



**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

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, 2018**

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**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

AGENCY OFFICIALS

| | |
|--|--|
| Director | Mr. John R. Baldwin, Acting (Through 05/19/19) Ms. Gladyse Taylor, Acting (05/20/19 through 05/31/19) Mr. Rob Jeffreys, Acting (06/01/19 through present) |
| Assistant Director | Ms. Gladyse Taylor (Through 05/19/19) Vacant (05/20/19 through present) |
| Executive Assistant to the Director | Vacant (Through 01/15/17) Mr. Marcus Hardy (01/16/17 through present) |
| Chief of Staff | Mr. Edwin Bowen |
| Community Outreach Administrator | Mr. Marcus King |
| Chief of Parole | Mr. Tim Christianson (Through 05/31/17) Mr. Jason Garnett (06/01/17 through present) |
| Chief of Investigations and Intelligence | Mr. Mark Delia |
| Chief Legal Counsel | Ms. Camile Lindsay |
| Chief of Intergovernmental Relations | Mr. Michael Lane |
| Chief of Labor Relations | Mr. Ed Jackson |
| Chief of Operations | Mr. Mike Atchison (Through 12/30/16) Vacant (01/01/17 through 10/31/17) Ms. Sandy Funk (11/01/17 through present) |

AGENCY OFFICIALS
(CONTINUED)

| | |
|---|---|
| Administrator of Affirmative Action and Minority Recruitment | Mr. Fernando Chavarria |
| Chief Fiscal Officer | Mr. Jared Brunk |
| Chief Public Safety Officer | Ms. Carolyn Gurski (Through 02/28/18) Ms. Nikki Robinson (03/01/18 through present) |
| Chief of Programs and Support Services | Ms. Kim Butler (Through 10/31/17) Vacant (11/01/17 through 11/15/17) Ms. Anita Bazile-Sawyer (11/16/17 through present) |
| Chief Internal Auditor | Mr. Ron Faith (Through 12/31/16) Vacant (01/01/17 through present) |
| Deputy Director Northern District | Ms. Nikki Robinson (Through 02/28/18) Mr. Randy Pfister (03/01/18 through present) |
| Deputy Director Central District | Ms. Sandy Funk (Through 01/15/17) Ms. Cecil Polley (01/16/17 through 01/31/18) Mr. John Eilers (02/01/18 through present) |
| Deputy Director Southern District | Mr. Charles Peck (Through 11/30/16) Vacant (12/01/16 through 01/15/17) Ms. Jean Campanella (01/16/17 through 02/15/18) Mr. Robert Mueller (02/16/18 through present) |

AGENCY OFFICIALS
(CONTINUED)

| | |
|---------------------------|--|
| Chief Information Officer | Mr. Vivek Ananda (Through 03/26/18) Vacant (03/27/18 through present) |
|---------------------------|--|

DEPARTMENT OF CORRECTIONS – CORRECTIONAL INDUSTRIES

| | |
|-------------------------|--|
| Chief Executive Officer | Vacant (Through 12/15/16) Mr. Jeff Bloemker (12/16/16 through 07/03/17) Vacant (07/04/17 through present) |
|-------------------------|--|

| | |
|-----------------------------------|------------------|
| Assistant Chief Executive Officer | Mr. Rich Mautino |
|-----------------------------------|------------------|

| | |
|-------------------------|---------------|
| Chief Financial Manager | Mr. Sitha Hun |
|-------------------------|---------------|

Agency General Office is located at:

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



The Illinois Department of Corrections

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

MANAGEMENT ASSERTION LETTER

August 29, 2019

Adelfia LLC
400 East Randolph Street
Suite 700
Chicago, Illinois 60601

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Department of Corrections. 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 of Corrections' compliance with the following assertions during the two-year period ended June 30, 2018. Based on this evaluation, we assert that during the years ended June 30, 2017 and June 30, 2018, the Department of Corrections has materially complied with the assertions below.

- A. The Department of Corrections 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 of Corrections 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 of Corrections 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 of Corrections 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 of Corrections on behalf of the State or held in trust by the Department of Corrections have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Mission: To serve justice in Illinois and increase public safety by promoting positive change in offender behavior, operating successful reentry programs, and reducing victimization.

Yours very truly,

State of Illinois, Department of Corrections

SIGNED ORIGINAL ON FILE

Mr. Rob Jeffreys, Acting Director

SIGNED ORIGINAL ON FILE

Mr. Jared Brunk, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Ms. Camile Lindsay, Chief Legal Counsel

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

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.

ACCOUNTANT'S REPORT

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

SUMMARY OF FINDINGS

| <u>Number of</u> | <u>Current</u> | <u>Prior</u> |
|---|----------------|--------------|
| Findings | Report 46 | Report 43 |
| Repeated Findings | 36 | 31 |
| Prior Recommendations Implemented or Not Repeated | 7 | 9 |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|-----------------|-------------|--------------------|---------------------|
|-----------------|-------------|--------------------|---------------------|

GOVERNMENT AUDITING STANDARDS

| | | | |
|----------|----|---|-------------------------------------|
| 2018-001 | 20 | 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 Noncompliance |
| 2018-002 | 25 | Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property | Material Weakness and Noncompliance |
| 2018-003 | 34 | Lack of control over computer systems | Material Weakness and Noncompliance |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|-----------------|-------------|--|--|
| 2018-004 | 36 | Inadequate administration of locally held funds at the Correctional Centers | Significant Deficiency and Noncompliance |
| 2018-005 | 44 | Inadequate controls over commodity and commissary inventory | Significant Deficiency and Noncompliance |
| 2018-006 | 51 | Adult Transition Centers financial transactions not properly recorded and administered | Significant Deficiency and Noncompliance |
| 2018-007 | 56 | Lack of adequate controls over the review of internal control over service providers | Significant Deficiency and Noncompliance |

STATE COMPLIANCE

| | | | |
|----------|----|---|--|
| 2018-008 | 59 | Noncompliance with the Fiscal Control and Internal Auditing Act | Material Weakness and Material Noncompliance |
| 2018-009 | 61 | Noncompliance with the required transfers of profits from DOC Commissary Funds | Material Weakness and Material Noncompliance |
| 2018-010 | 64 | Continued lack of fiscal controls over Offender 360 project | Material Weakness and Material Noncompliance |
| 2018-011 | 66 | Inability to identify all applicable agency-specific laws | Material Weakness and Material Noncompliance |
| 2018-012 | 67 | Inadequate controls over contractual and interagency agreements | Material Weakness and Material Noncompliance |
| 2018-013 | 69 | Improper management of addiction recovery services | Significant Deficiency and Noncompliance |
| 2018-014 | 71 | Failure to implement Evidence-Based Programming System | Significant Deficiency and Noncompliance |
| 2018-015 | 72 | Failure to document compliance with statutory medical consent waivers and co-payments | Significant Deficiency and Noncompliance |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|-----------------|-------------|---|--|
| 2018-016 | 74 | Noncompliance with the Murderer and Violent Offender Against Youth Registration Act | Significant Deficiency and Noncompliance |
| 2018-017 | 76 | Noncompliance with applicable portions of the Arsonist Registration Act | Significant Deficiency and Noncompliance |
| 2018-018 | 77 | Failure to properly transfer unclaimed inmate cash account balances | Significant Deficiency and Noncompliance |
| 2018-019 | 79 | Inadequate controls over computer inventory | Significant Deficiency and Noncompliance |
| 2018-020 | 80 | Inadequate controls over the submission of Statements of Economic Interest | Significant Deficiency and Noncompliance |
| 2018-021 | 81 | Inadequate controls over the submission of required employment reports | Significant Deficiency and Noncompliance |
| 2018-022 | 82 | Failure to update Administrative Directives | Significant Deficiency and Noncompliance |
| 2018-023 | 84 | Failure to comply with Administrative Directives regarding submission and maintenance of required reports and educational records | Significant Deficiency and Noncompliance |
| 2018-024 | 86 | Failure to properly conduct metal detector searches of inmates | Significant Deficiency and Noncompliance |
| 2018-025 | 87 | Failure to timely submit interagency accounts receivable write-offs report to the Office of the Comptroller | Significant Deficiency and Noncompliance |
| 2018-026 | 88 | Inadequate controls over the Inmate Benefit Fund | Significant Deficiency and Noncompliance |
| 2018-027 | 89 | Inadequate controls over voucher processing | Significant Deficiency and Noncompliance |
| 2018-028 | 92 | Inadequate separation of duties for handling cash boxes at Correctional Centers | Significant Deficiency and Noncompliance |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|-----------------|-------------|--|--|
| 2018-029 | 93 | Failure to develop a formal fraud risk assessment program | Significant Deficiency and Noncompliance |
| 2018-030 | 94 | Noncompliance with grant agreements | Significant Deficiency and Noncompliance |
| 2018-031 | 96 | Cash receipts and refunds not paid into the State Treasury on a timely basis as required by State law | Significant Deficiency and Noncompliance |
| 2018-032 | 98 | Payroll timekeeping system not automated | Significant Deficiency and Noncompliance |
| 2018-033 | 99 | Inadequate controls over request for leaves of absence | Significant Deficiency and Noncompliance |
| 2018-034 | 101 | Employee performance evaluations not performed | Significant Deficiency and Noncompliance |
| 2018-035 | 102 | Inadequate documentation of employee training | Significant Deficiency and Noncompliance |
| 2018-036 | 104 | Taking paid leave time and working overtime on the same day | Significant Deficiency and Noncompliance |
| 2018-037 | 106 | Compensatory time accrual in violation of federal law and compensatory time payments in violation of union agreement | Significant Deficiency and Noncompliance |
| 2018-038 | 108 | Inadequate maintenance of personnel files | Significant Deficiency and Noncompliance |
| 2018-039 | 110 | Insufficient controls over payroll, timesheets and support | Significant Deficiency and Noncompliance |
| 2018-040 | 112 | Weaknesses in change control management | Significant Deficiency and Noncompliance |
| 2018-041 | 114 | Weaknesses regarding the security and control of confidential information | Significant Deficiency and Noncompliance |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|-----------------|-------------|---|--|
| 2018-042 | 116 | Lack of disaster contingency planning or testing to ensure recovery of computer systems | Significant Deficiency and Noncompliance |
| 2018-043 | 117 | Computer security weakness | Significant Deficiency and Noncompliance |
| 2018-044 | 119 | Weaknesses with Payment Card Industry Data Security Standards | Significant Deficiency and Noncompliance |
| 2018-045 | 121 | Inadequate controls over issuance of telecommunication devices | Significant Deficiency and Noncompliance |
| 2018-046 | 122 | Policies and procedures regarding operation of State vehicles not followed | Significant Deficiency and Noncompliance |

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

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|-----------------|-------------|---|--|
| 2018-001 | 20 | 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 |
| 2018-002 | 25 | Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property | Material Weakness and Material Noncompliance |
| 2018-003 | 34 | Lack of control over computer systems | Material Weakness and Material Noncompliance |
| 2018-004 | 36 | Inadequate administration of locally held funds at the Correctional Centers | Material Weakness and Material Noncompliance |
| 2018-005 | 44 | Inadequate controls over commodity and commissary inventory | Material Weakness and Material Noncompliance |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|-----------------|-------------|--|--|
| 2018-006 | 51 | Adult Transition Centers financial transactions not properly recorded and administered | Material Weakness and Material Noncompliance |
| 2018-007 | 56 | Lack of adequate controls over the review of internal control over service providers | Material Weakness and Material Noncompliance |

PRIOR FINDINGS NOT REPEATED

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> |
|-----------------|-------------|---|
| A | 126 | Inaccurate offender records |
| B | 126 | Lack of project management over Offender 360 project |
| C | 126 | Failure to provide mandated information to visitors |
| D | 126 | Noncompliance with inmate grievance procedures |
| E | 127 | Weaknesses over issuance of temporary identification cards |
| F | 127 | Inadequate controls over disbursements from the Springfield Employee's Benefit Fund |
| G | 127 | Lack of due diligence over inventory conversion |

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on August 14, 2019.

Attending were:

DEPARTMENT OF CORRECTIONS

Rob Jeffreys, Acting Director
Jared Brunk, Chief Fiscal Officer
Emily Glynn, Assistant Deputy Director, Fiscal Operations
Devin Murphy, Fiscal Accounting Compliance
Jonathan Swager, Internal Audit
Denise Caldwell, Internal Audit

ILLINOIS CORRECTIONAL INDUSTRIES

Wanda Burnett, Fiscal Accounting Manager

OFFICE OF THE AUDITOR GENERAL

Lisa Warden, Audit Manager
Kathy Lovejoy, Audit Manager

ADELFA LLC

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

The responses to the recommendations on 2018-001 through 2018-007 and 2018-008 through 2018-046 were provided by Jared Brunk, Chief Fiscal Officer, in correspondences dated April 10, 2019 and August 26, 2019, respectively.



INDEPENDENT ACCOUNTANT’S REPORT ON STATE COMPLIANCE,
AND ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Corrections’ 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, 2018. The management of the State of Illinois, Department of Corrections is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Corrections’ compliance based on our examination.

- A. The State of Illinois, Department of Corrections 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 State of Illinois, Department of Corrections 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 State of Illinois, Department of Corrections 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 State of Illinois, Department of Corrections 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 State of Illinois, Department of Corrections on behalf of the State or held in trust by State of Illinois, Department of Corrections have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Department of Corrections complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Department of Corrections complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Department of Corrections' compliance with specified requirements.

Our examination disclosed the following material noncompliance with the compliance requirement listed in the first paragraph of this report during the two years ended June 30, 2018. As described in items 2018-001 through 2018-012 in the accompanying schedule of findings, the State of Illinois, Department of Corrections 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 State of Illinois, Department of Corrections to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the material noncompliance described in the preceding paragraph, the State of Illinois, Department of Corrections complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2018. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2018-013 through 2018-046.

The State of Illinois, Department of Corrections' responses to the findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Department of Corrections' responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the State of Illinois, Department of Corrections 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 State of Illinois, Department of Corrections' internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Corrections' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Corrections' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2018-001 through 2018-012 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2018-013 through 2018-046 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 State of Illinois, Department of Corrections' responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Department of Corrections' responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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 State of Illinois, Department of Corrections as of and for the year ended June 30, 2018, and have issued our report thereon dated April 10, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Department of Corrections' basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to April 10, 2019. The accompanying supplementary information for the year ended June 30, 2018 in Schedules 1 and 3 through 6 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the State of Illinois, Department of Corrections. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2018 in Schedules 1 and 3 through 6 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2018 in Schedules 1 and 3 through 6 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the State of Illinois, Department of Corrections' basic financial statements as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated February 16, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information. The accompanying supplementary information for the years ended June 30, 2016 in Schedules 3 through 6 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2016 financial statements. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 3 through 6 has been subjected to the auditing procedures applied in the audit of the June 30, 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2016 in Schedules 3 through 6 is fairly stated in all

material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information for the year ended June 30, 2017 in Schedules 2 through 6 and the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
August 29, 2019



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Corrections, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Illinois, Department of Corrections' basic financial statements, and have issued our report thereon dated April 10, 2019.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2018-001 through 2018-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2018-004 through 2018-007 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Corrections' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2018-001 through 2018-007.

State of Illinois, Department of Corrections' Responses to Findings

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
April 10, 2019

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

SCHEDULE OF FINDINGS

**CURRENT FINDINGS
(GOVERNMENT AUDITING STANDARDS)**

2018-001 **FINDING:** (Weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements)

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

The following were noted during our audit of the Department's June 30, 2018 financial statements:

- The Department did not have adequate documentation of its procedures for development of liability estimates that were material to the financial statements. Estimated liabilities as of June 30, 2018 reported as part of Accounts Payable and Accrued Expenses in the financial statements amounted to \$223.175 million. In our test of estimated liability accruals, we obtained an understanding of how management developed the estimates. However, we noted for some estimates, the Department did not completely document and did not retain all the supporting documentation for the basis of the assumptions used and how they were applied in calculating the estimated liabilities. We were able to perform tests of reasonableness of the estimated liabilities using information provided by the Department upon request.
- The Department did not accrue liabilities totaling \$17.841 million in the originally submitted GAAP Package to the Comptroller. The additional liabilities were identified as part of the review process by the Comptroller.
- The Central Inventory System (CIS) was not updated timely and accurately. Therefore, the Department used manually compiled capital asset summaries and depreciation calculations to prepare GAAP Reporting forms related to capital assets and in determining the amounts reported in the financial statements. As a result, the following inaccuracies in the originally submitted GAAP Reporting forms and financial statements were noted:

- The Department did not report in the GAAP packages and financial statements capital assets transferred-in for assets with a net book value totaling \$27,145,630 as of date of transfer. Consequently, depreciation expense totaling \$863,614 related to these unrecorded capital transfers for Fiscal Year 2018 was also not reported in the financial statements (See Finding 2018-002).
- The Department overstated the net book value of the assets received and the amount of capital transfers-in reported in the financial statements by \$4,484,107 due to not calculating the accumulated depreciation of these assets on the date of transfer (See Finding 2018-002).
- The Department’s manually calculated depreciation schedules contained errors due to duplicate entries, wrong useful life and improper encoding in roll forward schedules, resulting in an understated depreciation expense of \$12,534,155.
- We noted the Department did not fully evaluate changes in circumstances affecting capital assets to determine whether impairment occurred and did not properly account for and report capital asset impairments for the following:
 - The Department was preparing for demolition of two buildings at Menard Correctional Center but did not record the loss on impairment totaling \$239,198 to write down the net book value to zero as of June 30, 2018.
 - The Department also assessed two closed facilities (Tamms and Dwight) as temporarily impaired subject to continued assessment in future reporting periods. However, the Department did not disclose the carrying values of the idle facilities totaling \$60,209,199.
- We also noted the following errors in reporting classification in the financial statements:

| Reported As | Should Be | Amount |
|------------------------------------|--|-------------|
| Capital Assets – Land | Capital Assets – Building Improvements | \$ 324,431 |
| Capital Assets – Site Improvements | Capital Assets – Building Improvements | \$4,020,151 |
| Compensated Absences – Noncurrent | Compensated Absences – Current | \$ 524,000 |
| Due from Component Unit | Due from Other State Funds | \$ 567,000 |

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

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources,

or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Good internal control procedures require adequate management oversight and review of accounting policies and procedures as well as an overall review of financial reporting for accuracy and compliance with GAAP.

