$100,000 for fiscal years 2009 and 2010 presented in the Schedule of Appropriations, Expenditures and Lapsed Balances is detailed below.

Fiscal Year 2009

<u>Fund, Fund Number, and Explanation</u>	<u>Total Expenditures</u>	<u>Lapse Period Expenditures</u>	<u>Percent</u>
General Revenue Fund – 0001			
<i>General Office</i>			
Continuing appropriation for State contributions to employees' retirement system	\$ 419,862	\$ 132,510	32%
<p>This appropriation line is not utilized until the regular retirement appropriation line has been expended. As such, this expenditure was for the last payroll period to occur during the fiscal year. The payroll period covers June 16, 2009 through June 30, 2009. As a result, the payroll voucher is not processed until lapse period.</p>			
Tort claims	\$ 828,969	\$ 350,000	42%
<p>The timing of the claims received and processing resulted in significant payments made during the lapse period.</p>			
Cook County Boot Camp	\$ 1,500,000	\$ 1,500,000	100%
<p>The timing of invoices received and processing resulted in significant payments made during the lapse period.</p>			

Repairs, maintenance and other capital improvements	\$	750,000	\$	295,327	39%
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The Department's non-emergency repair and maintenance projects are scheduled around weather conditions. Outdoor projects must be completed when the weather is suitable, such as during March through June, which results in the majority of expenses related to these projects being paid during the lapse period.

Adult Education

Contractual services	\$	6,156,545	\$	1,563,255	25%
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In order for the Department to avoid overpayment on the contract, the last payment (for April, May and June) is not paid until the July 15th report is received.

Field Services

Continuing appropriation for State contributions to employees' retirement system	\$	1,513,691	\$	504,632	33%
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This appropriation line is not utilized until the regular retirement appropriation line has been expended. As such, this expenditure was for the last payroll period to occur during the fiscal year. The payroll period cover June 16, 2009 through June 30, 2009. As a result, the payroll voucher is not processed until lapse period.

Correctional Centers - Consolidated

Continuing appropriation for State contributions to employees' retirement system	\$ 19,280,503	\$ 7,429,228	39%
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This appropriation line is not utilized until the regular retirement appropriation line has been expended. As such, this expenditure was for the last payroll period to occur during the fiscal year. The payroll period covers June 16, 2009 through June 30, 2009. As a result, the payroll voucher is not processed until lapse period.

Equipment	\$ 590,682	\$ 321,277	54%
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Equipment is generally received later in the fiscal year, resulting in more payments being made during the lapse period.

Fiscal Year 2010

<u>Fund, Fund Number, and Explanation</u>	<u>Total Expenditures</u>	<u>Lapse Period Expenditures</u>	<u>Percent</u>
General Revenue Fund – 0001 <i>Governor's Discretionary Appropriations</i>			
Governor's Discretionary Appropriations	\$ 319,994	\$ 272,193	85%
The Department of Human Services administers the Redeploy Illinois program for the Department. The program started late in the fiscal year, resulting in increased lapse period spending.			

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF ACCOUNTS RECEIVABLE

For the Fiscal Years Ended June 30, 2010 and 2009

Accounts receivable for the Department consist primarily of receivables from federal and State grant reimbursements and formula payments due from grantor agencies. The principal grantor agencies are other State agencies; therefore, the Department's receivables are all considered fully collectible.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF OPERATIONS

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Fiscal Years Ended June 30, 2010 and 2009

Mission Statement

The mission of the Department of Corrections (Department) is to protect the public from criminal offenders through a system of incarceration and supervision which securely segregates offenders from society, assures offenders of their constitutional rights and maintains programs to enhance the success of offenders' reentry into society.

Organization

The Department was established in 1970 and operates under the powers and duties established by the Unified Code of Corrections (730 ILCS 5). Effective June 1, 2006, Public Act 94-0696 established the Department of Juvenile Justice. This Act transferred certain rights, powers, duties, and functions that were exercised by the Juvenile Division of the Department of Corrections. Effective July 1, 2006 the Department of Correction's school district was transferred to the Department of Juvenile Justice. The Department of Correction's retained the Adult Education and Vocational Services area which provides the services to the adult population.

Roger E. Walker was the Department Director until June 7, 2009. Michael P. Randle became director on June 8, 2009. Michael P. Randle resigned effective September 18, 2010, after which Gladyse Taylor was appointed Acting Director. She served in this capacity until May 1, 2011. Salvador A. Godinez was appointed Director effective May 2, 2011. The Director's office is located at the Concordia Complex, 1301 Concordia Court, P.O. Box 19277, Springfield, Illinois 62794-9277.

The Department operates the following adult correctional centers, which are listed by security level:

Security Level	Center Name
Closed Maximum	Tamms
Maximum	Dwight Menard Pontiac Stateville
Secure Medium	Hill Lawrence Pinckneyville Western Illinois

Security Level	Center Name
High Medium	Big Muddy River Danville Dixon Illinois River Shawnee
Medium	Centralia Decatur Graham Lincoln Logan Sheridan
High Minimum	Jacksonville Robinson Taylorville
Minimum	East Moline Southwestern Illinois Vandalia Vienna
Work Camp	East Moline Jacksonville (Pittsfield) Shawnee (Hardin County) Southwestern Western Illinois (Clayton) Vandalia
Reception and Classification Center	Big Muddy River Dixon Dwight Graham Menard
Impact Incarceration Program	Jacksonville (Greene County) Pinckneyville (DuQuoin) Vienna (Dixon Springs)
Transitional	Crossroads Adult Transition Center Decatur Adult Transition Center Fox Valley Adult Transition Center North Lawndale Adult Transition Center Peoria Adult Transition Center Southern Illinois Adult Transition Center West Side Adult Transition Center
Mental Health Unit	Pontiac
Psychiatric Unit	Dixon
Special Treatment Center	Dixon

Internal Organization

The function of the General Office is to provide support services to all of the Department's facilities and divisions. This includes establishing and monitoring budget activities, capital planning, accounting services and data processing. The General Office performs other functions necessary to meet the provisions of the Code and provides administrative services to the Department of Juvenile Justice as detailed in an interagency agreement.