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

SAMS Manual (Procedure 02.50.20) states agencies should establish internal control objectives and techniques for payables, debt and other liabilities to ensure all payables and other claims against the State are recorded promptly and accurately. SAMS (Procedure 02.50.10) states written procedures and flowcharts must be prepared to adequately document the internal control systems and processes for authorizing, executing, and recording transactions. Such documentation must be easily accessible for examination.

SAMS Manual (Procedure 27.20.49) instructions on preparing the GAAP form Summary of Liabilities state that accounts payable and accrued liabilities can be determined by using a reasonable estimate. Each agency is encouraged to use internal records and procedures to develop an appropriate estimation approach.

The SAMS Manual (Procedure 03.30.30) on transferring ownership of capital assets states the receiving agency should record the asset's original cost and related accumulated depreciation at the time of the transfer and depreciate the asset over the useful life remaining when it is transferred.

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

GASB Statement No. 42 paragraph 20 also requires that the carrying amount of impaired capital assets that are idle at year-end should be disclosed, regardless of whether the impairment is considered permanent or temporary.

In response to the prior year finding, the Department stated it would continue devoting the resources necessary to complete the GAAP reporting as required by taking all possible steps to ensure the GAAP Reporting Packages and financial statements are prepared in an accurate manner. The Department initiated corrective actions during the review period to update

records more timely and reduce the number of manual calculations. However, those actions were not fully implemented or sufficient to address all weaknesses identified.

Department management stated the liability estimate was unusual and complex in nature and was required to be calculated in a relatively short period of time. The additional liabilities were not initially identified due to delays in receipt and processing of vendor invoices.

The Department attributed, as it did during the prior audit, the exceptions relating to capital assets and financial reporting classification errors to staff turnovers, staff limitations, competing priorities, human error, and employee oversight.

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

These exceptions, if not detected and corrected, have the potential to materially misstate the Department's financial statements. Accurate preparation of the Department's financial information for GAAP and financial reporting purposes is important due to the impact adjustments may have on the Statewide financial statements. (Finding Code No. 2018-001, 2016-001, 2014-001, 12-01, 10-01, 08-01)

RECOMMENDATION:

We recommend the Department maintain documentation of the calculation and basis of liability estimates. We also recommend the Department outline and implement procedures to ensure GAAP Reporting Packages and financial statements are prepared in an accurate manner. Lastly, we recommend proper cut-off procedures and internal reviews be included in those procedures as a method to identify and correct errors prior to the submission of financial information to the Illinois Office of the Comptroller and other external parties.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will strengthen its controls and documentation related to liability estimates used in the financial statements. However, the Department does want to make mention that the audit cycle covered two years which presented unique and unprecedented challenges. Due to the lack of a comprehensive budget from starting July 1, 2015 and encapsulating the fiscal years 2016, 2017 and 2018, the Department was forced to manage its payables, both principal and interest, based on stopgap appropriations and within the fiscal year parameters. In addition, the State was able to pay down existing GRF liabilities by increased funding that resulted in unanticipated interest penalties, which were also able to be vouchered out of Fiscal Year 2018 funds, as opposed to rolling over to subsequent fiscal years. Furthermore, during Fiscal Year 2018 lapse period it was determined that the State owed AFSCME bargaining

unit employees for step increases that had not been awarded since July 1, 2015. This resulted in the Department being tasked with estimating a total dollar impact for associated personnel moves of over 7,000 employees. The Department will also work with its contractual provider in ensuring depreciation and roll forward schedules are properly calculated and recorded.

2018-002 FINDING: (Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property)

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

The auditors identified the following errors and inadequacies in the Department's property recordkeeping process and capital assets reporting in the GAAP Packages:

- The Department started operations of the Joliet Treatment Center in October 2017 using the facility from the Department of Juvenile Justice (DJJ). The Department did not record in the property records and report in the financial statements submitted to the Comptroller property items with a net book value of \$9,285,276 received from DJJ consisting of land, buildings and building improvements. In addition, Capital Development Board (CDB) renovation and upgrade of facility project costs for the Joliet Treatment Center totaling \$16,667,148 were also not included in the property records as of June 30, 2018.
- The Department received property items from DJJ for the Kewanee Life Skills Re-Entry Center and for the Murphysboro Life Skills Re-Entry Center and properly recorded the cost of the assets transferred but did not calculate the related accumulated depreciation as of the date of transfer for certain property items totaling \$4,484,107. Accordingly, the Department overstated the net book value of the assets received in the capital assets reported in the GAAP Packages as of June 30, 2018.
- The Department did not update its property records timely. We noted additions totaling \$805,000 and CDB capitalized transfers totaling \$14,972,108 were reflected in the capital asset amounts in the financial statements but not entered in the Central Inventory System (CIS) records. We also noted additions totaling \$135,002 that were not reflected in the capital asset amounts in the financial statements and also not entered in the CIS.
- We noted the following CDB capitalizable transfers were not included in the CIS records or were not included accurately in the manually summarized property transactions and balances as of June 30, 2018. As a result, these transfers were not reported in the capital asset balances in the proper fiscal years and the related current depreciation and prior year accumulated depreciation amounts were understated. The following table presents the amounts not reported related to these unrecorded CDB transfers:

| Transfer Year | Capitalizable Transfers Amount | Fiscal Year 2018 Depreciation | Prior Year Depreciation | Fiscal Year 2018 Accumulated Depreciation |
|---------------|--------------------------------|-------------------------------|-------------------------|---|
| 2015 | \$ 3,189,340 | \$ 131,045 | \$ 402,695 | \$ 533,740 |
| 2016 | 383,647 | - | 38,887 | 38,887 |
| 2017 | 51,990 | 2,600 | 1,061 | 3,661 |
| 2018 | 168,709 | 3,728 | - | 3,728 |
| Total | <u>\$ 3,793,686</u> | <u>\$ 137,373</u> | <u>\$442,643</u> | <u>\$ 580,016</u> |

In addition, we noted the Department did not review CDB projects for proper capitalization based on the scope and nature of the project. The Department capitalized CDB transfers based on the amount of the quarterly turn-over reports per project and considered each quarterly transfer as a separate asset entry.

- We also noted CDB transfers amounting to \$324,431 and \$4,020,151 were reported in the GAAP Package as land and site improvements, respectively, instead of building improvements.
- The Department did not consistently apply its capitalization policy. We noted assets totaling \$330,004 that met the capitalization threshold but were not capitalized, and assets totaling \$16,054 that did not meet the threshold but were capitalized. We also noted assets totaling \$51,155 that were actually received in Fiscal Year 2019 but the Department capitalized this equipment as of June 30, 2018.

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

- During testing of the C-15 reports, we noted additions reported during Fiscal Years 2017 and 2018 were not adequately reconciled with the total State property expenditures. The unreconciled difference totaled \$9,107,063 in Fiscal Year 2017 and \$11,841,666 in Fiscal Year 2018.
- During our review of property year-end inventory reports, we noted 3,568 equipment items, totaling \$3,367,855, were missing or unlocated during Fiscal Year 2018 and 2,751 property items, totaling \$1,997,947, were missing or unlocated during Fiscal Year 2017.
- During our testing of 60 equipment vouchers, we noted the following:
 - For eleven (18%) equipment vouchers tested, totaling \$199,456, equipment was not recorded in the Department's property control records as of June 30, 2018.
 - For two (3%) equipment vouchers tested, equipment was incorrectly recorded on the property control records, resulting in a \$342 overstatement.

- We tested eight equipment vouchers for new furniture, and noted the Department did not file/maintain a State Property Surplus – New Furniture Affidavit for two (25%) new furniture expenditures tested, totaling \$1,261.
- Three of eight (38%) material purchases selected for testing, totaling \$51,896, were missing supporting documentation and could not be tested.
- During our property testing at the Department’s Concordia Court campus, we noted the following:
 - We noted two of 10 (20%) items of undetermined value located at the Concordia Court campus did not have property control tags.
 - During property testing of 60 additions, we noted the following:
 - Four (7%) equipment additions tested did not include freight charges of \$265 in the cost of the asset.
 - Thirty-seven (62%) equipment additions tested were recorded in the Department property records more than 30 days after purchase, ranging from 29 to 639 days late.
 - One (2%) equipment addition tested was understated on the property records by \$157.
 - Eleven (18%) equipment additions tested, totaling \$334,338, were missing all supporting documentation; therefore, we were unable to verify the cost of these items.
 - During property testing of 60 deletions, we noted the following:
 - Fifteen (25%) equipment deletions tested, totaling \$100,962, were removed from the Department property records more than 30 days after the receipt of approval from the Department of Central Management Services (DCMS), ranging from 4 to 1,820 days late.
 - Three (5%) equipment deletions tested, totaling \$17,082, did not indicate the date DCMS received the item; therefore, we were unable to determine timeliness of updating property records.
 - For five (8%) equipment deletions tested, totaling \$11,144, Department staff approved the transfer of equipment items from 128 to 1,014 days after the date of DCMS receipt of the items.
 - Thirteen (22%) equipment deletions tested, totaling \$62,962, were missing DCMS Surplus Property Delivery Forms; therefore, we were unable to verify if DCMS received the items.
 - One (2%) equipment deletion tested, totaling \$21,250, was deleted in the system but still physically located at the center.
 - Five (8%) equipment items tested, totaling \$21,310, were removed from Department records more than 30 days after approval, ranging from 13 to 592 days late.

- For one (2%) deletion tested, totaling \$11,220, acquisition cost and acquisition date on the DCMS Surplus Property Delivery Form provided did not match Department records. The DCMS Surplus Property Delivery Form indicated the item was acquired on the day of receipt and valued at \$0.
 - Three (5%) equipment deletions tested, totaling \$49,012, were missing all supporting documentation; therefore, we were unable to test these deleted items.
 - During our test of controls over a separate sample of 60 deletions, we noted the following:
 - Three (5%) equipment items, totaling \$11,259, were missing DCMS Surplus Property Delivery Forms; therefore, we were unable to verify if DCMS received the items.
 - Nine (15%) equipment items, totaling \$157,149, were missing all supporting documentation; therefore, we were unable to test these deleted items.
 - Two (3%) equipment items sent to DCMS Scrap, totaling \$4,329, were missing the DCMS Scrap Approval Report.
- During the detailed testing of State property at fifteen Correctional Centers and four Adult Transition Centers (ATC), the following exceptions were noted:
 - During the testing of equipment at the Correctional Centers, auditors noted two of 10 (20%) disposals tested, totaling \$2,977, were not properly removed from the Center's property records timely. Assets were approved for disposal in Fiscal Year 2016 but were not removed from the property records until January 2017. This exception was noted at Pinckneyville Correctional Center.
 - Fifteen of 17 (88%) items selected from Department records were not properly tagged at Crossroads ATC.
 - Two of 10 (20%) items selected from Department records were not able to be located at North Lawndale ATC.
 - One of 10 (10%) items selected from Department records was transferred to DCMS surplus property from Peoria ATC, but was still on Department records.
 - One of 10 (10%) items selected from Department records at Fox Valley ATC was unused and broken, but was still on Department records and approval had not been requested to dispose of it.
 - Eight of 10 (80%) items identified at North Lawndale ATC were physically found, but not reported on Department records.
 - Eleven of 30 (37%) items totaling \$15,650, were not properly removed from the property listing after disposal at Lawrence, Pontiac, and Stateville Correctional Centers.

- Five of 15 (33%) items totaling \$14,583, were identified on property records as disposed or transferred, but were still physically located at the Center. This exception was noted at Lawrence and Menard Correctional Centers.
- At Stateville Correctional Center, auditors were unable to determine the completeness and accuracy of the Center's property listing. CIS cost of property items at this location as of June 30, 2018 totaled \$191,656,238.
- Twelve of 30 (40%) items disposed totaling \$24,553, did not have adequate supporting documentation for disposal at Lawrence, Vienna, and Stateville Correctional Center. Furthermore, Pontiac Correctional Center did not maintain any documentation of property disposals.
- At Vienna Correctional Center, 2 of 10 (20%) items disposed totaling \$3,501 were removed from property records 210 and 336 days after approval.
- For 17 of 100 (17%) items tested totaling \$30,163, the description or location did not match property records. This exception was noted at Danville, Dixon, Lawrence, Logan, Pontiac, and Stateville Correctional Centers.
- Two of 5 (40%) items tested totaling \$620, were incorrectly recorded as deletions instead of transferred items. This exception was noted at Western Illinois Correctional Center.
- Eight of 30 (27%) items tested were physically found, but not reported on property records. This exception was noted at Dixon, Pontiac, and Stateville Correctional Centers.
- Nine of 70 (13%) items tested totaling \$95,918 were not properly tagged. This exception was noted at Dixon, Hill, Lawrence, Logan, Pontiac, Shawnee, and Stateville Correctional Centers.
- Fifteen of 70 (21%) items tested totaling \$49,041 were inoperable or obsolete. This exception was noted at Danville, Dixon, Logan, Pontiac, Sheridan, and Stateville Correctional Centers. Furthermore, auditors noted obsolete computers and computer equipment that has been awaiting surplus for over two years at Stateville Correctional Center. Auditors also noted that Sheridan Correctional Center has two barns full of items such as computers, washer, dryers, dietary equipment, and various office equipment which have been there for multiple years and should have been disposed.
- Seventeen of 35 (49%) items transferred totaling \$65,065 did not have adequate supporting documentation for the transfer. This exception was noted at Lawrence, Logan, Pontiac, Stateville, and Vienna Correctional Centers.

- Ten of 50 (20%) items tested totaling \$26,440 could not be located. This exception was noted at Danville, Dixon, Logan, Pontiac, and Stateville Correctional Centers.
- Improper Central Inventory System (CIS) access rights were noted at Danville, Dixon, Illinois River, Lawrence, Logan, Pontiac, Shawnee, Stateville, and Western Correctional Centers. Individuals had access rights when they no longer required access or had more access rights than what was required. Also, other individuals did not have access rights when required. Furthermore, Pinckneyville Correctional Center submitted an Information Services Unit request to have two employees' CIS access rights removed 209 and 542 days following each employee's job status change.
- Auditors noted inadequate maintenance of buildings and storage areas at Dixon and Vandalia Correctional Centers. Standing water was found under pallets of inventory in the Inmate Commissary Warehouse, and inventory was damaged due to mice at Vandalia Correctional Center. Several roofs of the Center's buildings were leaking and mold was noted in the dishwashing area of the dietary building at Dixon Correctional Center.
- We noted 2 of 20 (10%) items tested, totaling \$35,532, were fully depreciated and were deemed as obsolete, but the Department had not taken measures to dispose of them.

The State Property Control Act (Act) (30 ILCS 605/6.02) states, "Each responsible officer shall maintain a permanent record of all items of property under his jurisdiction and control..." The Act (30 ILCS 605/6.03) requires the record for each item of property shall contain such information as will in the discretion of the administrator provide for the proper identification thereof. The Act (30 ILCS 605/4) requires every responsible officer of state government to be accountable for the supervision, control, and inventory of all items under their jurisdiction.

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

The Comptroller's Statewide Accounting Management System (SAMS) Manual (Procedure 29.10.10) provides agencies with guidance on how to maintain such records and states that detailed records are to be organized by major asset category and include the following information for each asset: (1) Cost (or other value); (2) function and activity; (3) reference to acquisition source document... (8) location... (13) date, method and authorization of disposition... The procedure also states this list is not exhaustive, and an agency may include additional information for its own needs.

The SAMS Manual (Procedure 29.10.30) on CDB Activity states costs associated with non-major remodeling, renovation and rehabilitation projects are to be recorded by the agency in their capital records as a repair and maintenance cost for that period. Guidance

for distinguishing between repairs and maintenance and capital items is provided in SAMS (Procedure 03.30.10).

The SAMS Manual (Procedure 03.30.30) on transferring ownership of capital assets states the receiving agency should record the asset's original cost and related accumulated depreciation at the time of the transfer and depreciate the asset over the useful life remaining when it is transferred. It also states the transferring agency should record a transfer-out equal to the net book value at the time of transfer and write off the cost of the asset and related depreciation.

The SAMS Manual (Procedure 03.30.10) states the accumulated costs incurred during construction of assets should be held in Construction in progress until such time as the project is determined to be "substantially complete" (i.e. ready for its intended use).

The SAMS Manual (Procedures 03.30.30 and 27.20.38) outline the instructions for capitalizing assets and the preparation of the Capital Asset Summary (SCO-538). This reporting process is necessary for the Comptroller to complete the Statewide financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

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

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

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

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

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

In response to the prior year finding, the Department stated it would continue devoting the resources necessary, within the limitations of the current technology and budget constraints, to ensure that capital asset information is properly recorded and maintained. Department officials previously stated they were working to update the Central Inventory System (CIS) to reflect accurate amounts. In response to the prior finding, management also stated fiscal would work with the Capital Development Board (CDB) to try to make sure all necessary information will be captured in the future. Although the Department initiated corrective actions during the review period and did reduce the number of errors and manual calculations, those actions were not fully implemented or sufficient to address all weaknesses identified.