The function of Adult Education is to provide academic and vocational training programs in the adult institutions and other functions necessary to meet the provisions of the Code. The mission of the Adult Education Division is to enhance the quality and scope of education for inmates within the Department of Corrections so that they will be better motivated and better equipped to restore themselves to constructive law-abiding lives in the community.

The function of the Adult Transition Centers (Field Services) is to provide basic needs, custody, and program opportunities for adults sentenced by the Illinois courts. The centers provide academic and vocational programs, work experience, and participation in public service projects for residents who are making the transition from prison to free society.

Strategic Planning and Priorities

The Department had four major programs:

1. Bureau of Operations
2. Adult Institutions/Adult Transition Centers
3. Parole
4. Program Services

Nearly 80-85% of the Department's efforts relate to the Bureau of Operations and Adult Institutions/Adult Transition Centers programs. The Bureau of Operations includes intelligence, investigations, and the central office functions. Included within Program Services is Women and Family Services.

The Department establishes, reviews and updates department goals on a regular basis. Department goals are developed through continuing sources of information derived through operations, changes in legislation, census statistics, innovations in programs, inmate population makeup, and availability of resources. Senior management of the various divisions consolidate the information. The Planning and Research Unit assists to formalize statements and plans, which detail the goals of the Department.

The Adult Education Division submits annual vocational and special education reports to the State Board of Education. Long range planning goals are submitted to the Program Services Unit as well as the School Board. Short range goals are determined at weekly management meetings and relayed during Education Facility meetings. Annual in-services plans are also developed.

When new programs, policies, and procedures are developed, they are formalized through the development of the Department's Administrative Rules and Directives. These rules and directives are subject to continual audits by internal audit and institution audit staff. An Annual review of programs, performed by Program staff, is also reported at the end of each fiscal year.

The Department utilizes its Annual Report to depict its progress toward the above objectives.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

AVERAGE NUMBER OF EMPLOYEES

For the Fiscal Years Ended June 30, 2010 and 2009

The following table, prepared from Department records, presents the average number of employees by the divisions and the Correctional Centers (excluding Illinois Correctional Industries) for the fiscal years ended June 30, 2010 and 2009.

<u>Division</u>	<u>Fiscal Year</u>	
	<u>2010</u>	<u>2009</u>
General Office	263	247
Education Services	193	199
Statewide and Field Services	710	735
<u>Correctional Centers</u>		
Big Muddy River	288	287
Centralia	330	312
Danville	288	296
Decatur	201	208
Dixon	513	481
Dwight	353	347
East Moline	236	242
Southwestern Illinois	218	220
Graham	389	370
Illinois River	311	323
Hill	285	278
Jacksonville	407	436
Lawrence	388	380
Lincoln	213	198
Logan	310	312
Menard	735	738
Pinckneyville	409	398
Pontiac	564	515
Robinson	234	234
Shawnee	317	326
Sheridan	312	279
Tamms	279	275

<u>Correctional Centers</u>	<u>Fiscal Year</u>	
	<u>2010</u>	<u>2009</u>
Stateville	1,027	1,009
Taylorville	225	222
Vandalia	318	338
Thomson	58	196
Vienna	313	326
Western Illinois	336	336
	<u>11,023</u>	<u>11,063</u>

The following table, prepared from Department records, presents the average number of correctional officers for the fiscal years ended June 30, 2010 and 2009. Correctional officers are included in the total average full time employees presented above.

<u>Correctional Centers</u>	<u>Fiscal Year</u>	
	<u>2010</u>	<u>2009</u>
Big Muddy River	191	193
Centralia	240	226
Danville	185	187
Decatur	113	116
Dixon	349	328
Dwight	223	215
East Moline	129	135
Southwestern Illinois	143	144
Graham	274	251
Illinois River	191	190
Hill	188	182
Jacksonville	275	296
Lawrence	274	259
Lincoln	138	123
Logan	211	197
Menard	483	463
Pinckneyville	260	250
Pontiac	426	365
Robinson	151	141
Shawnee	209	207
Sheridan	197	154
Tamms	168	164
Stateville	707	681

<u>Correctional Centers</u>	<u>Fiscal Year</u>	
	<u>2010</u>	<u>2009</u>
Taylorville	147	139
Vandalia	204	215
Thomson	20	128
Vienna	179	190
Western Illinois	<u>208</u>	<u>201</u>
Total average correctional officers	<u>6,483</u>	<u>6,340</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

STATE HOUSING BENEFITS

For the Fiscal Years Ended June 30, 2010 and 2009

The Department houses employees on the grounds of many of its correctional facilities in guard dormitories or warden's houses. Currently there are approximately 200 employees living in dormitory rooms and approximately 40 employees living in houses. The Department has established rates for the housing dependent upon costs for utilities and the appraised value of the property. While the Department initially pays for the utilities and maintenance, the employees pay a monthly fee that includes utility charges. Additionally, in accordance with Internal Revenue Service Regulations, the appraised value of the property is added to the employees' compensation as a taxable fringe benefit. The policies for housing are documented in the Department's Administrative Directives. The Department does not provide housing to non-employees and does not require employees to pay security deposits.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF EMPLOYEE OVERTIME

For the Fiscal Years Ended June 30, 2010 and 2009

(Unaudited and Not Examined)

Certain employees are eligible for overtime if the hours worked during the day exceed the employees standard work hours. Correctional Officers receive a ¼-hour of overtime for each day they stand for roll call. The roll call overtime is paid at straight time for all but Correctional Lieutenants who receive 1 ½ times normal pay.