The Department attributed, as it did in the prior audit, the exceptions to staff turnovers, staff limitations, competing priorities, human error, and employee oversight.

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

The Department had property and equipment throughout the State totaling approximately \$1.8 billion as reported on the Form C-15 at June 30, 2018. Failure to maintain adequate property records and inaccurate reporting of capital assets increases the risk of equipment theft or loss occurring without detection, and has resulted in inaccurate property reporting. Improper service or maintenance of buildings and storage areas increases the risk of hazards to employees and inmates, increases the risk of damage to commodities and equipment, and may cause disruption in operations. (Finding Code No. 2018-002, 2016-002, 2014-002, 12-02, 10-04, 08-07)

RECOMMENDATION:

We recommend the Department:

- Strengthen its procedures over property and equipment to ensure accurate and timely recordkeeping and accountability for all State assets.
- Incorporate internal review procedures within its property reporting function that ensures the capital asset information is complete and properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Illinois Office of the Comptroller.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will work to improve its oversight over property record keeping and capital assets reporting. Staff will work to ensure that GAAP capital asset related detail is properly recorded by our contractual vendor and that the capitalization policy is properly applied. The Department will remind facility staff so that they know the proper procedures for obtaining, removing and documenting equipment and property related transactions. System access will be periodically reviewed by Central Office and revoked when appropriate. The Department stands in support of a capital bill addressing deferred maintenance and ensuring the State's assets can be adequately protected.

2018-003 FINDING: (Lack of control over computer systems)

The Department of Corrections (Department) failed to implement or document the controls over its computing environment to ensure sufficient protection.

In order to meet its mission of “protecting the public from criminal offenders”, the Department utilizes a myriad of computer systems such as Offender 360, Fund Accounting and Commissary Trading Systems and Accounting Information System. The Department utilizes these systems to track offender’s location, information, and maintain accounting of offender’s finances and the Department’s finances.

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

During testing, the auditors noted:

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

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

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

Due to the severity of the deficiencies noted, auditors were unable to rely upon the IT environment controls. As such, the auditors consider the weakness to be a material weakness in the Department’s internal control over financial and fiscal operations. (Finding Code No. 2018-003, 2016-003)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will work to ensure that adequate disaster recovery plans are in place and tested, ensure proper safeguards are in place with respect to user access and develop/implement a formal change management process for its

environment and applications. In addition, the Department will collaborate with external entities such as DoIT and work on ensuring adequate resources are in place.

2018-004 FINDING: (Inadequate administration of locally held funds at the Correctional Centers)

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

As part of performing the financial audit of the Department, auditors performed tests of the locally held funds at the Department's 27 Correctional Centers. The specific locally held funds tested included the DOC Commissary Funds (Commissary Fund), DOC Resident's Trust Fund (Trust Fund), DOC Resident's and Employee's Benefit Fund (Resident Benefit Fund and Employee Benefit Fund), Travel and Allowance Revolving Fund, and Moms and Babies Fund.

Following were the year-end fund balances of the locally held funds at the Department:

| | Fiscal Year 2017 | Fiscal Year 2018 |
|--|------------------|------------------|
| DOC Commissary Funds | \$6,220,283 | \$ 8,755,227 |
| DOC Resident's Trust Fund | \$7,748,125 | \$12,265,400 |
| DOC Resident's and Employee's Benefit Fund | \$8,430,719 | \$ 8,979,377 |
| Travel and Allowance Revolving Fund | \$ 187,815 | \$ 255,008 |
| Moms and Babies Fund | \$ 1,238 | \$ 908 |

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

- Correctional Centers could not provide minutes from the committee meetings or committee meeting minutes did not include approval of the expenditures for the Employee Benefit Fund at Big Muddy, Danville, Logan, Stateville, and Vienna Correctional Centers.

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

- Big Muddy, Danville, Logan, Pontiac, Sheridan, and Stateville Correctional Centers did not properly perform or were missing the required signatures on the monthly reconciliations on some of their locally held funds. Outstanding checks were not voided or were not timely voided at Danville, Sheridan, and Stateville Correctional Centers. Furthermore, monthly statements of operations were not properly signed for 23 of 24 months within the examination period for Vienna Correctional Center. A.D. (02.40.104) requires reconciliation of the locally held fund, general ledger, and subsidiary accounts to occur monthly after the fund checking account has been reconciled and the General Ledger posting is completed. Once completed, the reconciliation is to be

submitted to the Center's Business Administrator and Chief Administrator for review and signature.

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

- Auditors noted the following exceptions at the Correctional Centers related to the recording of financial transactions:
 - Accounts payables were not properly recorded at Big Muddy, Centralia, Danville, Kewanee, Lawrence, Lincoln, Logan, Pontiac, Vienna, and Western Illinois Correctional Centers. Accounts payable were understated by a total of \$100,096 in Fiscal Year 2017, and by \$193,252 in Fiscal Year 2018 for the Employee Benefit, Employee Commissary, Inmate Commissary, and Resident Trust funds.
 - Accounts payables totaling \$64,474 did not have appropriate supporting documentation at Big Muddy and Logan Correctional Centers for the following funds: \$64,194 for the Inmate Commissary Fund and \$280 for the Resident Trust Fund.

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

- Big Muddy, Danville, Logan, Pontiac, Sheridan, Stateville, Vienna, and Western Illinois Correctional Centers did not deposit locally held fund receipts timely. Receipts were deposited between 1 to 16 days late. In addition, Big Muddy Correctional Center could not provide supporting documentation for 5 (50%) of 10 receipt samples totaling \$4,503, and therefore planned audit procedures could not be completed, including ensuring accuracy and timeliness of deposits.

A.D. (02.40.110) requires the Department to deposit cash accumulated in the amount of \$1,000 or more on any Business Office working day no later than 12:00 am the next working day. The A.D. also requires deposits to be made at least once a week.

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

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

- Weaknesses in segregation of duties were noted as follows:
 - The same employee was responsible for writing and signing checks at the Joliet Treatment Center.
 - An employee who was not authorized to accept cash for checks drawn and issued to the Travel and Allowance Fund on behalf of Sheridan Correctional Center was able to do so.
 - An employee both signed and accepted cash for checks drawn and issued to the Travel and Allowance Fund and Resident Trust Fund at the Sheridan Correctional Center, when there were other authorized employees to sign the checks and properly segregate duties.
 - The same employee ordered goods, compared receiving reports to invoices, and prepared and presented vouchers for approval at the Big Muddy Correctional Center. No independent person compared goods ordered, received, billed to, and paid by the Center.
 - The same employee was responsible for writing and mailing checks. This exception was noted at Dixon, Sheridan, and Taylorville Correctional Centers.
 - Three employees at Stateville Correctional Center had signature authority for the Inmate Trust Fund, Resident Commissary Fund, and Travel and Allowance Fund who had taken a new position at the Center which should not have such authority or were no longer employees at the Center.

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

- Auditors noted the following exceptions related to disbursements and receipts:
 - Twenty of 64 (31%) disbursements totaling \$10,617 were not adequately supported. These were noted at Big Muddy and Vienna for Employee Benefit Fund disbursements; at Big Muddy Correctional Center for Travel and Allowance Revolving Fund and Employee Commissary Fund disbursements; at Lincoln Correctional Center and Joliet Treatment Center for Inmate Commissary Fund disbursements; and Decatur Correctional Center for Moms and Babies Fund disbursements.
 - Three of 10 (30%) receipts totaling \$30,816 were not adequately supported at Stateville Correctional Center for the Resident Trust Fund.

- For 6 of 10 (60%) receipts totaling \$68,075, the corresponding Monies Received List (DOC 0167 Form) was not properly signed at Western Illinois Correctional Center for the Resident Trust Fund. Four of 10 (40%) receipts totaling \$15,329 either did not include a complete Monies Received List or were missing the Monies Received List at Logan Correctional Center for the Resident Trust Fund.

A.D. (02.42.102) requires the mailroom employee to complete, then sign the DOC 0167 Form or Monies Received List Report at the time of delivery to the Cashier. The mailroom shall restrictively endorse all checks and shall either record the amount received in each envelope on the DOC 0167 or enter the receipts to the FACTS that shall create a money receipt list. The A.D. also states that upon receiving the DOC 0167 or Monies Received List Report, the Cashier shall sign the report. A.D. (02.95.105) requires records to be properly identified for ready access, stored, and safeguarded at the facility.

- Danville, Dixon, Lincoln, and Logan Correctional Centers failed to make timely deposits from the Inmate Trust Fund to the Inmate Commissary Fund for purchases, for all 10 (100%) samples tested at each center. The Centers' receipt records show the deposits were being made on a monthly/bi-monthly basis. In addition, one of five (20%) receipts tested at Joliet Treatment Center, totaling \$28,583, included a transfer to the Inmate Commissary Fund from the Inmate Trust Fund that covered five months of sales from the Inmate Trust Fund.

A.D. (02.42.105) states, at least weekly, a check payable to the Inmates' Commissary Fund shall be prepared for the total amount of daily purchases for the week.

- Big Muddy Correctional Center's employee commissary operated at a loss for the majority of the examination period. During Fiscal Year 2017, the Center's employee commissary operated at a loss for 7 of 12 months, recording a net loss of \$1,559 for the fiscal year. During Fiscal Year 2018, the Center's employee commissary operated at a loss for 9 of 12 months, recording a net loss of \$13,078. The losses by month for both Fiscal Year 2017 and Fiscal Year 2018 ranged from \$39 to \$4,468 per month.

Good internal controls require Center personnel to examine operations and related controls when operating losses are noted on a persistent or ongoing basis. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Center to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds held outside of the State Treasury are used in strict accordance with the terms of the fund's enabling authorities.

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

We performed a review of the DOC 0075's completed during Fiscal Years 2017 and 2018 and noted the following:

- Danville and Logan Correctional Centers completed the DOC 0075 but did not transfer funds during the audit period.
- Lincoln Correctional Center did not use the DOC 0075 and determined the transfer amount according to an alternative methodology.
- Joliet Treatment Center did not use the DOC 0075 and made no transfers during Fiscal Year 2018.
- Nine centers were unable to provide complete documentation of DOC 0075 for the Inmate Commissary Fund and Employee Commissary Fund for Fiscal Years 2017 and 2018. This was noted at Big Muddy, Danville, Kewanee, Pinckneyville, Robinson, Stateville, Taylorville, Vienna, and Western Illinois Correctional Centers. Since the documentation was incomplete, we were unable to determine accurately how much money was transferred to the Inmate and Employee Benefit Funds. Furthermore, we noted differences between the amounts indicated in the DOC 0075 forms and the General Ledger Trial Balance Reports for June 30, 2017 and June 30, 2018 at Decatur, East Moline, Hill, Jacksonville, Joliet, Kewanee, Menard, Shawnee, and Western Illinois Correctional Centers ranging from \$6 to \$324,217.
- The Inmate Benefit Fund's mandated 40% share of Inmate Commissary Fund's profits totaled \$4,004,388 and \$4,322,205 during Fiscal Years 2017 and 2018, respectively. We were not provided with all the documentation supporting the transfers made. However, based on the incomplete documentation, the total transfers made were only \$2,304,691 and \$1,457,051 during Fiscal Years 2017 and 2018, respectively.
- The Employee Benefit Fund's mandated 40% share of Employee Commissary Fund's profits totaled \$54,371 and \$71,891 during Fiscal Years 2017 and 2018, respectively. We were not provided with all the documentation supporting the transfers made. However, based on the incomplete documentation, the total transfers were only \$37,592 and \$52,837 during Fiscal Years 2017 and 2018, respectively.

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

The Code (730 ILCS 5/3-4-3c) states forty percent of the profits on sales from commissary stores shall be expended by the Department for the special benefit of

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

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

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

- The bank accounts of Shawnee Correctional Center and Vienna Correctional Center were held at the same bank with a combined bank balance of \$615,635 as of June 30, 2018. The total balance was not adequately covered by Federal Deposit Insurance Coverage (FDIC) of \$250,000 and additional collateral pledged by the financial institution of \$311,248. The balance of \$54,387 was uncollateralized as of June 30, 2018. We also noted the A.D. has not been updated to reflect the current FDIC limit or to provide guidance to centers when multiple centers use the same bank.

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

In response to the prior year finding, the Department stated it would continue working with Center staff on the requirements related to the operation and maintenance of locally held funds and was striving for continual improvements in the Department's centralized oversight and audit function by recommending improvements and the maintaining of accuracy of locally held funds at the Centers. Officials previously responded the Department was reviewing directives related to locally held funds and was processing revisions as necessary. In addition,

Fiscal Accounting Compliance was reviewing and revising the FACTS manual. Officials also stated fiscal staff conduct monthly conference calls with business office staff to discuss relevant issues and concerns to assist in communicating proper procedures and ensuring understanding among staff.

During the current period, the Department reminded staff of the various policies that apply to the locally held funds regarding receipts, disbursements, and record keeping. We also noted the FDIC limits were beginning to once again be tracked by Central Office. Although the Department initiated corrective actions during the review period, those actions were not fully implemented or sufficient to address all weaknesses identified.

Department management stated the exceptions were due to lack of employee oversight, insufficient staffing, failure to follow established policies and procedures, human error, and competing priorities at the Correctional Center level. At the Central Office level, lack of staff to monitor Correctional Center issues, as well as competing priorities, compounded the problems.

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 a failure to prevent or detect fraud, theft, unauthorized use or insufficient funds, causing overdrafts. Untimely deposits result in the loss of interest earnings. Failure to adequately monitor and ensure Department funds are sufficiently covered by collateral exposes the Department to risk of loss. Further, inadequate administration of locally held funds also deters sufficient oversight, monitoring, and management's ability to identify and take timely corrective action when locally held funds are not operating as intended. Further, inadequate administration may result in a misstatement of the financial statements. (Finding Code No. 2018-004, 2016-004, 2014-004, 12-04, 10-07, 08-14)

RECOMMENDATION:

We recommend the Department remind Center staff of the requirements set forth within the Administrative Directives and statutes related to the operation and maintenance of the locally held funds. We further recommend the Department devote adequate resources, ensure sufficient oversight, and implement sufficient internal controls to ensure adequate administration of locally held funds.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will continue working with Center staff on the requirements related to the operation and maintenance of locally held funds and reminding the staff of the various policies that apply to the locally held funds regarding receipts, disbursements, and record keeping. The Department has implemented a policy since January 2019 that Central Office keeps a track of pledged collateral quarterly if the Center's bank balance exceeds \$250,000, which is not covered by Federal Deposit Insurance Coverage (FDIC). The Department will review and consider revising the A.D. (02.40.102) related to FDIC coverage balances and other Administrative Directives related to locally held funds. In addition, the Department will devote adequate resources, ensure

sufficient oversight, and implement sufficient internal controls to ensure adequate administration of locally held funds.

2018-005 FINDING: (Inadequate controls over commodity and commissary inventory)

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

The inventory balance reported by the Department at June 30, 2018 totaled \$14.4 million, excluding the inventory balance of the Department's Correctional Industries. Each Correctional Center maintained at least a portion of that inventory balance with commodity and/or commissary inventory.

As part of performing the financial audit of the Department, auditors performed tests of commodity and/or commissary inventory at 20 of the Department's 27 Correctional Centers. The determination of which Correctional Centers to test by sampling was made based upon an analysis of the Correctional Centers' inventory, capital assets, and locally held fund balances.

Auditors identified the following exceptions and weaknesses related to the controls over commodity and commissary inventory records and accounting:

- The inventory counts completed by Center personnel did not agree to the accounting records in The Inventory Management System (TIMS) or the Fund Accounting and Commissary Trading System (FACTS) due to errors in unit of measure and quantity at Danville, Dixon, Graham, Hill, and Vienna Illinois Correctional Centers, resulting in a net difference of \$27,861.
- Auditors noted errors in encoding in TIMS regarding cost and units per item based on supporting documents at Vienna Illinois Correctional Center.
- Auditor test counts did not agree or were unable to be reconciled to agency records at Danville, Decatur, Hill, Illinois River, Lawrence, Logan, Pontiac, Sheridan, Stateville, Vandalia, Vienna, and Western Illinois Correctional Centers. The total net overstatement amount was \$4,440 and differences in total units ranged from 1 to 1,087. In addition, 2 of 20 (10%) items tested at Sheridan Correctional Center did not trace to the year-end count documents for Fiscal Year 2018 and TIMS inventory was overstated by \$539.
- Shawnee and Vienna Correctional Centers failed to include commodity and commissary items, totaling \$24,694, in inventory in the proper period.
- Auditors noted the following related to inventory counts:
 - Center personnel performed physical inventory counts in the inmate commissary using the TIMS Item Status Report to see if the counts were correct instead of using a blank count sheet. The lack of blind counts was noted at Logan, Stateville, and Western Illinois Correctional Centers.

- At Logan Correctional Center, inmate commissary items were not printed out of FACTS, but were handwritten and did not include product numbers. As a result, the completeness of inventory items needed to be counted was not readily determinable. In addition, 2 of 10 (20%) employee commissary items were not mathematically accurate. The auditors noted a \$64 difference.

Center inventory procedures require the use of blank count sheets. Sound internal controls over inventory counts would require the use of blank count sheets so counters would not be influenced by what they believe the counts should be and therefore could lead to more accurate counts.

- Auditors noted the final priced inventory balances for commodities and commissaries in the Trial Balance in FACTS as of June 30, 2018 at Stateville Correctional Center were overstated by \$161,384 and understated by \$774, respectively. Further, the Fiscal Year 2018 year-end Item Status Report in FACTS did not agree to the commissary physical inventory quantities observed, resulting in an overstatement of the balance by \$451.
- Auditors noted the following exceptions related to inventory adjustments:
 - Danville and Dixon Correctional Centers made inventory adjustments totaling \$4,002 and \$4,004, respectively, that were not adequately supported and properly approved. In addition, Stateville Correctional Center adjusted commissary inventory for 143 items totaling \$737 and 227 items totaling \$237, for Fiscal Year 2017 and 2018, respectively.
 - Stateville Correctional Center also made a large quantity of adjustments to agree its records within TIMS and FACTS. One hundred items were adjusted to agree Fiscal Year 2017 commodities inventory records, resulting in a net negative adjustment of \$129,341, and 266 items were adjusted to agree Fiscal Year 2018 commodities inventory records, resulting in a net positive adjustment of \$149,624.
 - Logan, Shawnee, and Vienna Correctional Centers failed to make the necessary inventory adjustments, resulting in a total understatement of the balance of \$65,719.
 - At Logan Correctional Center, items listed on the Employee Commissary Inventory Listing were not included in the General Inventory Merchandise account on the Employee Commissary General Ledger Trial Balance at June 30, 2018 and June 30, 2017. The total net understatement amount was \$279.
- Auditors noted Danville Correctional Center could not provide explanations for 3 of 20 (15%) unusual commodity and commissary items tested totaling \$1,586. Logan Correctional Center could not provide explanations for unusual prices or quantities

for 4 of 20 (20%) commodity and commissary items tested. Stateville Correctional Centers failed to provide reasonable explanations for significant variances noted on 4 of 10 (40%) commodity inventory items and 3 of 12 (25%) commissary inventory items tested. The unexplained significant variances were \$478 of \$26,659, and \$12,066 of \$12,684, respectively.

- The final inventory balance per TIMS did not agree to the balance communicated to the Central Office for Danville (Fiscal Year 2017) and Logan Correctional Centers (Fiscal Year 2018). The difference of \$6,677 was comprised of \$5,931 for Danville and \$746 for Logan. In addition, the final inventory balance of commodities for Shawnee Correctional Center did not agree to the balance reported to Central Office. The overstatement amounted to \$44,726.
- Auditors noted the Fiscal Year 2018 employee commissary final inventory balance on the general ledger for Shawnee Correctional Center was overstated by \$1,280. The Center recorded a transaction prior to actual receipt of the items.
- Shawnee Correctional Center overstated the cost of 5 of 45 (11%) Employee Commissary items tested totaling \$91.
- Shawnee Correctional Center did not add inventory from one order in the correct fiscal year for the inmate commissary, totaling \$228. The items were included in the Center's Fiscal Year 2019 inventory, instead of its FY18 inventory, resulting in an understatement of inventory as of June 30, 2018.
- Pinckneyville Correctional Center's Inmate Commissary records maintained in FACTS did not properly distinguish between items held at different locations. As a result, the Center was not able to readily account for items held at each facility and there was an increased risk of inaccurate records.

The Department has established Administrative Directives (A.D.'s) concerning controls over commodity and commissary inventory records and accounting as follows:

- A.D. (02.82.101) requires a standardized inventory control system in order to account for all commodity items received, to maintain records that reflect commodity usage and consumption at each facility, and to ensure accurate accounting records are maintained.
- A.D. (02.82.114A-J) requires the reconciliation of the inventory records to the accounting records to verify the accuracy and value on hand of commodity items.

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

Auditors identified the following exceptions and weaknesses related to the controls over commodity and commissary inventory access, maintenance and procedures:

- Auditors identified access control weaknesses associated with TIMS at Danville, Logan, Stateville, Vienna, and Western Illinois Correctional Centers. Retired employees and employees whose job responsibilities did not require access to the application were noted to have access to TIMS. Auditors also noted that employees utilizing TIMS were not given adequate training on TIMS at Stateville Correctional Center.

Good internal controls would require the Center ensure only authorized employees with specific operational needs have access to the Center's computerized systems. In addition, employees should be properly trained and have resources available to perform their assigned duties.

- Auditors noted weaknesses in segregation of duties for inventory procedures at Stateville Correctional Center. Employees performing the year-end counts, including the Correctional Supply Supervisor, had access to accounting records in TIMS and FACTS. The Correctional Supply Supervisor had custody of the inventory and was also responsible for updating the inventory records when items were sold or disposed.
- Auditors noted that Logan Correctional Center failed to remove obsolete items in inventory amounting to \$356.
- Auditors noted Danville and Logan Correctional Centers failed to freeze commodity and commissary operations during inventory count.
- Inventory procedures at Danville, Dixon, and Logan Correctional Centers did not specify sufficient procedures to accurately identify and direct staff how to handle obsolete or damaged items and third-party owned inventory.
- Centers failed to keep commodity inventory secure from damage and loss. Auditors noted expired and freezer burned items in inventory at Hill and Logan Correctional Centers.

A.D. (02.85.103) requires the Department's Commissary Supervisors to maintain strict control over inventory.

Auditors identified the following exceptions and weaknesses related to the controls over commodity and commissary inventory recordkeeping:

- Stateville Correctional Center was unable to provide the Item Status Report for Fiscal Year 2017 and 2018 relating to the commissary or the commodities on hand and ending value.

- Logan Correctional Center failed to provide invoices showing cost of goods purchased amounting to \$44,780.

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

In addition, the State Records Act (5 ILCS 160/8 and 160/9) requires the Center to preserve records containing adequate and proper documentation of the essential transactions of the Center to protect the legal and financial rights of the State as well as to establish and maintain a program for agency records management, which includes effective controls over maintenance of records.

Auditors noted exceptions related to inventory receiving and sales documents as follows:

- For Dixon Correctional Center, quantities received per receiving reports at the end of Fiscal Year 2018 did not match first-in, first-out layers included in the Center's year-end physical inventory for 1 of 20 (5%) samples tested, amounting to \$190.
- Big Muddy River, Stateville and Western Illinois Correctional Centers did not properly enter receiving and/or sales documents in the appropriate period.

A.D. (02.82.114A-J) requires the reconciliation of the inventory records to the accounting records to verify the accuracy and value on hand of commodity items. A.D. (02.85.110) states, to ensure proper cutoff and inclusion of goods for costing of month end inventory, all goods received on the day of inventory shall be stored and recorded before the physical inventory begins

Auditors noted exceptions related to stockpiling of inventory as follows:

- Auditors noted stockpiling of inventory totaling \$99,129 at Big Muddy River, Dixon, Hill, Logan, Sheridan, Stateville, Vienna, and Western Illinois Correctional Centers. Stockpiling is defined as maintaining a supply greater than the level needed for a twelve-month period.
- Auditors noted 8 of 26 (31%) items tested at Sheridan Correctional Center totaling \$58,294, had an inventory turnover ratio of less than one. An inventory turnover ratio of less than one indicates the Center was holding more than one year's supply of inventory.

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

In addition, the Illinois Procurement Code (30 ILCS 500/50-55) requires every State agency to stock no more than a 12-month supply of inventory. It further states inventory

shall be periodically reviewed and excess inventory shall be transferred or otherwise addressed to ensure compliance with the Code.

Auditors noted the following exceptions during inventory markup testing:

- 31 of 90 (34%) employee and commissary goods tested at Centralia, Jacksonville, Lawrence, Logan, Pinckneyville, Shawnee, and Vienna Correctional Centers were priced over the allowed markup, ranging from an additional 3.68% to 23.75% markup.
- The price list was not provided for Big Muddy River, Centralia, Illinois River, Kewanee, Shawnee, and Western Illinois Correctional Centers. Further, auditors were unable to conclude on the accuracy of the Fiscal Year 2018 price listing for Vienna Correctional Center. As a result, the auditors were unable to test whether the Center's mark-up of the employee and commissary goods as allowed was within statutory limits.

The Unified Code of Corrections (730 ILCS 5/3-7-2a) sets an upper limit on the selling price for goods sold in the inmate commissary and employee commissary at 25% and 10% above cost, respectively, for non-tobacco products.

In relation to all the exceptions noted, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires agencies establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance property is safeguarded against loss or misappropriation and assets are properly recorded and accounted for to maintain accountability over the State's resources. SAMS Manual (Procedure 03.60.20) provides guidance on inventory valuation and reporting.

In response to the prior finding, the Department stated it continued working with Centers in maintaining and accounting for inventory with TIMS and FACTS and was striving to continue making improvements in the Department's centralized oversight function and the inventory accounting and maintenance within the Centers. During the current audit period, the Department emphasized to staff the importance of performing timely and accurate counts while maintaining only the necessary amount of inventory. Although the Department initiated corrective actions during the review period, those actions were not sufficient to address all weaknesses identified.

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

Strong internal controls require an improved centralized oversight function related to inventory. Failure to implement such controls could lead to theft, loss of assets and a failure to comply with legislative intent, as well as inaccurate reporting of fiscal year-end inventory balances which would, in turn, reduce the reliability of Statewide financial reporting. (Finding Code No. 2018-005, 2016-005, 2014-003, 12-03, 10-06, 08-09)

RECOMMENDATION:

We recommend the Department improve its centralized oversight function related to inventory to allow for improved controls, as well as provide guidance, reminders and assistance to the Centers to help facility staff improve compliance and internal controls.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will strive to improve its centralized oversight on inventory controls and continue working with Center staff regarding maintaining and accounting for inventory in The Inventory Management System (TIMS) and Fund Accounting and Commissary Trading System (FACTS). In addition, the Department will continue providing guidance, reminders and assistance to the Centers to help facility staff improve compliance and internal controls.

2018-006 FINDING: (Adult Transition Centers financial transactions not properly recorded and administered)

The Department of Corrections (Department) did not properly record, maintain required documentation, or ensure adequate internal controls, over financial transactions at the Adult Transition Centers (ATCs).

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

- We noted inadequate controls over the bank reconciliation process for the Resident Trust Fund at Crossroads, Fox Valley, and North Lawndale ATCs as follows:
 - At Crossroads, North Lawndale and Fox Valley ATCs, the Resident Trust Fund balances reported on the bank reconciliations and on the balance sheets compared with the Resident Trust Fund Trial Balances, as of June 30, 2017 and 2018, had unexplained differences totaling \$24,962 and \$75,610, respectively.
 - At Crossroads and North Lawndale ATCs, Fiscal Year 2017 and 2018 accounting transactions were not properly closed for the Resident Trust Fund. Since accounting transactions were not properly closed, the financial statements did not agree with the amounts in the ATC's trial balance. Crossroads ATC reported a \$323,794 net increase in the Resident Trust Fund for both Fiscal Years while the financial statements reported a \$303,674 net increase and a \$1,658 net decrease in financial position for Fiscal Year 2017 and 2018, respectively. North Lawndale ATC reported a \$334,495 net change in the Resident Trust Fund for both fiscal years, while the financial statements reported net decreases in financial position of \$43,659 and \$1,505 for Fiscal Year 2017 and 2018, respectively.
 - At the Fox Valley ATC, the same employee wrote and approved checks and prepared the bank reconciliation for Resident Trust Fund and Employee Benefit Fund balances since January 2018.

The Statewide Accounting Management System (SAMS) Manual (Procedure 02.50.20) states agencies should establish control objectives and control techniques for fiduciary and trust funds to ensure detailed subsidiary records are maintained and are periodically reconciled to control accounts.

SAMS Manual (Procedure 02.50.40) states the organization should provide for an appropriate segregation of functions. SAMS Manual (Procedure 02.50.50) on internal controls defines segregation of duties as assigning duties to individuals so that no one individual controls all phases of the processing of a transaction, thereby permitting errors of omission or commission to go undetected.

The Department's Administrative Directive (A.D.) (02.40.104) states that upon receipt of the bank statement for each checking account, the bank statement shall be reconciled with

the general ledger. The person completing the reconciliation and the Business Administrator shall sign the completed reconciliation documentation. Reconciliation of the locally held fund, general ledger, and subsidiary accounts shall occur monthly after the fund checking account has been reconciled and after a general ledger posting is completed. When completed, the reconciliation shall be submitted to the Business Administrator and Chief Administrative Officer for review and signature.

Sound internal controls require that accounting records accurately and completely record all transactions of the entity. Balances in the general ledger accounts should be reconciled with statement of accounts on a regular basis and adjustments recorded timely and correctly in the books of accounts. Reconciling items should be investigated immediately and adjustments made to the general ledger.

- During our review of the financial statements for the Resident Trust Fund of Crossroads ATC, we noted a misclassification of expenses to Resident Loans amounting to \$314 and \$1,558 in FY17 and FY18, respectively. In addition, for North Lawndale ATC, we also noted an outstanding balance of \$35 under Resident Loan general ledger account which was already paid based on supporting document.

A.D. (02.42.101) provides general guidelines for handling and maintaining Resident Trust Funds. A.D. (02.42.105) provides guidelines for staff for processing disbursements and A.D. (02.42.116) states procedures for inmate loans.

- At three ATCs, there were seven instances in which stop-payments were not issued for Resident Trust Fund checks that were outstanding for more than three months. The exceptions occurred at Crossroads (one instance), Peoria (three instances), and Fox Valley (three instances). In addition, Fox Valley ATC had four dormant checks that were not voided for three Resident Trust Fund checks and one Employee Benefit Fund check.

(A.D.) (02.40.104) requires the issuance of a stop payment for checks that are outstanding for a period of 90 days or more unless the bank's stop payment charge is greater than 50 percent of the check amount. Otherwise, these checks shall remain open until the account reaches a dormant status (outstanding over 14 months). When considered dormant, checks shall be voided and the payable deleted.

- During our Resident Trust Fund resident folder testing, we noted the letter of dependent verification was not filed in the resident's folder for 3 of 10 (30%) resident folders at the Peoria ATC.

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

- During our Employee Benefit Fund receipts testing at Fox Valley ATC, we noted 1 of 10 (10%) receipts tested, totaling \$94, was deposited 52 days late.

A.D. (02.40.110) states that cash accumulated in the amount of \$1,000 or more on any business office working day shall be deposited no later than 12:00 a.m. the next working day. Deposits shall be made at least once a week.

- Peoria ATC was unable to provide supporting documentation and copies of voided checks in 1 of 10 (10%) instances, totaling \$200.

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

- During our review of cancelled checks, we noted one check of Fox Valley ATC amounting to \$350 did not have signatures but was still cleared by the bank.

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

- During our resident personal property testing, we noted residents had more property items than what was allowed for 19 of 40 (48%) resident personal property folders tested at the Crossroads, Fox Valley, North Lawndale and Peoria ATCs.

A.D. (05.03.111c) states the center's Chief Administrative Officer shall determine the type and quantity of personal property residents placed in a community correctional center may have in their assigned living quarters. It states which items are controlled within a resident's living area for reasons of safety, security, health, and hygiene. It also states that designated staff shall be responsible for checking each resident's personal property upon reception to the center against the personal property inventory list received with the resident and providing the personal property coordinator with the inventory list received with the resident. Further, the personal property coordinator shall maintain a current inventory list of each resident's personal property which requires a permit and ensure that any permit items obtained or disposed are documented on the Resident Personal Property Permit form DCA 3816.

- During our Employee Benefit Fund disbursement testing, we noted 2 of 10 (20%) disbursements, totaling \$520, did not have the required Employee Benefit Fund committee meeting minutes at the Peoria ATC. During our Resident Benefit Fund disbursement testing, we noted 7 of 10 (70%) disbursements, totaling \$6,432, did not have the required Resident Benefit Fund committee meeting minutes at the Peoria ATC.

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

- During our IRS Form 1099-MISC (1099 forms) testing, we noted at Crossroads, North Lawndale and Fox Valley ATCs, 32 of 46 (70%) 1099 forms reported earnings greater than the Resident general ledger amounts by a total of \$4,330.

A.D. (02.99.110) states that individual inmate earnings which equal or exceed \$600 during one calendar year shall be reported to the IRS on IRS Form 1099-MISC.

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

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

In response to the prior year finding, Department officials stated they would continue to make every effort to improve accounting procedures and controls to ensure accurate and appropriate records are maintained at the ATCs. During the current period, the accounting unit worked with ATC staff when new locally held fund issues arose and helped staff clear up and resolve prior period problems. Although the Department initiated corrective actions during the review period, those actions were not fully implemented or sufficient to address all weaknesses identified.

Department management indicated, as it did during the prior examination, the exceptions noted were due to inadequate staffing, lack of training, human error, and insufficient central level oversight over offender financials.

Improper recording of financial transactions resulted in inaccurate financial reporting and noncompliance with Administrative Directives may result in health and safety violations or mismanagement of Department responsibilities. A lack of proper segregation of duties and internal controls over financial transactions increases the likelihood errors, loss or abuse would not be prevented or detected in the normal course of employees performing assigned duties. (Finding Code No. 2018-006, 2016-037, 2014-023, 12-14, 10-14, 08-18, 06-02, 04-04, 02-05, 00-05, 99-11, 98-08, 96-04, 94-05)

RECOMMENDATION:

We recommend the Department allocate sufficient resources, provide staff training and adequate supervisory review, and perform central level oversight over offender financials to ensure ATCs properly record financial transactions.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department will strive to improve its centralized oversight of offender financial transactions at the Adult Transition Centers to properly record financial activities. In addition, the Department will continue working with ATCs' staff regarding staff training, compliance and internal controls.

2018-007 FINDING: (Lack of adequate controls over the review of internal control over service providers)

The Department of Corrections (Department) did not obtain or conduct timely independent internal control reviews over its external service providers.