Overtime is to be distributed as equally as possible among employees who normally perform the work in the position in which the overtime is needed. An employee's supervisor must approve any overtime. In most cases, except for roll call, employees are compensated at 1 ½ times their normal hourly rate for overtime hours worked. Employees have the opportunity to be compensated either in pay for the overtime or receive compensatory time off.

The following tables, prepared from Department records, present the paid overtime and used compensatory time incurred during fiscal years 2010 and 2009.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF EMPLOYEE OVERTIME
(Unaudited and Not Examined)

For the Fiscal Year Ended June 30, 2010

Division	Overtime Hours Paid	\$ Value of Overtime Hours Paid	Compensatory Hours Used	\$ Value of Compensatory Hours Used	Total Overtime & Compensatory Hours	Total \$ Value of Overtime & Compensatory Hours
General Office	5,104	\$ 202,767	-	\$ -	5,104	\$ 202,767
Adult Education	162	5,341	-	-	162	5,341
Field Services	36,585	1,782,846	9,935	335,146	46,520	2,117,992
Big Muddy River	24,636	1,059,577	16,898	479,340	41,534	1,538,917
Centralia	50,729	2,125,329	9,188	264,280	59,917	2,389,609
Danville	5,999	272,575	11,033	347,493	17,032	620,068
Decatur	8,478	426,287	8,935	287,928	17,413	714,215
Dixon	36,477	1,599,387	28,878	863,619	65,355	2,463,006
Dwight	70,610	2,956,725	12,768	374,488	83,378	3,331,213
East Moline	18,911	822,856	31,974	927,495	50,885	1,750,351
Graham	25,743	1,101,530	19,307	555,834	45,050	1,657,364
Hill	16,807	737,483	12,847	382,575	29,654	1,120,058
Illinois River	18,386	796,213	25,105	739,279	43,491	1,535,492
Jacksonville	19,730	933,862	16,237	498,898	35,967	1,432,760
Lawrence	23,080	1,001,979	19,725	557,782	42,805	1,559,761
Lincoln	33,289	1,417,154	6,302	180,892	39,591	1,598,046
Logan	46,445	2,037,460	14,699	445,954	61,144	2,483,414
Menard	93,082	4,090,607	47,811	1,434,309	140,893	5,524,916
Pinckneyville	52,849	2,277,497	33,817	978,766	86,666	3,256,263
Pontiac	38,946	1,780,324	18,593	544,009	57,539	2,324,333
Robinson	17,173	751,207	17,466	523,522	34,639	1,274,729
Shawnee	43,137	1,861,191	17,014	488,491	60,151	2,349,682
Sheridan	54,980	2,351,512	20,371	590,017	75,351	2,941,529
Southwestern Illinois	7,246	319,201	15,958	483,157	23,204	802,358
Stateville	174,255	7,940,390	97,656	2,961,286	271,911	10,901,676
Tamms	13,683	574,433	16,894	495,243	30,577	1,069,676
Taylorville	22,095	960,587	10,834	321,074	32,929	1,281,661
Thomson	378	15,233	805	23,496	1,183	38,729
Vandalia	21,719	985,871	14,169	444,769	35,888	1,430,640
Vienna	19,902	988,817	14,698	460,672	34,600	1,449,489
Western Illinois	25,946	1,115,315	28,941	873,963	54,887	1,989,278
Correctional Industries	13,890	602,707	12	501	13,902	603,208
TOTAL	1,040,452	\$ 45,894,263	598,870	\$ 17,864,278	1,639,322	\$ 63,758,541

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF EMPLOYEE OVERTIME
(Unaudited and Not Examined)