We requested the Department provide the population of external service providers utilized by the Department in order to determine if they had reviewed the internal controls over the service providers; however, the Department was unable to provide a listing of all service providers utilized. During our testing, we worked with the Department to identify their service providers to determine the services delivered. Generally, external service providers are used to supplement the skills and resources of the department to assist them in achieving their mission.

Due to these conditions, we were unable to conclude whether the Department's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530, AT-C § 205).

Even given the population limitations noted above, we performed testing of eleven service providers utilized.

The Department utilized various service providers for hosting the Department's Offender 360 application, maintaining residents' trust funds and medical records, as well as for the preparation of financial reports and statements.

During testing, we noted the Department had not:

- Developed a process for identifying service providers and assessing the effect on internal controls of these services on an annual basis.
- Obtained System and Organization Control (SOC) reports or conduct independent internal control reviews for nine of the eleven external service providers tested.
- Conducted an analysis of the two SOC reports they did obtain to determine the impact of the modified opinion(s) or the noted deviations.
- Conducted an analysis of the complementary user entity controls documented in the two SOC reports.
- Obtained and reviewed SOC reports for subservice organizations or performed alternative procedures to determine the impact on its internal control environment.

Additionally, it was noted the contracts between the Department and the service providers did not contain a requirement for an independent review to be completed.

The Department is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to assure its critical and confidential data are adequately safeguarded. This responsibility is not limited due to the processes being outsourced.

Department management stated contract managers were unaware of the need for SOC reports from certain types of service providers.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that 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 information technology guidance endorses the review and assessment of internal controls related to information systems and operations to assure the accurate processing and security of information.

Without having obtained and reviewed a SOC report or another form of independent internal controls review, the Department does not have assurance the external service providers' or subservice organizations' internal controls are adequate. (Finding Code No. 2018-007)

RECOMMENDATION:

We recommend the Department identify all third party service providers and determine and document if a review of controls is required. We also recommend the Department:

- Obtain SOC reports or perform independent reviews of internal controls associated with third party service providers at least annually.
- Monitor and document the operation of the Complementary User Entity Controls relevant to the Department's operations.
- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.
- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Department, and any compensating controls.
- Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.

DEPARTMENT RESPONSE:

Recommendation accepted. The Department recognizes the need to ensure adequate controls over applicable service providers and will work to ensure that the appropriate actions are taken. The Department will review all current contracts as well as identify third-party service providers at contract award so that a comprehensive review of required controls and procedures are in place. This will include monitoring any changes in operational conditions for the Department or the third-party service providers, obtaining SOC reports if warranted for subservice providers and performing alternative procedures

to ensure that service delivery will not impact the service provider's internal control environment.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

SCHEDULE OF FINDINGS

**CURRENT FINDINGS
(STATE COMPLIANCE)**

2018-008 **FINDING:** (Noncompliance with the Fiscal Control and Internal Auditing Act)

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

During Fiscal Years 2017 and 2018, the Office of Internal Audit performed only three of nine (33%) planned internal audits for the major systems of controls for the past two fiscal years. In addition, the Department failed to conduct a review of the design of the new major electronic data processing system, Offender 360, and testing of internal accounting and administrative controls over \$9 million in grants received, including monitoring. Furthermore, the Chief Internal Auditor position was vacant from December 31, 2016 until the end of our fieldwork.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003) requires the internal auditing program include audits of major systems of internal accounting and administrative control be conducted on a periodic basis so that all major systems are reviewed at least once every two years. The Act (30 ILCS 10/2002) also requires the chief executive officer of each designated State agency to appoint a chief internal auditor.

In prior audit, the Department stated the noncompliance was due to limited internal audit resources and lack of information technology audit staff during most of the audit period. During the current period, the Department's internal audit resources had become even more limited due to additional staff departures.

Department management stated there was a personnel constraint within the Office of Internal Audit, resulting in the remaining staff not being able to perform all planned audits. Management stated the Chief Internal Auditor position was vacant during 2017 and 2018 due to a retirement and subsequent difficulties in finding a replacement.

Incomplete auditing of all major internal control systems increases the risk that significant internal control weaknesses will exist and errors and irregularities may go undetected. Further, lack of independent reviews of major computer systems and major modifications to those systems could result in undetected security and integrity problems in new or modified systems. A Chief Internal Auditor is instrumental in communicating with the agency head and planning, executing and overseeing the program of internal auditing to help identify, address and minimize risks at the agency. (Finding Code No. 2018-008, 2016-006, 2014-006, 12-17)

RECOMMENDATION:

We recommend the Department ensure that audits of all major systems of internal accounting and administrative control are conducted at least once every two years as required by the Fiscal Control and Internal Auditing Act. We also recommend the Department conduct a review of grants received and the design of new major computer systems or major modifications of existing computer systems. Further, we recommend the Department appoint a chief internal auditor and ensure a full-time program of internal auditing is in place and functioning at the Department.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to ensure that sufficient resources exist to allow for compliance with the Fiscal Control and Internal Auditing Act.

2018-009 FINDING: (Noncompliance with the required transfers of profits from DOC Commissary Funds)

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

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

- Danville and Logan Correctional Centers completed the DOC 0075 but did not transfer funds during the audit period.
- Lincoln Correctional Center did not use the DOC 0075 and determined the transfer amount according to an alternative methodology.
- Joliet Treatment Center did not use the DOC 0075 and made no transfers during Fiscal Year 2018.
- Nine centers were unable to provide complete documentation of DOC 0075 for the Inmate Commissary Fund and Employee Commissary Fund for Fiscal Years 2017 and 2018. This was noted at Big Muddy, Danville, Kewanee, Pinckneyville, Robinson, Stateville, Taylorville, Vienna, and Western Illinois Correctional Centers. Since the documentation was incomplete, we were unable to determine accurately how much money was transferred to the Inmate and Employee Benefit Funds. Furthermore, we noted differences between the amounts indicated on the DOC 0075 forms and the General Ledger Trial Balance Reports for June 30, 2017 and June 30, 2018 at Decatur, East Moline, Hill, Jacksonville, Joliet, Kewanee, Menard, Shawnee, and Western Illinois Correctional Centers ranging from \$6 to \$324,217.
- The Inmate Benefit Fund's mandated 40% share of Inmate Commissary Fund's profits totaled \$4,004,388 and \$4,322,205 during Fiscal Years 2017 and 2018, respectively. We were not provided with all the documentation supporting the transfers made. However, based on the incomplete documentation, the total transfers were only \$2,304,691 and \$1,457,051 during Fiscal Years 2017 and 2018, respectively.
- The Employee Benefit Fund's mandated 40% share of Employee Commissary Fund's profits totaled \$54,371 and \$71,891 during Fiscal Years 2017 and 2018, respectively. We were not provided with all the documentation supporting the transfers made. However, based on the incomplete documentation, the total transfers were only \$37,592 and \$52,837 during Fiscal Years 2017 and 2018, respectively.

It should be noted that amounts due to other Departmental funds from the DOC Commissary Funds totaled \$14.1 million as of June 30, 2018 (\$9.2 million to the Inmate Benefit Fund, \$.1 million to the Employee Benefit Fund and \$4.8 million to the Salary Reimbursement Fund). The due to other Department funds within the Commissary Funds totaled \$7.6 million, \$7.8 million and \$9.7 million in Fiscal Years 2012, 2014, and 2016, respectively.

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

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

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

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

Department management stated the exceptions noted occurred because the DOC 0075 form needs to be updated. Currently, the calculation is set up to be conservative in nature to make sure there is sufficient cash flow for commissary operations. Because of this, the DOC 0075 rarely recommends making a payment to the benefit funds. If a facility follows the DOC 0075 recommendation not to pay the benefit funds, then they are violating the Code's requirement for 40% of commissary profits to be paid to the benefit fund. In addition, during the statewide budget crisis, offender payroll payments were not made to the Resident Trust Fund, although inmates were allowed to spend their payroll earned in

the Inmate Commissary. As a result, the Resident Trust Fund was not paying the Inmate Commissary Fund for purchases, and many of the facilities were forced to suspend making commissary profit payments.

Not transferring the accurate Commissary Funds profits to the respective Inmate Benefit Fund or Employee Benefit Fund results in noncompliance with the Code and Department Directives and a significant accumulation of amounts owed by the Commissary Funds. (Finding Code No. 2018-009, 2016-034)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department accepts this finding and will work on revising Administrative Directive 02.44.110 and internal form DOC 0075. This effort will help ensure compliance with the procedural instructions and 730 ILCS 5/3-4-3c.

2018-010 FINDING: (Continued lack of fiscal controls over Offender 360 project)

The Department of Corrections (Department) did not ensure fiscal requirements were controlled and documented.

In June 2010, the Department embarked on the development of the Offender 360 system in order to meet the statutory requirements of Public Act 097-0697 to manage the awarding of sentence credits to eligible offenders. Over the last eight years, the Department has added additional functionality to Offender 360 in the areas of offender tracking, offense information, security levels, offender personal and medical information.

Since the Fiscal Year 2014 examination, we have reported the Department had not implemented controls over the fiscal requirements related to Offender 360. During the current examination, we continued to identify weaknesses regarding overall costs as well as the appropriateness of vendor payments.

During our testing, we requested the Department provide documentation supporting the cost of the Offender 360 project. In response, the Department provided a spreadsheet which stated the Department had paid \$69,044,918 for vendor services since Fiscal Year 2011. The spreadsheet did not include the cost of Department staff and some additional hardware and software purchases.

We also reviewed the contracts, statements of work, schedules and amendments related to the vendor's services, and noted the Department may have overpaid or may have made advance payments to the vendor totaling \$1,235,686 based on the terms of the agreements. In addition, we reviewed 14 vendor invoices, totaling \$42,970,792, and found sufficient detail was not provided to determine the accuracy of the payment. Further, the Department could not provide documentation to determine if all services were delivered prior to the expiration of the lapse period for the 14 invoices.

In addition, during our discussions with the Department, it was determined they had not capitalized the costs for the development of Offender 360. Furthermore, it was determined the Department had not maintained sufficient records to determine the development costs related to the Offender 360 project. The amount to be capitalized is to include all vendor and Department staff development costs since June 2010.

In order to obtain an estimate of the vendor costs, the Department worked with the development vendor to obtain documentation dating back to 2010. In addition, the Department completed an estimate of staffing time, as a time study had not been completed. Based on the vendor's records and the Department's estimate for staffing time, it was determined the Department had not capitalized approximately \$19.4 million related to Offender 360 as of June 30, 2018.

Moreover, in March 2018, the Department embarked on a development to replace their locally held funds system with A360, a module of Offender 360. In June 2018, the Department discontinued this development. During the application development period, the Department expended \$1.5 million. Costs incurred during the preliminary project stage of A360 could not be determined.

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

Governmental Accounting Standards Board (GASB) Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets* requires the application of the specified-conditions approach to the development cycle of computer software and requires only outlays incurred for activities during the application development stage be capitalized.

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

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

Department management stated that recent changes in staffing contributed to the lapse in monitoring and controlling expenditures for these projects.

Failure to properly maintain documentation and control expenditures has resulted in overpayment and potential improper payments to the vendor. Failure to track costs incurred related to application developments for internally developed software may result in a material misstatement of financial statements. (Finding Code No. 2018-010, 2016-010, 2014-018)

RECOMMENDATION:

We recommend the Department implement controls to ensure expenditures are made in accordance with State statute, terms of the contract, and are properly documented. The Department should also ensure that costs related to internally developed software be adequately tracked by development stage and analyzed for accurate calculation of costs to be capitalized.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to strengthen its internal controls over the development and support of its Information Technology environment. A central repository of information will be established, deliverables and performance will be tracked and monitored, and an exhaustive review of all Information Technology expenditures will be completed with appropriate action being taken for billing irregularities.

2018-011 FINDING: (Inability to identify all applicable agency-specific laws)

The Department of Corrections (Department) was unable to provide a complete list of statutes with specific requirements for the Department during the examination period.

During testing, we requested the Department provide a list of all statutory mandates in effect during the examination period in order to test compliance with specific provisions from its requirements. In response to our request, the Department provided a listing of statutory mandates during the examination period. The Department identified 11 of the major statutes establishing mandates specific to their agency. However, the Department did not identify an additional 39 applicable laws with specific mandates significant to the Department.

Despite the population limitations noted above, which hindered our ability to conclude whether the selected samples were representative of the population as a whole, we selected samples from the mandates identified by the Department and by our own procedures and performed testing. Results of some of the testing of agency-specific mandates are reported in various findings in the Compliance Report Summary.

Due to these conditions, the accountants were unable to conclude the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to fully test the Department's compliance with its statutory mandates.

The State Records Act (5 ILCS 160/8) requires the Department make and preserve records containing adequate and proper documentation of the essential transactions of the Department to protect both the legal and financial rights of the State and of persons directly affected by the Department's activities.

Department management stated the exceptions were due to conflicting priorities and staff shortage.

Failure to identify all applicable laws increases the risk the Department will fail to monitor and ensure compliance with applicable laws and may subject the Department to legal or financial risk. (Finding Code No. 2018-011)

RECOMMENDATION:

We recommend the Department strengthen its controls to identify, ensure compliance and monitor all applicable statutory mandates.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to create an online database of agency specific laws identified in the Illinois Compiled Statutes.

2018-012 FINDING: (Inadequate controls over contractual and interagency agreements)

The Department of Corrections (Department) did not maintain adequate internal controls over contractual and interagency agreements.

We requested the Department to provide the population of contractual and interagency agreements in effect during the examination period to test compliance with specific provisions from its requirements. We noted the following with the information provided by the Department:

- We noted discrepancies between the Department's listing of contracts during the examination period and the list of contracts associated with the vouchers processed during the year. There were 79 contracts with total expenditures of \$8.3 million and 391 contracts with total expenditures of \$111.5 million not included in the Department's listing for Fiscal Years 2017 and 2018, respectively.
- Since a listing of interagency agreements was not provided to the accountants, the Department provided copies of all known interagency agreements, which became our population.

Due to these conditions, we were unable to conclude the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C §205.35) to fully test the Department's compliance with its contractual and interagency agreements.

Even given the population limitations noted above which hindered our ability to conclude whether the selected samples were representative of the population as a whole, we selected samples from the documents provided by the Department and noted the following from our testing:

- For 2 of 4 (50%) interagency agreements tested, the Department was unable to provide adequate documentation to support compliance with specific terms and clauses which required the Department to submit reports to the Illinois State Police and Office of the State Fire Marshal. The interagency agreements required the Department to quarterly provide to the other State agencies served by the Department's Shared Services Division a current list of Shared Services employees, their position classifications and job descriptions, and any updates.

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

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

Department management stated the exceptions were due to conflicting priorities and lack of resources.

Failure to identify all contractual and interagency agreements increases the risk the Department will fail to monitor and ensure compliance with applicable requirements and may subject the Department to litigation or loss. Further, failure to maintain adequate controls over interagency agreements by the Department may result in a lack of accountability or impact one of the State agencies' ability or effectiveness to carry out part of their administrative and operational duties. (Finding Code No. 2018-012)

RECOMMENDATION:

We recommend the Department allocate adequate resources to adequately administer and monitor interagency agreements, including maintenance of complete records of contractual and interagency agreements.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to establish online databases for tracking contractual and inter-governmental agreements; as well dedicate staffing resources to adequately administer and monitor the agreements.

2018-013 FINDING: (Improper management of addiction recovery services)

The Department of Corrections (Department) did not properly manage the addiction recovery services as required by statute.

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

- At Sheridan Correctional Center, 5 of 10 (50%) addiction recovery meetings held exceeded the statutory limit of 40 attendees per meeting. Attendees exceeded the statutory limit by 1 to 15 attendees for the meetings tested.

The Unified Code of Corrections (Code) (730 ILCS 5/3-6-2(m)) requires the Department to make a room in the institution or facility available for addiction recovery services to be provided to committed individuals on a voluntary basis. It also states the number of persons attending an addiction recovery meeting shall not exceed 40 during any session held at the correctional institution or facility.

- Pontiac, Shawnee and Stateville Correctional Centers did not maintain complete attendance records for all addiction recovery meetings held during the examination period. Due to the lack of documentation, compliance with session limitations for addiction recovery services could not be supported for all meetings during the audit period.

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

Center management stated, as it did in the prior examination, the exceptions noted were due to oversight and staffing changes.

Allowing committed persons to attend addiction recovery services will aid in their rehabilitation while incarcerated within the Department. However, failure to properly document and manage the attendance at addiction recovery services in accordance with the Code limits the Centers' ability to substantiate compliance with the Code and may pose safety concerns or hinder the rehabilitation process due to excessive attendance. (Finding Code No. 2018-013, 2016-008, 2014-013, 12-37, 10-31)

RECOMMENDATION:

We recommend the Department properly document and manage attendance at addiction recovery services and comply with State mandates.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to ensure that facility staff maintain records for participation pursuant to 5 ILCS 160/8 and that the group sizes do not exceed the limits as stated in 730 ILCS 5/3-6-2(m).

2018-014 FINDING: (Failure to implement Evidence-Based Programming System)

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

During our mandates testing, we noted that the Department is still in the process of testing a risk assessment tool identified as Risk, Assets & Needs Assessment Tool (RANA).

As RANA is still in the process of review and testing, the Department has not adopted policies, rules, and regulations regarding the adoption, validation, and utilization of the statewide standardized risk assessment tool. As of June 30, 2018, 24,671 paroled individuals were subject to supervision by the Department.

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

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

According to the statute, an Evidence-Based Programming System can result in a significant reduction in recidivism and the successful local reintegration of offenders. Without an Evidence-Based Programming System in place, the Department is not in compliance with the Illinois Crime Reduction Act of 2009. (Finding Code No. 2018-014, 2016-014)

RECOMMENDATION:

We recommend the Department implement an Evidence-Based Programming System to fulfill its mandated duties.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work towards implementing an Evidence-Based Programming System. To strengthen this effort, the Department has been working on a Classification, Assessment, Rehabilitation and Engagement (CARE) Tool to assist staff in identifying rehabilitative needs and making data driven programmatic recommendations. This Department will use this tool in conjunction with resources such as an independent program study to help train staff on risk, needs and responsibility principals and core practices. These actions will all help position the Department for a successful transition into an evidence-based programming system.

2018-015 FINDING: (Failure to document compliance with statutory medical consent waivers and co-payments)

The Department of Corrections (Department) did not comply with requirements for statutory medical consent waivers and medical co-payments.

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

- Auditors tested a total of 8 waivers at 5 Correctional Centers and noted Western Illinois Correctional Center did not complete or maintain a copy of the Offender Medical Emergency Consent Waiver for 1 (13%) waiver tested.
- One of 15 (7%) Centers tested, Big Muddy Correctional Center, was not able to provide a listing or identify instances during the examination period when offenders were incapable of giving consent for medical treatment. Due to the absence of a listing or other such records to identify these instances, auditors were unable to determine if the Offender Medical Emergency Consent Waiver forms (DOC 0095) were properly prepared and maintained on file as required to support the consent from the Center's Chief Administrative Office or Duty Administrative Officer.

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

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

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

- Lawrence and Menard Correctional Centers did not charge a \$5 co-payment for 5 of 10 (50%) inmates tested who were provided non-emergency medical services. Furthermore, at Lawrence Correctional Center, 2 of 5 (40%) inmates tested did not complete an Offender Authorization for Payment Form (DOC 296) to authorize the required \$5 co-pay for going to the nurse and receiving medical care.

The Code (730 ILCS 5/3-6-2(f)) states inmates must pay a \$5 co-payment for each visit for medical or dental services on a non-emergency basis.

The Department's Administrative Directive (02.42.105) states that offender payments shall be authorized by the offender on DOC 296.

Department management stated, as it did in the prior examination, the exceptions were due to oversight at the cited Centers. A lack of adequate staff also contributed to the exceptions in the current period.

Failure to comply with the requirements of medical consent waivers and medical co-payments may result in a violation of inmate's rights, a failure to perform mandated duties, and failure to collect revenue for the State to offset costs of non-emergency medical services. (Finding Code No. 2018-015, 2016-017)

RECOMMENDATION:

We recommend the Department implement internal controls to ensure compliance with the requirements of medical consent waivers and medical co-payments.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to ensure that all requirements are followed in relation to medical consent waivers and co-payments.

2018-016 FINDING: (Noncompliance with the Murderer and Violent Offender Against Youth Registration Act)

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

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

During testing at 15 Correctional Centers, auditors noted the following weaknesses in the Department's compliance with this Act at 6 (40%) Centers:

- Forms for 5 of 9 (56%) applicable offenders were incomplete at Big Muddy and Shawnee Correctional Center.
- Danville Correctional Center was unable to provide documentation of required notification forms for 1 of 5 (20%) applicable offenders tested.
- Auditors noted the computer system that tracks Violence Against Youth (VAY) Offenders, Offender 360, did not properly track inmates who were violent offenders against youth at Illinois River Correctional Center. Auditors noted 23 of 53 (43%) of the Offender 360 population of VAY offenders released from the Center during the examination period were not violent offenders against youth.
- Two inmates were incorrectly listed on the original Offender 360 report the auditor received and should not have been classified as violent offenders against youth. This exception was noted at Vienna Correctional Center.
- An offender was not labeled as a VAY offender upon release and therefore did not sign a form confirming he was notified of his duty to register with the police upon being released. This exception was noted at Pinckneyville Correctional Center.

In the prior examination, Department management stated the exceptions noted were due to employee oversight and staffing shortages. In the current period, management stated exceptions were due to human error and oversight.

Failure to comply with the requirements of the Murderer and Violent Offender Against Youth Registration Act and to accurately track offenders required to register increases the risk that released offenders may not register as a violent offender against youth and community schools, child care facilities, and libraries will not be notified. Incorrect

labeling of individuals as VAY may unfairly limit opportunities upon release. (Finding Code No. 2018-016, 2016-020)

RECOMMENDATION:

We recommend the Department comply with the requirements of the Murderer and Violent Offender Against Youth Registration Act. Specifically, the Department should ensure timely notification, proper completion, and maintenance of the Murderer and Violent Offender Against Youth Registration Notification Form and review records in Offender 360 to ensure accuracy.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to ensure that compliance with 730 ILCS 154/15 is achieved. To help achieve this outcome, the Department will work to have the proper documentation filed and its Information Technology platform provide reliable and accurate information.

2018-017 FINDING: (Noncompliance with applicable portions of the Arsonist Registration Act)

The Department of Corrections (Department) was unable to provide records substantiating the communication with the Illinois State Police (ISP) regarding the registration of released arsonists.

During our review of mandates, we noted the Department was unable to provide records to support the reporting of required information to the ISP regarding convicted arsonists expecting to reside, work, or attend school upon discharge, parole or release within the City of Chicago. The Department has established a process to inform and manually document affected convicted arsonists regarding their duty to register upon their discharge, parole or release, but this policy only requires the form to be shared with the City of Chicago.

The Arsonist Registration Act (Act) (730 ILCS 148/15) requires the Department to obtain from arsonists prior to release, information about where the person expects to reside, work, and attend school upon his or her discharge, parole or release and also to report this information to the Illinois State Police. Until such time as the ISP establishes the Illinois Citizens and Law Enforcement Analysis and Reporting System (I-CLEAR) database throughout the State, the Act (730 ILCS 148/80) applies only to those individuals that will reside, be employed, or attend school within the City of Chicago.

Department management stated the Offender 360, an enterprise application utilized to track offender location, maintain criminal offense information, and release information, security level, personal, medical information, and other information, did not include a feature to electronically track or share arsonist information with the ISP.

Informing ISP of convicted arsonists upon their discharge, parole, or release provides information to assist law enforcement in the identification or location of released arsonists. (Finding Code No. 2018-017, 2016-026, 2014-014, 12-39, 10-32, 08-45, 06-16)

RECOMMENDATION:

We recommend the Department implement internal controls to report to the ISP the information on released arsonists as required by the Act, and to document such notification.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work within its Information Technology platform to establish an interface that will allow for data sharing with the Illinois State Police pursuant to 730 ILCS 148/15.

2018-018 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 cash balances prior to the transfer of unclaimed balances to the General Revenue Fund (GRF). In addition, the Department did not transfer all unclaimed dormant accounts to the GRF, nor did it transfer all inmates' account balances to the Centers to which inmates were transferred.

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

- Centers transferred \$12,893 in dormant accounts that should have totaled \$16,713. The difference was due to offsetting or netting balances. This exception was noted at the following Centers: Danville, Hill, Logan, Menard, and Pontiac.
- Centers did not transfer dormant accounts to the GRF totaling \$17,777 during the two years ended June 30, 2018. This exception was noted at the following Centers: Big Muddy River and Logan.
- Inmate Trust Fund dormant positive and negative account balances for 9 inmates tested, totaling \$424 and \$3,143 respectively, were not transferred to the facilities to which the inmates were transferred. This exception was noted at the following Centers: Menard, Pontiac, and Sheridan.
- The dormant status date for 65 inmate accounts totaling \$1,046 was recorded as 01/01/1900 on the Fiscal Year 2017 and Fiscal Year 2018 List of Dormant Inmate Fund reports at Logan Correctional Center. As a result, auditors could not determine the true date these accounts became dormant, and could not test the timeliness of dormant fund transfer to the GRF for these accounts.

The Unified Code of Corrections (Code) (730 ILCS 5/3-4-3(a)) requires the Department to establish accounting records with individual accounts for each inmate. In addition, the Code (730 ILCS 5/3-4-3(b)) requires any money held in accounts of a committed person upon release from the Department by death, discharge, or unauthorized absence and unclaimed for a period of one year thereafter by the person or his legal representative be transmitted to the State Treasurer who shall deposit it into the GRF.

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

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

Department management stated, as it did in the prior examination, the exceptions noted were due to Center staff shortages, staff turnover, human error, and employee oversight.

Offsetting negative account balances against other accounts in the Inmate Trust Fund effectively requires other inmates' accounts to temporarily bear the costs of those deficits in violation of the Department's fiduciary responsibility and the Code. In addition, failure to ensure dormant cash balances are transferred to the GRF or to other receiving centers results in unavailability of funds to intended recipients. Inaccurate documentation of the date accounts become dormant increases the risk required transfers will not comply with statutory requirements. (Finding Code No. 2018-018, 2016-033, 2014-033, 12-11, 10-11)

RECOMMENDATION:

We recommend the Department transfer dormant accounts to the GRF timely and properly without offsetting or netting DOC Resident's Trust Fund (Inmate Trust Fund) accounts with positive cash balances against accounts with negative cash balances. We further recommend the Department transfer inmate's accounts to the receiving centers and properly document the date of death, discharge, or unauthorized absence for dormant accounts.

DEPARTMENT RESPONSE:

The Department accepts this finding and will make every effort to review internal policy and statutory requirement when determining the appropriate process to follow regarding dormant accounts. Department staff will also supply oversight as needed to the facilities and consistently review the Inmate Trial Balance and List Dormant Inmate Funds reports in an effort to ensure proper remittance of dormant accounts.

2018-019 FINDING: (Inadequate controls over computer inventory)

The Department of Corrections (Department) was not able to locate 946 computer items during its annual physical inventories for Fiscal Years 2017 and 2018. These computers may have contained confidential information.

The Department conducted an annual physical inventory of all equipment with an acquisition cost of \$500 or more and annually reported its results to the Department of Central Management Services (DCMS). Upon review of the Annual Reports of Physical Inventory Discrepancies, we noted 417 computer inventory items not located in Fiscal Year 2017 totaling \$521,375 and 529 computer inventory items not located in Fiscal Year 2018 totaling \$596,617. Missing computer equipment ranged from 4 to 28 years old.

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

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

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

Failure to follow up on missing computer equipment may result in a lack of control over State property and the risks associated with the potential exposure of confidential information. (Finding Code No. 2018-019, 2016-039, 2014-028, 12-25)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to improve its accountability and controls over computer inventory. To achieve these outcomes the Department will engage in enhanced monitoring of equipment tracking and adherence to established procedures regarding proper storage of electronic data.

2018-020 FINDING: (Inadequate controls over the submission of Statements of Economic Interest)

The Department of Corrections (Department) did not maintain adequate controls over the submission of Statements of Economic Interest.

During our testing of 60 employees required to file a Statement of Economic Interest with the Illinois Secretary of State, we noted the following exceptions:

- Six (10%) Statements did not have a date stamp of the date filed; therefore, we were not able to test timeliness of submission.
- Three (5%) Statements were not dated by the employee.
- Two (3%) Statements were not found on the Secretary of State website as proof of filing.
- One (2%) Statement had a filed date that was before the employee signature date.

The Illinois Governmental Ethics Act (Act) (5 ILCS 420/4A-103) requires employees to file the Statement of Economic Interests with the Illinois Secretary of State. Statements shall be verified, dated, and signed by the person making the statement.

The Act (5 ILCS 420/4A-105) also requires the filing of the Statement by May 1 of each year. If a person fails to timely file such statement, they may be subject to a \$15 late filing fee and a penalty of \$100 per day.

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

Department management stated the exceptions were due to conflicting priorities and lack of resources.

Failure to properly complete the Statements of Economic Interest could result in the State's inability to properly and accurately identify and evaluate transactions involving parties related to the Department. (Finding Code No. 2018-020)

RECOMMENDATION:

We recommend the Department allocate adequate resources to ensure timely submission of Statements of Economic Interest.

DEPARTMENT RESPONSE:

The Department accepts this finding and will ensure the importance of timely and complete submission of Statements of Economic Interest will be communicated to staff.

2018-021 FINDING: (Inadequate controls over the submission of required employment reports)

The Department of Corrections (Department) did not maintain adequate controls over the submission of required employment reports.

During our testing of the State Hispanic, Asian American and African American Employment Plans (Plans) for both Fiscal Years 2017 and 2018, we noted the following exceptions:

- Eighteen of 159 (11%) total survey questions in the FY17 Plans reported 5,340 less total staff as compared to supporting documentation.
- Forty-five of 159 (28%) total survey questions in the FY17 Plans involving 7,786 staff had no supporting documentation.
- Forty-four of 165 (27%) total survey questions in the FY18 Plans reported 634 less total staff, as compared to supporting documentation.
- Seven of 165 (4%) total survey questions in the FY18 Plans involving 5,676 staff had no supporting documentation.

The Department of Central Management Services Law (Law) (20 ILCS 405/405-125) and the African American Employment Plan Act (Act) (20 ILCS 30/20) require each State agency to implement strategies and programs in accordance with the Plans to increase the number of Hispanics, Asian Americans, and African Americans employed by the State, and the number of bilingual persons employed by the State at supervisory, technical, professional, and managerial levels. Each State agency shall report annually to the Department of Central Management Services (DCMS) and the Department of Human Rights (DHR) in a format prescribed by DCMS, all of the agency's activities in implementing the Plans.

Department management stated the exceptions were due to conflicting priorities and lack of resources.

Filing inaccurate reports with DCMS and DHR prevents fulfillment of the purpose of the Law and the Act, which is to provide information to help guide efforts to achieve a more diversified work force. (Finding Code No. 2018-021)

RECOMMENDATION:

We recommend the Department allocate adequate resources to ensure timely and accurate submission of required reports.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to devote the time and resources needed to file accurate employment reports.

2018-022 FINDING: (Failure to update Administrative Directives)

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

During our testing, we noted the Department had not updated all of its A.D.s when changes occurred in its operation. Some of the A.D.s refer to juvenile divisions even though the Department of Juvenile Justice was created in 2006 as a separate State agency. Center auditors noted that some of the Department's A.D.s related to inventory were not properly updated to reflect the change in inventory systems from the Automated Inventory Management System (AIMS) to The Inventory Management System (TIMS). Center auditors also noted that the Department's A.D.s related to fixed assets were not updated to show the change from the Property Control System (PCS) to the Common Inventory System (CIS). The Department's A.D. regarding Notifications of Release is not current; the A.D. indicates copies of the Notifications of Release are to be maintained in master files, however the Department has informed Centers this is no longer needed due to electronic copies being maintained in Offender 360. In addition, an A.D. (specifically 04.50.103) did not contain all requirements of the Unified Code of Corrections (730 ILCS 5/3-14-1(e)).

The A.D.s have effective dates ranging from February of 1984 to May of 2018. The Department revised a total of 74 A.D.s (38 and 36 A.D.s during Fiscal Years 2017 and 2018, respectively) and reviewed a total of 75 A.D.s (39 and 36 A.D.s during Fiscal Years 2017 and 2018, respectively).

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

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

Department management stated, as they did in the prior examination, the exceptions noted were due to the level of involvement of all personnel in the review process and the time it takes before any change is taken into effect.

Failure to update the A.D.s when significant changes occur in the Department poses 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. 2018-022, 2016-016, 2014-027, 12-32, 10-33, 08-44)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to allocate sufficient resources to allow for compliance with Departmental policy regarding on-going reviews, edits, additions and deletions of its Administrative Directives.

2018-023 FINDING: (Failure to comply with Administrative Directives regarding submission and maintenance of required reports and educational records)

The Department of Corrections (Department) did not maintain documentation to support the timeliness of submission of required reports and maintenance of all educational records.

During on-site audits of 15 Correctional Centers at which the following requirements were tested, auditors noted the following weaknesses:

- Vienna Correctional Center and Stateville Correctional Center (13% centers tested) were unable to provide support for when the FY16 annual evaluation of programs was submitted by the Educational Facility Administrator (EFA) in the Center to the Administrator and Chief of Program and Support Services, which was due October 1, 2016.

The Department's Administrative Directive (A.D.) (04.10.101) states an annual evaluation of programs shall be prepared and submitted to the Administrator and Chief of Programs and Support Services by October 1st of each year by the EFA.

- Shawnee Correctional Center was unable to locate the DOC 0362 - Educational Release of Information and DOC 0359 - Vocational Program Waiver of Liability and Hold Harmless Agreement forms for one of three (33%) vocational students tested. In addition, Big Muddy Correctional Center was unable to locate the completed Vocational Assessment Instrument form for two of two (100%) vocational students tested.

A.D. 04.10.118, established pursuant to the Unified Code of Corrections (730 ILCS 5/3-6-2), requires the Center to retain forms DOC 0362, DOC 0359, and the Vocational Assessment Instrument form, in each student's educational file.

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

Department management stated, as it did in the prior examination, the exceptions noted were due to oversight.

Failure to comply with the requirements of maintenance of educational records and submission of required reports reduces the information available to make individual and programmatic recommendations and decisions, and exposes the Centers to liability. (Finding Code No. 2018-023, 2016-019)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department accepts this finding and will ensure that the Office of Adult Education and Vocational Services staff in each facility maintains the appropriate education files and submits all required reports in accordance with the guiding Administrative Directive.

2018-024 FINDING: (Failure to properly conduct metal detector searches of inmates)

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

During on-site audits of Correctional Centers, auditors noted at Danville, Dixon, Illinois River, Logan, Pontiac, and Stateville Correctional Centers that inmates assigned to mechanical and kitchen areas where tools and metal were present were not subjected to searches with metal detectors upon exiting the area.