For the Fiscal Year Ended June 30, 2009

Division	Overtime Hours Paid	\$ Value of Overtime Hours Paid	Compensatory Hours Used	\$ Value of Compensatory Hours Used	Total Overtime & Compensatory Hours	Total \$ Value of Overtime & Compensatory Hours
General Office	6,894	\$ 230,857	-	\$ -	6,894	\$ 230,857
Adult Education	246	8,612	11	301	257	8,913
Field Services	37,830	1,668,047	5,524	183,441	43,354	1,851,488
Big Muddy River	21,651	912,644	15,040	423,633	36,691	1,336,277
Centralia	70,654	2,917,085	8,630	249,754	79,284	3,166,839
Danville	7,158	314,272	13,015	385,306	20,173	699,578
Decatur	13,144	588,646	11,657	339,419	24,801	928,065
Dixon	68,461	2,827,311	34,231	949,097	102,692	3,776,408
Dwight	91,975	3,735,923	17,739	485,878	109,714	4,221,801
East Moline	21,304	799,839	29,412	821,837	50,716	1,621,676
Graham	30,872	1,285,636	19,014	530,024	49,886	1,815,660
Hill	33,834	1,432,380	18,131	510,723	51,965	1,943,103
Illinois River	14,352	598,829	25,102	712,541	39,454	1,311,370
Jacksonville	16,251	782,889	18,678	558,907	34,929	1,341,796
Lawrence	33,730	1,399,264	19,867	553,416	53,597	1,952,680
Lincoln	46,244	1,909,470	6,675	183,229	52,919	2,092,699
Logan	51,439	2,152,274	23,514	667,333	74,953	2,819,607
Menard	87,977	3,771,033	48,595	1,399,478	136,572	5,170,511
Pinckneyville	46,553	1,952,188	32,982	933,998	79,535	2,886,186
Pontiac	54,644	2,427,764	16,910	495,727	71,554	2,923,491
Robinson	28,267	1,181,311	21,150	596,899	49,417	1,778,210
Shawnee	32,546	1,383,912	20,370	563,642	52,916	1,947,554
Sheridan	43,454	1,797,563	12,689	365,330	56,143	2,162,893
Southwestern Illinois	10,357	428,594	18,961	541,301	29,318	969,895
Stateville	269,567	11,353,857	115,174	3,444,890	384,741	14,798,747
Tamms	17,265	746,062	17,650	518,036	34,915	1,264,098
Taylorville	27,187	1,138,647	10,178	286,187	37,365	1,424,834
Thomson	7,155	197,084	3,774	97,724	10,929	294,808
Vandalia	13,618	632,120	18,265	539,216	31,883	1,171,336
Vienna	15,549	701,141	20,319	589,691	35,868	1,290,832
Western Illinois	31,532	1,313,094	28,686	835,188	60,218	2,148,282
Correctional Industries	11,356	468,119	1,009	41,607	12,365	509,726
TOTAL	1,263,066	\$ 53,056,467	652,952	\$ 18,803,753	1,916,018	\$ 71,860,220

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANNUAL COST STATISTICS
(Unaudited and Not Examined)

For the Fiscal Years Ended June 30, 2010 and 2009

	2010			2009		
	Rated Capacity	Average Daily	Average Yearly	Rated Capacity	Average Daily	Average Yearly
	June 30, 2010	Population	Cost per Resident ⁽¹⁾	June 30, 2009	Population	Cost per Resident ⁽¹⁾
Adult Institutions:						
Maximum Security						
Dwight	884	1,170	\$ 32,475	884	1,116	\$ 37,936
Menard	3,098	3,555	19,383	3,098	3,552	21,788
Pontiac	1,800	1,561	31,791	1,800	1,298	41,795
Stateville	3,162	3,447	29,986	3,162	3,394	34,858
Tamm	700	412	61,428	700	415	69,066
Thomson	200	128	43,838	200	139	67,712
Total - Maximum Security	<u>9,844</u>	<u>10,273</u>	<u>27,762</u>	<u>9,844</u>	<u>9,914</u>	<u>32,373</u>
Medium Security						
Big Muddy River	952	1,852	16,001	952	1,847	17,665
Centralia	950	1,542	20,116	950	1,539	22,495
Danville	896	1,828	15,438	896	1,824	17,733
Decatur	500	452	39,084	500	497	42,568
Dixon	1,430	2,188	23,763	1,430	2,145	26,818
Graham	1,174	1,924	18,995	1,174	1,893	21,271
Hill	896	1,826	15,850	896	1,828	17,719
Illinois River	1,011	2,024	15,831	1,011	1,966	18,242
Lawrence	2,257	2,257	16,552	2,257	2,005	20,500
Lincoln	500	974	22,543	500	973	24,858
Logan	1,074	1,743	17,592	1,074	1,898	18,627
Pinckneyville	2,434	2,369	17,442	2,434	2,255	19,583
Shawnee	1,046	2,010	16,218	1,046	1,988	18,614
Sheridan	1,304	1,275	34,448	1,304	945	47,606
Western Illinois	1,102	2,069	16,028	1,102	2,003	18,685
Total - Medium Security	<u>17,526</u>	<u>26,333</u>	<u>18,875</u>	<u>17,526</u>	<u>25,606</u>	<u>21,519</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANNUAL COST STATISTICS
(Unaudited and Not Examined)

For the Fiscal Years Ended June 30, 2010 and 2009

	2010			2009		
	Rated Capacity June 30, 2010	Average Daily Population	Average Yearly Cost per Resident ⁽¹⁾	Rated Capacity June 30, 2009	Average Daily Population	Average Yearly Cost per Resident ⁽¹⁾
Minimum Security						
East Moline	688	996	\$ 23,372	688	1,119	\$ 24,484
Jacksonville	1,100	1,574	22,496	1,100	1,513	27,470
Robinson	600	1,204	19,166	600	1,202	22,125
Southwestern Illinois	600	671	41,156	600	674	44,939
Taylorville	600	1,196	19,093	600	1,177	21,549
Vandalia	1,100	1,259	22,469	1,100	1,520	22,617
Vienna	925	1,297	22,177	925	1,573	21,632
Total - Minimum Security	<u>5,613</u>	<u>8,197</u>	<u>23,774</u>	<u>5,613</u>	<u>8,778</u>	<u>26,091</u>
Adult Transitional Centers (ATC)						
State-operated						
Decatur	80	107	22,076	80	109	23,571
Fox Valley	100	119	15,905	100	121	18,758
Peoria	200	187	19,575	200	195	22,010
Southern Illinois	60	59	24,709	60	61	28,318
Westside	190	115	53,668	190	110	39,718
Total - ATC State-operated	<u>630</u>	<u>587</u>	<u>20,121</u>	<u>630</u>	<u>596</u>	<u>21,554</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANNUAL COST STATISTICS
(Unaudited and Not Examined)

For the Fiscal Years Ended June 30, 2010 and 2009

	2010			2009		
	Rated Capacity June 30, 2010	Average Daily Population	Average Yearly Cost per Resident ⁽¹⁾	Rated Capacity June 30, 2009	Average Daily Population	Average Yearly Cost per Resident ⁽¹⁾
Contractual						
Crossroads	250	321	\$ 15,218	250	317	\$ 13,729
North Lawndale	200	194	35,521	200	194	34,986
Total - ATC Contractual	<u>450</u>	<u>515</u>	<u>18,971</u>	<u>450</u>	<u>511</u>	<u>17,033</u>
Total	<u>34,063</u>	<u>45,905</u>		<u>34,063</u>	<u>45,405</u>	
(Under)/over capacity		<u>11,842</u>			<u>11,342</u>	

⁽¹⁾ Net Expenditures/Average Daily Population. Net Expenditures for Correctional Centers equals expenditures from funds appropriated to each center less equipment expenditures. Net Expenditures do not include any allocations from the General Office, Adult Education or Field Services divisions.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

NOTES TO ANNUAL COST STATISTICS
(Unaudited)

For the Fiscal Years Ended June 30, 2010 and 2009

The average daily population of adult institutions (maximum, medium and minimum security) has increased from 45,405 for fiscal year 2009 to 45,905 for fiscal year 2010. This represents an increase of 500 inmates for fiscal year 2010. The rated capacity of adult institutions at June 30, 2010 was 34,063.

The average yearly cost per resident is summarized as follows for fiscal years 2010 and 2009:

	2010	2009
Adult Institution	\$ 21,809	\$ 24,854
Adult Transition Centers (excludes Crossroads and North Lawndale)	20,121	21,554

The Department also maintains work camps and impact incarceration camps (“Boot Camps”) at the following locations:

Work Camps	Boot Camps
East Moline	Jacksonville (Green County)
Jacksonville (Pittsfield)	Pinckneyville (DuQuoin)
Shawnee (Hardin County)	Vienna (Dixon Springs)
Southwestern	
Western Illinois (Clayton)	
Vandalia	

Adult Transition Centers: Approximately 1,100 inmates are housed in seven adult transition centers (ATCs) throughout the State. Inmates who are nearing the conclusion of their sentences and have made a satisfactory adjustment while confined to a prison may be eligible for participation in the work release program. Inmates housed in an adult transition center are expected to become employed or participate in some other worthwhile endeavor such as attending school. Participation in the work release program is considered a privilege and those inmates who do not abide by the strict rules and regulations enforced at the ATCs are transferred back to prison.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

PARTICIPATING EDUCATIONAL INSTITUTIONS

For the Fiscal Years ended June 30, 2010 and 2009

The Department provides post-secondary academic and vocational training programs to enrolled inmates at educational facilities through contractual agreements with the following colleges:

<u>Educational Institution</u>	<u>Educational Facilities Served</u>
Danville Area Community College	Danville and East Moline
Illinois Valley Community College	Sheridan
Joliet Junior College	Stateville
Kaskaskia College	Centralia
Lake Land Community College	Danville, Dixon, Dwight, Graham, Hill, Lawrence *, Robinson *, Southwestern Illinois, Taylorville, Vandalia, and Western Illinois
Lincoln Trail College	Lawrence and Robinson
Rend Lake College	Big Muddy River and Pinckneyville
Richland Community College	Decatur, Jacksonville, Lincoln, Logan and Pontiac
Sauk Valley Community College	Thomson
Shawnee Community College	Tamms
Southeastern Illinois College	Shawnee and Vienna
Southwestern Illinois College	Menard and Vienna
Spoon River College	Illinois River

* Illinois Eastern Community College started out with Lawrence and Robinson but cancelled the contract August 31, 2009.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

EMERGENCY PURCHASES

For the Fiscal Years Ended June 30, 2010 and 2009

The Department reported emergency purchases to the Office of the Auditor General during fiscal years 2010 and 2009 as noted in the table below.

Description	Estimated Amount	Actual Amount
Fiscal Year 2010		
Replacement of fire alarm system which is obsolete and inoperable in Unit #108 at the Dixon Correctional Center. Several components of the system need replaced in order for the system to operate properly.	\$ -	\$ 560,000
The contracted vendor, which provides men's boxer shorts to the Department could not meet the weight specifications on the contract in a timely manner causing the current inventory of boxers to become depleted.	48,990	48,990
Purchase of collagen casings in order to fulfill the Illinois Correctional Industries commitment to current and future orders with the Department throughout the State of Illinois.	-	53,400
Damage to piping due to flash flooding led to the need for the piping to be removed, cleared of all debris, and reset in order to operate properly and prevent further flooding.	67,125	-
The Stateville Northern Reception Center's LiveScan equipment is in need of repair in order for offenders to be fingerprinted upon admission and release.	-	33,100
Centers need special made classification folders in order to be in compliance with the Department's Administrative Directive.	64,600	63,240
Replacement of all out-dated piping located in the utility tunnel to minimize frequent breaks which interrupt the hot water supply.	100,000	-