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

Department management stated, as it did in the prior examination, the exceptions noted were due to oversight by some Centers, while other Centers did not have metal detectors due to budget constraints. At two Centers, management stated this exception was due to a misunderstanding of the A.D.

Failure to properly conduct metal detector searches of inmates upon leaving areas where metal is present poses multiple safety and liability concerns for Center employees and inmates. (Finding Code No. 2018-024, 2016-007, 2014-021)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to allocate resources so that its facilities properly conduct metal detector searches of its offenders in accordance with Administrative Directive 05.01.113. Department staff will also conduct a survey identifying the need for additional metal detectors, complete a system-wide security check to test for potential vulnerabilities and review the Departmental policy pertaining to tools and assignments that would be subject to metal detection.

2018-025 FINDING: (Failure to timely submit interagency accounts receivable write-offs report to the Office of the Comptroller)

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

During our audit, we noted Industries had not submitted timely to the Office of the Comptroller 2 of 17 (12%) interagency receivables that were written off during the audit period. Industries submitted two interagency receivables written off during Fiscal Years 2017 and 2018, totaling \$1,332, to the Office of the Comptroller 3 and 19 days, respectively, after the due date.

The Illinois State Collection Act of 1986 requires the Comptroller to provide rules for State agencies to report accounts receivable and uncollectible claims (30 ILCS 210/4). The Statewide Accounting Management System (SAMS) (Procedure 26.40.70) requires agencies to submit a listing of all write-offs to the Comptroller within 60 days of taking such action.

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

Department management stated, as it did in the prior examination, the exceptions noted were due to competing priorities.

Failure to timely file the required reports with the Office of the Comptroller reduces effectiveness of governmental oversight. (Finding Code No. 2018-025, 2016-015)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to ensure applicable accounts receivable write-off reports are submitted by the stated deadline.

2018-026 FINDING: (Inadequate controls over the Inmate Benefit Fund)

The Department of Corrections (Department) did not have adequate controls over the Inmate Benefit Fund.

During our testing of the Inmate Benefit Fund, we noted 3 of 60 (5%) disbursements lacked the corresponding committee meeting minutes to support approval of expenditures totaling \$23,178 for tent rental, an inmate grievance, a washer and a dryer.

Department Administrative Directive (A.D.) (02.43.102) establishes written guidelines for expenditures from the Inmates' Benefit Fund, including the creation of a committee at each Center to review expenditure requests from the benefit fund it administers. The A.D. states the minutes must be maintained for each meeting. A.D. (02.95.105) requires records to be properly identified for ready access, stored and safeguarded at the facility.

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

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

Department management stated the exceptions noted were due to conflicting priorities and employee oversight.

Failure to maintain adequate controls over the Inmate Benefit Fund could lead to unauthorized expenditures, missing funds, or errors not prevented or detected in the normal conduct of business. Further, charges could exceed available monies in the funds, causing overdraft charges. (Finding Code No. 2018-026)

RECOMMENDATION:

We recommend the Department improve controls over the Inmate Benefit Fund to ensure committee meeting minutes are maintained to support approval of expenditures.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to provide training to staff on the proper administration and procedures related to the Inmate Benefit Fund.

2018-027 FINDING: (Inadequate controls over voucher processing)

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

During our sample testing of 309 vouchers, we noted the following exceptions:

- For 120 (39%) vouchers tested, totaling \$11,581,196, payments were approved by the agency head more than 30 days after receipt by Fiscal Operations, ranging from 3 to 638 days late.
- For 75 (24%) vouchers tested, totaling \$896,323, invoices were not paid timely, ranging from 5 to 645 days late, and late payment interest was not paid as required.
- For 10 (3%) vouchers tested, totaling \$2,417,856, bills did not have a date received stamp; therefore, we were not able to test timeliness of receipt of the vendor invoice and payment to the vendor.
- Six (2%) vouchers selected for testing were not provided by the Department. Four of the vouchers totaling \$297,028 were paid pursuant to contracts for utilities, food supplies, machinery, and officer uniforms. The other two payments, totaling \$7,140 for food and medical supplies, were paid to vendors previously used and verified to be active businesses.

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

The State Prompt Payment Act (30 ILCS 540/3-2(1.05)) requires bills to be paid or payment issued to the payee within 90 days of receipt of a proper bill or invoice. Untimely payment will result in the monthly accrual of interest until paid.

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

The Department distributed a memorandum to staff reminding them of the importance of timely travel voucher submission. However, during our sample testing of 69 travel vouchers, we noted the following exceptions:

- For 16 (23%) vouchers tested, totaling \$3,882, reimbursement requests were received by Fiscal Operations later than the 30th of the next month after the trip took place, ranging from 1 to 656 days late.
- For 1 (1%) voucher tested totaling \$133, the employee's headquarters did not agree with the official headquarters on file with the Legislative Audit Commission.

The Department's Administrative Directive (A.D.) (02.37.110) instructs employees to submit travel expenses monthly on one travel voucher (C-10). More frequent submission is permitted should the accumulated expenses become significant and the employee

receives permission from the Travel Coordinator. A.D. (02.37.110) also states that upon receipt of the C-10 from the traveler, the facility Business Office is to forward all C-10s for the previous month's travel to arrive on or before the 30th calendar day of the following month to the Division of Finance and Administration, Management and Budget Unit.

We tested an additional sample of 60 out-of-State travel vouchers. For 26 (43%) vouchers tested, totaling \$4,823, vouchers did not have a supporting travel request (DOC 0277) documenting Department approval. Three of these vouchers, totaling \$1,928, were for travel outside of Illinois and should have been approved 50 days in advance of the departure date. In addition, the required travel approval forms for these three vouchers were not submitted 30 days in advance of the departure date to the Governor's Office of Management and Budget (GOMB).

Administrative Directive (A.D) (02.37.105) states requests for approval of out-of-State or out-of-country travel shall be submitted to the Manager of Staff Development and Training on an Out-of-State or Out-of-Country Travel Request, DOC 0277, at least 50 days in advance of the departure date. In addition, travel requests shall be submitted to the GOMB no later than 30 days prior to the departure date or as soon as the need for travel is determined.

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

Department management stated, as it did in the prior examination, exceptions noted were due to conflicting priorities and lack of resources. Oversight was an additional cause provided by management during the prior audit.

Inadequate controls over voucher processing may result in untimely or inaccurate voucher processing and unnecessary interest charges. In addition, the propriety of disbursements may be questioned due to missing supporting documentation. (Finding Code No. 2018-027, 2016-028, 2014-024)

RECOMMENDATION:

We recommend the Department document receipt date of vendor invoices and timely approve and process vouchers for payment. We also recommend the Department retain all vouchers and supporting documentation. Lastly, we recommend the Department ensure employees timely submit travel reimbursement requests including adequate supporting documentation, accurately report their headquarters, and timely obtain pre-approvals for out-of-State and out-of-country travel.

DEPARTMENT RESPONSE:

The Department accepts this finding and will work to ensure that vouchers are properly reviewed and processed in a timely manner. The Department will also make every effort to stress the importance of receiving adequate funding required to help facilitate the processing of its vouchers.

2018-028 **FINDING:** (Inadequate separation of duties for handling cash boxes at Correctional Centers)

The Department of Corrections (Department) did not maintain an adequate separation of duties for handling locally held funds.

Each of the Department's Correctional Centers (Centers) maintains a cash box which is funded by the Travel and Allowance Fund checking account to provide gate money and to fund the inmates' transportation upon parole or release from a correctional center.

During on-site testing at 15 Centers, auditors noted the individual assigned custody of the travel and allowance fund cash box performed monthly counts of the cash box and completed monthly bank account reconciliations for the travel and allowance fund. This exception was noted at 3 Centers (20%) - Big Muddy, Dixon, and Pinckneyville with cash box authorized balances of up to \$1,500.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires each agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance the State's funds and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Administrative Directive (A.D.) (02.40.101) requires adequate separation of duties for handling locally held funds unless staff size is insufficient and exceptions have written approval of the chief financial officer.

Department management indicated, as it did in the prior examination, the exceptions noted were due to staffing limitations and oversight.

Inadequate separation of duties increases the likelihood that errors and discrepancies could occur and not be found in the normal course of employees carrying out their assigned duties. (Finding Code No. 2018-028, 2016-038, 2014-029, 12-09, 10-09, 08-16)

RECOMMENDATION:

We recommend the Department work with the Centers to identify staff shortages and take corrective actions to ensure an adequate separation of duties is maintained.

DEPARTMENT RESPONSE:

The Department accepts the finding and will remind staff on both ensuring proper separation of duties and filing the required documentation if adequate separation cannot be performed.

2018-029 FINDING: (Failure to develop a formal fraud risk assessment program)

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

The Department relied on administrative directives and internal controls to minimize the risk of fraud occurring, but had not completed its analysis of the process to ensure a written fraud risk assessment is in place.

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

In response to the prior year finding, the Department stated it would make every effort to ensure a formal fraud risk policy and risk assessment was completed and appropriately acted upon.

Management stated, due to limited resources, they had to prioritize corrective actions, thus, a formal fraud risk assessment program had not been established.

Without a written and formal program to identify and address the specific risks associated with fraud, fraudulent activities may go undetected and could result in misstatements in its financial reporting to the State or misappropriation of Department assets. (Finding Code No. 2018-029, 2016-012, 2014-026, 12-31)

RECOMMENDATION:

We recommend the Department establish a written fraud prevention, deterrence and detection program. This program should include evaluating whether appropriate internal controls have been implemented in any areas identified as posing a higher risk of fraudulent activity, as well as controls over the financial reporting process.

DEPARTMENT RESPONSE:

The Department accepts the finding and will work towards implementing a formal fraud risk policy and risk assessment.

2018-030 FINDING: (Noncompliance with grant agreements)

The Department of Corrections (Department) did not exercise adequate controls over and sufficiently monitor grant agreements under its purview during the examination period.

During our testing of grant agreements for grants awarded to the Department, we noted the following exceptions:

- One of 7 (14%) State grant agreements was not provided by the Department.
- For 1 of 6 (17%) grant agreements provided, the required periodic financial reports were submitted 7 to 18 days after the due date; the close-out performance report was submitted 11 days after the due date; and the grant agreement was not signed by the grantor.
- For 1 of 3 (33%) grant agreements requiring submission of a status report, the status report was submitted 18 days after the due date.

In order to preclude the possibility of the withholding of funding, the Department was required by the grant agreements to timely file all required reports. Reports included, were not limited to, quarterly fiscal reports, quarterly progress reports, and all reports included in the closeout materials. The quarterly fiscal and progress reports were due 30 days after the end of each quarter unless another reporting schedule had been required or approved by the Department.

According to the grant agreements, the final date for submission for all of the closeout material reports was 60 days after the end of the grant period. Failure to meet the reporting dates established for the particular reports should have resulted in the withholding of all funds to the Department. Funds would be released following the completion of all the reporting requirements.

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

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

Failure to maintain documentation, adequately monitor and ensure adherence to the conditions contained within the grant agreement could jeopardize grant funding, result in grantee reporting inaccuracies, and pose legal and financial risks to the Department. (Finding Code No. 2018-030)

RECOMMENDATION:

We recommend the Department implement controls to ensure all reporting requirements are adhered to and ensure grant agreements are documented, maintained and signed prior to the effective date of the agreement.

DEPARTMENT RESPONSE:

The Department accepts the finding and will implement procedures that ensure appropriate documentation and timely processing of grant agreements.

2018-031 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 our sample testing of receipts and refunds, we noted the following:

- Twenty-five of 411 (6%) receipt checks tested, totaling \$138,445, were not deposited within the 15-day extended due date. The checks were deposited from 1 to 104 days late.
- Seven of 60 (12%) refund checks tested, totaling \$11,372, were not deposited within the 15-day extended due date. The checks were deposited from 2 to 24 days late.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires the Department to deposit into the State Treasury receipts between \$500 and \$10,000 within 48 hours. Single item receipts of more than \$10,000 must be deposited the same day received. Amounts of \$500 or less can be held until the next 1st or 15th day of the month before deposit. In cases where compliance with these requirements is not possible, the Comptroller and Treasurer have joint authority to allow deposit extensions.

The most recent applicable deposit extension approved for this purpose was a 15-day extension for the period December 6, 2015 through December 6, 2019. Even with the approved deposit extension, the Department did not deposit receipts and refunds in a timely manner.

- Four of 60 (7%) refunds tested lacked adequate supporting documentation, and therefore, we were not able to determine the timeliness of deposit. Two of the 4 exceptions did not have any supporting documentation, and therefore, we were also unable to trace to Department records.

The State Records Act (5 ILCS 160/8 and 160/9) requires the Department to preserve records containing adequate and proper documentation of the essential transactions of the Department to protect the legal and financial rights of the State as well as to establish and maintain a program for agency records management, which includes effective controls over maintenance of records.

Department management stated the exceptions noted were due to human error and employee oversight.

A delay in the deposit of cash receipts could result in a compromise of internal controls, increases the risk of potential loss and could result in a loss of interest income. Furthermore, without adequate supporting documentation, there is no trail to determine adherence to the deposit requirements. (Finding Code No. 2018-031)

RECOMMENDATION:

We recommend the Department implement controls and maintain adequate supporting documentation to ensure cash receipts and refunds are deposited in a timely manner in accordance with State law.

DEPARTMENT RESPONSE:

The Department accepts the finding and will strive to process all receipts and refunds in a timely manner and ensure sufficient documentation is maintained.

2018-032 FINDING: (Payroll timekeeping system not automated)

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

As has been reported since the Fiscal Year 1998 examination, each correctional center in the Department continued to maintain a manual timekeeping system for several hundred employees. Correctional center employees signed in and out, and these sheets were sent to the timekeeping clerk. Other information, including notification of absences and call-in reports, were also forwarded to timekeepers. However, the Department had not implemented an automated timekeeping system.

Once again, for the current examination period, we noted the Department still had not implemented an automated timekeeping system. As a result, our testing of compensatory time noted significant exceptions. See Finding 2018-037 for details.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and to maintain accountability over the State's resources. Good internal controls and 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 stated it did not have sufficient resources to implement an automated timekeeping system.

Due to the lack of an automated timekeeping system, the Department had encountered significant timekeeping and payroll weaknesses. In addition, the lack of an automated timekeeping system increases the risk of errors and reduces control efficiencies. (Finding Code No. 2018-032, 2016-022, 2014-016, 2014-025, 12-23, 10-16, 08-20, 06-04, 04-07, 02-08, 00-09, 99-17, 98-17)

RECOMMENDATION:

We recommend the Department implement an automated timekeeping system.

DEPARTMENT RESPONSE:

The Department accepts the finding and will work towards securing the resources needed to implement an automated timekeeping system. Until such time that those resources are made available, the Department will train its staff on the proper timekeeping techniques and work towards minimizing any errors resulting from manual entry.

2018-033 FINDING: (Inadequate controls over request for leaves of absence)

The Department of Corrections (Department) did not ensure employees' requests for leaves of absence were properly documented and approved timely.

During our testing of employees' requests for leave of absence (LOA), we noted the following exceptions:

- Thirty eight of 60 (63%) employees on LOA tested were approved by the Director 1 to 198 days after the LOA effective date.
- Twenty three of 54 (43%) employees on LOA tested who returned from LOA had no supporting Personnel Action Form for their return to work
- Two of 60 (3%) return LOA forms tested were approved 110 and 212 days after the LOA effective return date.
- Five of 60 (8%) employees on LOA tested were missing their employee signature on the initial LOA form.
- Two of 10 (20%) of the employees on military leave tested were approved 60 to 88 days after the start of leave.
- Two of 60 (3%) employees on LOA tested were missing the initial Personnel Action Form for LOA approval.

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

The Illinois Administrative Code (80 Ill. Adm. Code 420.640) states unless otherwise provided for in a specific leave and with prior approval of the Director of Personnel, leaves of absence may be granted without pay to employees for periods not to exceed 6 months. Employees must provide proper documentation to support their request for leave prior to the approval of the leave. Leaves may be extended for good cause by the department for additional 6 month periods, with the Director of Personnel's approval.

The Department's Administrative Directive (A.D.) (03.02.104) requires a Personnel Action Form to be used to initiate personnel actions, accompanied by the necessary documentation, approved by the appropriate supervisory staff and appropriate Deputy Director and, when required, approved by the Director prior to final processing by the Agency Personnel Office.

Department management stated, as it did in the prior examination, competing priorities and employee oversight resulted in these exceptions.

Failure to maintain adequate controls over requests for leaves of absence may result in unauthorized leaves being taken. (Finding Code No. 2018-033, 2016-025)

RECOMMENDATION:

We recommend the Department improve controls over leave of absence requests to ensure forms are fully completed, timely approved, and maintained in the Department's files.

DEPARTMENT RESPONSE:

The Department accepts the finding and will work to ensure requests for leaves of absences are properly documented and filed in a timely manner. Staff will be trained on the proper policies and procedures related to these requests.

2018-034 FINDING: (Employee performance evaluations not performed)

The Department of Corrections (Department) did not conduct performance evaluations.

During our testing of performance evaluations, we noted 29 of 60 (48%) employees tested did not have an annual performance evaluation completed in Fiscal Year 2017 and 22 of 60 (37%) employees tested did not have an annual performance evaluation completed in Fiscal Year 2018.

Personnel Rules issued by the Department of Central Management Services (80 Ill. Adm. Code 302.270) require performance records to include an evaluation of employee performance prepared by each agency not less often than annually.