Description	Estimated Amount	Actual Amount
Replacement of the roof over the Old Academic Building and Chapel Area to prevent leaks.	\$ 134,000	\$ -
To purchase sugar cookies to meet the Department's needs due to an equipment breakdown.	44,226	44,226
Replacement of inoperable water heaters in the X-House at the Graham Correctional Center.	60,000	43,010
Replacement of inoperable water heater.	39,000	37,405
Replacement of unreliable dietary boiler and piping which provides various food services to over 1,800 inmates at the Danville Correctional Center.	150,000	-
Repairs and maintenance to the Illinois Correctional Industries' meat grinder in order to fulfill its commitment to current and future orders with the Department throughout the State of Illinois.	33,000	35,139
Replacement of beds at the Illinois Youth Center St. Charles to provide a safer environment at the facility and prevent future suicides from occurring.	77,000	82,454
Due to a H1N1 pandemic the inventory of non-alcohol based hand sanitizing product to customers of the Illinois Correctional Industries has been exhausted.	29,693	29,693
Replacement of inoperable grease trap needed during meal preparation at the Danville Correctional Center.	60,000	21,551
Replacement of water heater located in the State laundry building.	47,000	46,497
Replacement of ridge caps on the roofs of several buildings at the Dwight Correctional Center in order to prevent leaking and the growth of mold in walls.	80,000	-
Repairs and replacement of several components of Dwight Correctional Center's sewage treatment plant in order to maintain functionality and meet required permit conditions.	-	80,000
Replacement of the roofing systems at Menard Correctional Center to prevent additional damage to building interior walls, ceilings, and structural systems.	450,000	-

Description	Estimated Amount	Actual Amount
Repair and/or replacement of the nine high mast light poles at the Stateville Correctional Center to eliminate safety risks and ensure proper lighting at the Center.	\$ 100,000	\$ -
Replacement of water heater coil pack at the Dwight Correctional Center to prevent future leaks.	80,000	-
Replacement of tile floor with asbestos glue in the armory and dietary at the Centralia Correctional Center.	225,000	-
Provide janitorial services at the Concordia Complex in accordance with a newly executed lease until the services can be reassigned to inmate work crews.	45,655	-
Replacement of two leaking water heaters.	12,050	-
Due to problems with a master contract vendor through Central Management Services, the Department of Corrections' ammunition supply, which is used for training and at several facilities, has been depleted.	-	199,982
Grading and removal of soil which is causing damage to facility infrastructure and buildings during heavy rain.	325,000	-
Replacement of the air cooled condensing units at Stateville Correctional Center.	400,000	-
Necessary replacement of the domestic hot water line to maintain the domestic hot water supply.	35,000	-
Due to issues with the contracted vendor, the shipment of lenses to the Department has ceased leading to the depletion of inventory. These lenses are needed to ensure the safety and health of recipients of State Aid.	35,000	35,000
Due to issues with the contracted vendor, the shipment of lenses to the Department has ceased leading to the depletion of inventory. These lenses are needed to ensure the safety and health of recipients of State Aid.	175,000	-
Replacement of existing walk-in coolers and freezers which are inoperable or operating poorly due to an electrical brown out. Replacement and repair is needed so food operations can continue operating effectively.	-	229,500

Description	Estimated Amount	Actual Amount
Replacement of refrigeration units engineered for today's gases for both freezers and coolers in Dietary.	\$ 90,000	\$ -
The Stateville, Graham, Dwight, and Vienna Correctional Centers need special made classification folders in order to be in compliance with the Department's Administrative Directive.	-	63,240
Replacement of inoperable dish washing machine in order to properly wash trays and other related food utensils.	100,000	-
Repair the damages to several buildings caused by an electrical short.	-	39,790
Continue to provide janitorial services through the end of the fiscal year at the Concordia Complex in accordance with a newly executed lease until the services can be contracted to a service provider.	45,655	-
Stateville Correctional Center's food warmer carts were infested by pests leaving many food warmers no longer usable. Due to sanitary issues, the Center is required to serve food at certain temperatures, which require food warmers to maintain the temperature.	72,600	-
A three month extension to the current job prep contract at the Sheridan Correctional Center is requested to avoid the interruption of services at the Center and with Center parolees in the community seeking employment. An extension would allow time for a competitive selection process for the replacement of the current contract.	<u>800,000</u>	<u>-</u>
Total Fiscal year 2010	<u>\$ 4,025,594</u>	<u>\$ 1,746,217</u>

Fiscal Year 2009

Repair of the water system due to flooding at the Lawrence Correctional Center.	\$ 24,500	\$ 22,333
Remove and replace all contaminated insulation in steam tunnels due to unexpected sewer system backup at the facility. The insulation needs to be replaced to avoid health issues to staff and inmates.	100,000	125,500

Description	Estimated Amount	Actual Amount
Replacement of inoperable fire alarm systems in several of the houses.	\$ 600,000	\$ 629,214
Replacement of the facilities generator which powers the Administration Building and several housing units. Failure to replace the generator could result in severe problems in the event of a power outage.	800,000	376,327
Replacement of an underground electrical feeder cable which caused a power outage in several buildings at the Dixon Correctional Center.	35,030	35,030
Replacement of an electrical switch which caused a power outage to a building housing several residents at the Graham Correctional Center.	74,735	95,309
Purchase of eyeglass frames for the Correctional Industries Optical Eyewear Unit located at Dixon Correctional Center in order to prevent the loss of production capacity and budgeted revenue.	45,000	39,740
Replacement of leaking roof over the cooler, freezer and dry storage area.	57,600	36,300
Construction of security fencing and recreational pods to provide required recreational activity for inmates in a safe and secure manner at the Lawrence Correctional Center.	80,000	24,752
Replacement of the touch screen security control system, digital recording system, and graphical user interface system which is outdated and used to operate all cell doors, lighting, exterior doors, intercoms, and cameras. Additional cameras are needed to monitor areas where there are currently no camera equipment.	65,000	82,564
Labor and material to construct fifty seven recreation pods are necessary to accommodate required statutory recreation time for confined offenders.	222,272	228,436
Purchase of a snow and ice detention system is needed for several buildings and housing units to prevent snow hazards to staff, inmates and State property.	57,499	50,941

Description	Estimated Amount	Actual Amount
Replacement of the roof over the resident buildings in order for buildings to be safe for residents to occupy.	\$ 75,000	\$ 958,000
Purchase of vegan burger mix in order to fulfill the Illinois Correctional Industries commitment to current and future orders with the Department of Corrections throughout the State of Illinois.	39,400	34,875
Removal and replacement of water heater line to prevent further leaking and possible major break and/or explosion in line.	100,000	121,430
Replacement of roof to prevent further leaking and growth of mold in several classrooms and computer labs.	275,000	-
Purchase of compartment foam trays for the Menard Correctional Center as a result of a depletion in the supply of trays due to the master contract vendor being on non-delivery status.	32,520	-
Replacement of roof in order to prevent further damage from leaks.	-	574,897
Replacement of the machine which is required to image all incoming and outgoing mail at Hill Correctional Center.	-	28,735
Purchase of 160,000 pounds of food to complete the existing orders for the fiscal year 2009 for the Department of Corrections.	236,480	213,672
Replacement of water softener and fire pump for water control improvement.	350,000	-
Replacement of inoperable boilers in several buildings including building which house offenders and wardens.	260,000	327,552
Replacement of several windows at the Tamms Correctional Center which do not close properly and pose safety issues.	500,000	-
Replacement of the existing fire alarm system at the Dixon Correctional Center, which is obsolete.	-	560,000
Total fiscal year 2009	<u>\$ 4,030,036</u>	<u>\$ 4,565,607</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

MEMORANDUMS OF UNDERSTANDING

For the Fiscal Years Ended June 30, 2010 and 2009
(Unaudited and Not Examined)

FY	MOU # or Name	Parties Involved Other Than The Department	Dates Involved	Description of Memorandum Requirements
2010	910047	County of Franklin - Franklin County Juvenile Detention Center	Transaction date - 5/10/2010; Contract Period - [from:4/01/2010 to:6/30/2010]	This Contract provides for the treatment of Methamphetamine addicts of a minority age under a legislative program to take place at the Franklin County Detention Center. The program "provides drug treatment, along with mental health and medical needs. The program includes an educational component coordinated with hometown schools, skill building, recreation, and other therapies." This contract provides for the secure detention of the minors, their structured reentry into their home communities, and treatment programs provided by the Wells Center, aftercare services provided by TASC. The amount is to be paid in one lump sum, following completion of the terms of the contract.
2010	110031	Lincoln Land Community College Capital City Center	Transaction Date - 11/17/2009; Contract Period - [from:10/13/2009 to:6/30/2009]	This contract provides for training identified by DOC Information Services for "new and IS Unit Database Applications and Operations staff to be able to complete their assigned duties and responsibilities." The vendor is to "provide training courses ... to the Information Services Unit (ISU)." The funds have been allocated due to hiring of personnel in June/July of 2009. The training center will "partner with Directions Training Center (Directions) to offer a discounted rate for the DOC employees wishing to enroll in Microsoft certified courses. The two parties have previously entered into a similar agreement in past fiscal years.
2010	910041	University of Illinois at Chicago	Transaction Date - 11/24/2009; Contract Period - [from:11/19/2009 to:6/30/2010]	Purpose:"To establish the Ceasefire program to reduce crime & violence in the State of Illinois." The contract provides for the disbursement of a grant to the University of Illinois at Chicago (UIC), through its School of Public Health, to be used at multiple sites throughout the Chicago area to aid in the prevention of firearm-related violence through various community organizations. UIC shall be treated as an independent contractor. The contract stipulates various submissions by UIC that will aid DOC in tracking and evaluating the progress of the program. Additionally, the contract allows for the hiring of various program personnel to carry out the execution of the program to DOC's specifications. The contract stipulates different ways in which the program must act in order to carry out its mandate of helping to reduce the commission of crimes through the use of firearms.
2010	960215	University of Illinois at Urbana/Champaign	Transaction Date - 1/08/2010; Contract Period - [from:9/14/1995 to:6/30/2010]	This is a multi-year contract between the University of Illinois (UI) and the Department of Corrections (DOC) that provides for the placement of "graduate students into the staffing of the Capital Programs Unit for more than ten years. The Capital Programs Unit is responsible for coordinating, planning, and supervising the construction of new facilities and improvements, renovation, and maintenance projects in existing facilities." The contract provides stipends for staff, purchases of supplies, and travel expenses for those persons involved in the program. The scope of the work is for the UI personnel to assist in preparing summary reports, analyses, plans, sections, elevations of facilities, assist in organizing budgetary requests, reviewing plans, and developing standards for equipment specifications.
2009-2010	9906002	Illinois Department of Healthcare and Family Services, the Illinois Department of Juvenile Justice and Wexford Health Sources, Inc.	Transaction Date - 4/12/2010 ; Contract Period - [from:12/17/2007 to:11/30/2010]	Purpose: "The Agreement establishes Interagency procedures for the delivery of patient care through the use of telemedicine to persons diagnosed with Hepatitis C and/or HIV/AIDS who are incarcerated in the IDOC and UIMCC will be able to purchase pharmaceuticals eligible for discounts under the 340B Drug Pricing Program and provide such discounted pharmaceuticals to patients of UIMCC that are incarcerated in the IDOC."

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

INMATE ASSAULTS ON STAFF
AT ADULT CORRECTIONAL CENTERS
(Unaudited and Not Examined)

For the Fiscal Years Ended June 30, 2010 and 2009

Security Level	Fiscal Year 2010	Fiscal Year 2009
Level 1 - Maximum		
Dwight	20	14
Menard	35	19
Pontiac	85	104
Stateville	58	67
Tamms	5	8
Thomson	0	0
Level 2 - Secure Medium		
Hill	14	6
Lawrence	15	20
Pinckneyville	41	17
Western Illinois	22	14
Level 3 - High Medium		
Big Muddy River	17	18
Danville	4	5
Dixon	48	57
Illinois River	11	7
Shawnee	11	20
Level 4 - Medium		
Centralia	11	3
Decatur	0	0
Graham	9	14
Lincoln	6	6
Logan	10	5
Sheridan	9	7
Level 5 - High Minimum		
Jacksonville	3	0
Robinson	4	1
Taylorville	2	1
Level 6 - Minimum		
East Moline	1	1
Southwestern Illinois	5	2
Vandalia	2	4
Vienna	2	0
Totals	450	420

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SERVICE EFFORTS AND ACCOMPLISHMENTS
(Unaudited and Not Examined)

For the Fiscal Years Ended June 30, 2010 and 2009

Mission and Organization

The Department of Corrections (DOC) is responsible for providing care, custody, treatment and rehabilitation for adult offenders committed by the courts. DOC maintains and administers 28 correctional centers and manages a parole system for formerly incarcerated persons in the community. An Adult Advisory Board and a Subcommittee on Women Offenders also provide guidance to DOC. Accomplishments during the past year:

Continued community-based re-entry programs for inmates being released back into society – These programs are designed to provide a wide array of services required by the parole population to increase the likelihood of successful reintegration into the community. In addition, these programs provide alternatives to incarceration when parolees require treatment or evaluation in order to get their parole plan back on track. Working in conjunction with the re-entry programs are Transitional Jobs Program and the Statewide Job Preparation Program. These programs are designed to place parolees into everyday job programs and provide them the necessary skills to find employment.

Reduced recidivism – The recidivism rate declined 1.1 percent over the prior year.

Implemented the Public Safety Shared Services Center – The Department of Corrections is the hub agency for the Public Safety Shared Services Center. Various fiscal and human resource functions are now performed for other public safety agencies within a shared services environment. The Shared Services design is aimed at reducing duplicative work and streamlining processing functions, thus maximizing state resources.

DOC currently houses over 43,000 adult male offenders and 2,800 adult female offenders. Offenders are assessed for mental health, substance abuse and other treatment needs, and placed in facilities that match their needs and security risks. Security is maintained while educational/vocational services are provided to assist offenders in their return to society.

Correctional Industries programs further enhance the educational benefits offered by DOC by providing offenders with job opportunities comparable to those offered in the private sector that will help them become productive citizens upon release. Field Services is the link between an offender's incarceration and successful transition home and to the community. DOC's parole system monitors and assists in the successful transition of approximately 36,000 offenders on parole status who have returned to the community following their release from incarceration.

Adult Education provides an array of educational, vocational and life skill services, beginning with an educational assessment of the offender's grade achievement level and a mandated basic literacy program for those inmates who are below sixth grade level. Special education instruction, GED instructional training and testing, vocational training for a variety of occupations, and two-year degree programs are part of the curriculum. Offenders are enrolled in life skill and job preparation programs intended for their successful reintegration into the community.

Department of Corrections

Mission Statement: The mission of the Department of Corrections is to protect the public from criminal offenders through a system of incarceration and supervision which securely segregates offenders from society, assures offenders of their constitutional rights and maintains programs to enhance the success of offenders' reentry into society.

Program Goals: 1. The Department is responsible for providing care, custody, treatment, and rehabilitation for adult offenders committed by the courts.

Objectives:

- a. Reduce recidivism, the number of people who return to prison with three years of release
- b. Continually improve staff and offender safety and security

Source of Funds: General Revenue Fund
Working Capital Revolving Fund
Department of Corrections Reimbursement Fund

Statutory Authority: 730 ILCS 5

	<u>Fiscal Year 2008 Actual</u>	<u>Fiscal Year 2009 Actual</u>	<u>Fiscal Year 2010 Target /Projected</u>	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Target /Projected</u>
<u>Input Indicators</u>					
• Total expenditures – all sources (in thousands)	\$ 1,289,597.7	\$ 1,373,888.3	\$ 1,370,647.0	\$ 1,227,735.7	\$ 1,305,163.0
• Total expenditures – state appropriated funds (in thousands)	\$ 1,289,597.7	\$ 1,373,888.3	\$ 1,370,647.0	\$ 1,227,735.7	\$ 1,305,163.0
• Average monthly full-time equivalents	11,215.0	11,158.0	11,587.0	11,174.0	11,628.0
<u>Output Indicators</u>					
• Percentage of adults reincarcerated within 3 years of release	52.3%	51.3%	47.3%	49.3%	47.3%
• Number of parolees returned to prison each month as a percent of average daily parole population	30.6%	39.7%	28.6%	38.7%	37.7%
• Number of offenders transferred to a lower security level due to good behavior (per 1,000 offenders per month)	2.4	2.2	2.9	2.4	N/A
• Number of offenders whose security level was increased due to discipline for problem behavior (per 1,000 offenders per month)	2.7	2.5	2.2	2.3	2.0
• Number of contraband confiscations (per 1,000 offenders per month)	27.0	29.0	21.0	26.0	23.0
• Number of offender-on-staff assaults (per 1,000 staff per month)	3.2	3.7	2.6	3.3	3.0
• Number of offender on offender assaults (per 1,000 offenders per month)	3.0	3.4	2.5	3.1	2.7