The Department's Administrative Directive (A.D.) (03.03.110) states that each employee shall have a list of measurable objectives for a specific work period and shall receive a documented evaluation of his or her job performance at least annually. A formal job performance evaluation shall be conducted by supervisory staff on each employee prior to the completion of any probationary period and annually thereafter.

Department management stated, as it did in the prior examination, the performance evaluations were not conducted in a timely manner due to staffing constraints, vacancies, retirements, oversight, and lack of adequate follow-up.

Good internal controls dictate the annual evaluation be performed in a timely manner as it is an important component of the communication between the employee and employer on the performance and future expectations of the employee in the workplace. Employee evaluations support administrative personnel decisions by documenting regular performance measures. (Finding Code No. 2018-034, 2016-029, 2014-008, 12-22, 10-17, 08-21, 06-05)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department accepts the finding and will work towards providing sufficient resources that allow for each employee to have a performance evaluation at least annually and that ensure performance expectations are clearly communicated between the employer and employee.

2018-035 FINDING: (Inadequate documentation of employee training)

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

During our sample testing of training records, we noted 13 of 60 (22%) employees in Fiscal Year 2017 and 7 of 60 (12%) employees in Fiscal Year 2018 tested did not meet the minimum number of hours needed to meet training requirements.

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

- 4 of 60 (7%) employees tested which were hired during the review period did not complete their initial ethics training within 30 days after their date of hire.
- 1 of 60 (2%) employees tested did not receive ethics training in FY17.
- 3 of 60 (5%) newly hired Correctional Officers tested did not reach the minimum required employee orientation and pre-service hours.

The Department's Administrative Directive (A.D.) 03.03.102 details the minimum initial and annual training hours required based on position.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10) requires a person who fills a vacancy or is employed in a position requiring ethics training to complete his or her initial ethics training within 30 days after commencement of his or her office or employment. In addition, all officers, members, and employees must complete annual ethics training.

In the prior audit period, Department management stated exceptions were due to failure to document training hours and to follow-up to ensure sufficient training was provided and attended. During the current audit period, management stated competing priorities and employee oversight were contributing factors to these exceptions.

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. 2018-035, 2016-030, 2014-007, 12-24, 10-18, 08-23, 06-03, 04-06, 02-07, 00-07)

RECOMMENDATION:

We recommend the Department allocate sufficient resources to document and monitor training and to ensure employees receive the required training to enable them to perform their specific job duties.

DEPARTMENT RESPONSE:

The Department accepts the finding and will work towards allocating sufficient resources that allow for an extensive and robust curriculum to be implemented. The Department will also monitor staff's enrollment and completion of required training modules and ensure that proper documentation is filed in an accurate and timely manner.

2018-036 FINDING: (Taking paid leave time and working overtime on the same day)

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

According to the Department, for Fiscal Year 2018, there was a total of 977,742 hours of overtime paid at a cost of \$43,926,635. Stateville Correctional Center reported 202,011 hours of overtime at a cost of \$9,457,052, the highest amount of overtime of any correctional facility. The facility with the next highest amount of overtime was the Logan Correctional Center with 90,992 hours of overtime at a cost of \$3,916,021.

We reviewed Fiscal Year 2018 overtime payments for 20 employees. We selected 10 employees at the Stateville Correctional Center and 10 employees at the Logan Correctional Center who had the highest amount of overtime paid. As part of our review, we obtained employee annual timesheets and payroll reports.

In our review of these 20 employee timesheets for Fiscal Year 2018, 4 employees (20%) had used a full day of leave time at least once during the fiscal year on the same day they had worked an overtime shift. For these 4 employees, we identified a total of 15 instances during Fiscal Year 2018 in which employees used a full day of leave time (7.5 hours) the same day that they also worked overtime. One employee at Logan Correctional Center used leave time the same day in which they worked an overtime shift on 12 different occasions during Fiscal Year 2018. Only one employee of the 10 Stateville Correctional Center employees sampled used leave time the same day in which an overtime shift was worked.

We requested any union agreements that allow overtime pay on the same day that leave time is taken; however, the Department could not provide any.

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

Also, in December 2016, the Department's Chief of Operations issued an e-mail memorandum to facility wardens which stated, "employees who utilize a full shift of pre-approved benefit time off on their regularly assigned shift, shall not be eligible for an overtime offering for [n]either the preceding shift nor the following shift." The Department took no further corrective actions during the audit period.

Department management stated generally the reason for employees taking paid leave time and working overtime on the same day is due to competing priorities and employee oversight.

The financial advantage of this practice from the employee's perspective is that the employee is paid for the leave time shift at the usual rate for that day and then also paid for

the overtime shift at 1.5 times the usual rate of pay on the same day. The financial effect on the State, however, is that not only does the State pay the employee at the overtime rate for the shift worked in addition to the regular rate for the leave time taken, but the State must also pay another employee overtime to cover the shift for which the leave time was used. This type of abuse of leave time may be an example of “shift swapping” in which employees knowingly use leave time and swap shifts in order to gain a financial advantage. (Finding Code No. 2018-036, 2016-031, 2014-015)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department accepts the finding and will work to ensure that facility rosters are managed appropriately and that overtime complies with the Overtime Equalization Training Manual. Department staff will also continuously monitor all overtime expenditures and conduct follow-up reviews and training as necessary.

2018-037 FINDING: (Compensatory time accrual in violation of federal law and compensatory time payments in violation of union agreement)

The Department of Corrections (Department) allowed excessive accruals and carry over of compensatory time in violation of federal law and the union agreement.

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

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

According to the Department, for Fiscal Year 2018 there was a total of 621,938 hours of compensatory time used/reimbursed at a cost of \$19,052,836. Stateville Correctional Center reported 71,049 hours of overtime compensatory time paid at a cost of \$2,317,811, the highest amount of compensatory time of any correctional facility. The facility with the next highest amount of compensatory time was Dixon Correctional Center with 54,343 hours of compensatory time at a cost of \$1,664,218.

We reviewed Fiscal Year 2018 compensatory payments for 20 employees. We selected 10 employees at Stateville Correctional Center and 10 employees at Dixon Correctional Center, which had the highest amount of compensatory time paid. As part of our review, we obtained employee annual timesheets and payroll reports for each pay period.

For 5 of 20 (25%) employees sampled, timesheets showed they were allowed to accrue 480 hours or more of compensatory time during at least one month of Fiscal Year 2017 or Fiscal Year 2018. Fiscal Year 2018 payroll payments for compensatory time showed that an employee at Dixon Correction Center was paid for 500.5 hours in June 2018 (\$22,693).

For 1 of 20 (5%) employees tested, the employee was allowed to carry 15 hours of compensatory time from the end of Fiscal Year 2017 to Fiscal Year 2018 in violation of the union agreement.

The Department did not have a centralized timekeeping system to track the hours of compensatory time that employees have accrued. The Department used a manual timekeeping system and did not track the rate at which compensatory time was accrued/earned for each employee.

The Department stated the excessive compensatory time accruals were due to oversight and insufficient resources.

Allowing employees to accrue excessive compensatory time and carry over compensatory time results in a loss of funds for the State. Further, compensatory time liquidated at the end of, or in a subsequent, fiscal year may be paid at a higher rate than it was earned earlier in the year. This is because employees who wait until all cost-of-living raises, merit raises, and promotions are received prior to liquidating the time for cash receive a higher rate of pay for the accrued compensatory time. Because the Department does not have a centralized electronic timekeeping system, it is difficult to quantify how prevalent the accrual of compensatory time is or the financial impact. (Finding Code No. 2018-037, 2016-032, 2014-032)

RECOMMENDATION:

We recommend the Department:

- Comply with the federal Fair Labor Standards Act of 1938 by not allowing employees to accrue more than 480 hours of compensatory time;
- Comply with the union master agreement and track and pay compensatory time at the rate it was earned/accrued; and
- Comply with the union master agreement by not allowing employees to carry compensatory time from the end of one fiscal year to the next.

DEPARTMENT RESPONSE:

The Department accepts the finding and will work to allocate resources that would help ensure accurate accounting of compensatory time earned and the rate in which it was paid out. These efforts will include proper training of timekeeping staff, comply with applicable laws and union master agreements, as well as work towards securing the necessary funding for an automated payroll and timekeeping system.

2018-038 FINDING: (Inadequate maintenance of personnel files)

The Department of Corrections (Department) did not adequately maintain personnel files.

During our sample testing of personnel files for 60 employees, we noted the following:

- 30 of 60 (50%) employees' personnel files were missing the Employment Eligibility Verification forms (Form I-9).

U.S. Citizenship and Immigration Services, Department of Homeland Security, requires employers to document that each new employee (both citizen and noncitizen) hired after November 6, 1986, is authorized to work in the United States.

- 15 of 60 (25%) employees' personnel files were missing the ethnic origin survey.

The federal Equal Employment Opportunity Program Guidelines (28 CFR 42.301-308) requires data be collected on the national origin of State employees. The Illinois Human Rights Act (775 ILCS 5/1-103) defines national origin as the place in which a person or one of his or her ancestors are born.

- 30 of 60 (50%) employees' personnel files were missing the Employee's Illinois Withholding Allowance Certificate (IL W-4).
- 29 of 60 (48%) employees' personnel files were missing the Employee's Withholding Allowance Certificate (W-4).
- 28 of 60 (47%) employees' personnel files were missing the employees' job descriptions.
- 7 of 60 (12%) employees' personnel files were missing the Employment Application.

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

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires each agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance the State's funds and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Department management indicated the exceptions noted were due to improper filing, clerical oversight, and human error.

Inadequate maintenance of personnel files could result in improper payroll amounts and potential problems with employment issues. (Finding Code No. 2018-038)

RECOMMENDATION:

We recommend the Department enhance its processes to ensure all necessary personnel documentation is properly maintained.

DEPARTMENT RESPONSE:

The Department accepts the finding and will work to ensure that employees' personnel files are complete and all the required documentation is filed appropriately.

2018-039 FINDING: (Insufficient controls over payroll, timesheets and support)

The Department of Corrections (Department) did not maintain sufficient controls or sufficient supporting documentation over payroll and timesheets.

During our sample testing of payroll files for 60 employees, we noted the following:

- For 9 of 60 (15%) employees tested, their federal withholding did not agree to supporting documentation, resulting in total under-withholding of federal taxes of \$71 per pay period. In one of the nine instances, we could not determine the difference because the payroll voucher for the employee was not provided by the Department.
- For 6 of 60 (10%) employees tested, their State withholding did not agree to supporting documentation, resulting in over-withholding of State taxes of \$28 per pay period. In one of the six instances, we could not determine the difference because the payroll voucher for the employee was not provided by the Department.
- For 4 of 60 (7%) employees tested, their gross pay did not agree to the gross pay recalculation, resulting in overpayment of \$231 per pay period. In one of the four instances, we could not determine the difference because the payroll voucher for the employee was not provided by the Department.

The Statewide Accounting Management System Manual (Procedure 23.10.30) requires the agency to be responsible for completing the payroll voucher each pay period and attesting to the employee's rate of pay, gross earnings, deductions, net pay, and other required information on the voucher and file and states that the initial control of each payroll is at the agency level. The control that all deductions from an employee's gross pay are supported by source documents is meant to ensure conformance with the State Salary and Annuity Withholding Act (5 ILCS 365).

During our testing of timesheets, we noted the following:

- Eight of 60 (13%) timesheets tested were missing supporting documentation for overtime, time off taken, or paid lunch.
- Two of 60 (3%) timesheets tested were not properly completed for the related pay period.

The State Officials and Employees Ethics Act (5 ILCS 430/5-5) requires State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour. State employees are required to submit timesheets on paper, electronically, or both and timesheets shall be maintained in either paper or electronic format by the applicable fiscal office for a period of at least two years.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires each agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance the State's funds and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Department management indicated the exceptions noted were due to improper filing, clerical oversight, and human error.

Inaccurate and unsupported payroll calculations can result in improper withholding and payroll amounts. Inadequate completion timesheets and maintenance of support increases the risk that the Department could pay for services not rendered by employees. (Finding Code No. 2018-039)

RECOMMENDATION:

We recommend the Department review its processes to ensure payroll is accurately computed and timesheets are adequately prepared and supported. The Department should also recoup overpayments from its employees.

DEPARTMENT RESPONSE:

The Department accepts the finding and will work to ensure that sufficient controls over payroll processing procedures are in place and that required timekeeping documentation is submitted in accordance with the State Officials and Employees Ethics Act.

2018-040 FINDING: (Weaknesses in change control management)

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

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

The Department had developed a change management process document. However, the document contained substantial deficiencies. Specifically, the following were not defined:

- The process for requesting a change,
- Requirements for the approval process of the requested change,
- Testing or documentation requirements,
- User acceptance or documentation requirements, and
- Post implementation reviews.

According to the Department, an Enterprise Service Request (ESR) was to be completed and entered into the Remedy tracking system. However, the change management process document did not document the ESR or the Remedy processes.

We reviewed a sample of 45 application changes, noting 24 changes (53%) did not have an ESR completed. We also reviewed the 291 changes to Offender 360; however, due to the lack of procedures, we could not determine if the changes had been properly approved and tested.

In addition, we reviewed the access rights for the eight developers, noting two had access to the production environment, resulting in a segregation of duties weakness.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. In addition, generally accepted information technology guidance endorses the implementation of suitable change management procedures to control changes to computer systems.

Department management indicated the lack of staffing resulted in the weaknesses.

Without adequate formal change management procedures, there is a greater risk of unauthorized or improper changes being made to computer systems. The lack of procedures increases the risk that the confidentiality, integrity, and availability of systems and data will be compromised. (Finding Code No. 2018-040, 2016-035, 2014-034, 12-19)

RECOMMENDATION:

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

- The Department's process for requesting a change,
- The Department's approval process of the requested change,
- Testing and documentation requirements,
- User acceptance and documentation, and
- Post implementation reviews requirements.

In addition, the Department should restrict programmer access to all production programs and data. If the Department determines that programmer access is necessary in some situations, the Department should establish and enforce compensating controls to ensure appropriate management oversight and approval of changes.

DEPARTMENT RESPONSE:

The Department accepts the finding and will work towards adopting a formal change management process as well as ensure proper oversight over user access to the Department's applications is in place and under consistent review.

2018-041 **FINDING:** (Weaknesses regarding the security and control of confidential information)

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

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

During the examination period, we noted the Department:

- Had not performed a risk assessment of its computing resources to identify confidential or personal information to ensure such information is protected from unauthorized disclosure.
- Had not developed policies and procedures regarding the Department’s responsibilities, as stated in the Personal Information Protection Act (815 ILCS 530), in the event of a breach of personal information.
- Did not obtain certification from the Department of Central Management Services documenting whether hard drives were wiped during the transfer/disposal process.

Additionally, we tested a sample of 60 laptops to determine if encryption had been installed. Our testing noted 2 laptops did not have encryption installed and 13 laptops could not be located.

The Data Security on State Computers Act (20 ILCS 450/20) agencies must ensure hard drives of surplus electronic data processing equipment be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated or transferred and certifying in writing that the overwriting process had been completed.

During the examination of the Correctional Centers, we noted confidential information was shared with the auditors, via an unsecure file sharing service. The following was noted:

- Danville Correctional Center sent confidential information that included home addresses, inmate trust fund account detail, and travel and allowance fund detail.
- Dixon Correctional Center sent confidential information that included social security numbers, home addresses, personal phone numbers, and addiction recovery waitlists.

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

Department management indicated the lack of resources resulted in the exceptions.

Failure to ensure confidential information is adequately protected may result in accidental or unauthorized disclosure. (Finding Code No. 2018-041, 2016-036)

RECOMMENDATION:

We recommend the Department:

- Perform a risk assessment to evaluate its computer environment and data maintained to ensure adequate security controls, including adequate physical and logical access restrictions, have been established to safeguard its computer resources.
- Develop policies and procedures to ensure timely compliance with the requirements outlined in the Personal Information Protection Act (815 ILCS 530), in the event of a breach of personal information.
- Obtain documentation demonstrating computer equipment had been properly wiped in accordance with the Data Security on State Computers Act (20 ILCS 450/20).
- Ensure all confidential information is adequately protected with methods such as encryption or redaction.

DEPARTMENT RESPONSE:

The Department accepts the finding and will work to ensure that its Information Technology environment has adequate safeguards implemented. These safeguards will include policies and procedures that are in compliance with the Personal Information Protection Act, procedures identifying the proper steps regarding wiping electronic data sources before relinquishing control, and ensuring any confidential information that is electronically transmitted is properly encrypted or redacted.

2018-042 FINDING: (Lack of disaster contingency planning or testing to ensure recovery of computer systems)

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

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

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

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

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

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

Department management indicated the exceptions were due to understaffing.

Failure to develop and test disaster recovery plans leaves the Department exposed to the possibility of major disruptions of service. (Finding Code No. 2018-042, 2016-040, 2014-017, 12-20)

RECOMMENDATION:

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

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

DEPARTMENT RESPONSE:

The Department accepts the finding and will ensure proper disaster recovery plans are drafted and implemented. These plans, covering disaster recovery and business continuity, will be developed for the Department's environment and take into account the full range of its operations. Regular testing of these plans will occur at least annually and they will encompass all environments.

2018-043 **FINDING:** (Computer security weakness)

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

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

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

During testing of access rights, it was noted:

- 94 former Department employees still had access to the Department's computing environment. This included 49 accounts with access to Offender 360 and 25 accounts with access to PEARL.
- The Department could not determine the purpose of 30 Offender 360 accounts.

In addition, we tested a sample of 60 individuals to determine if their access to the Department's applications had been approved. Our testing noted:

- 20 individuals (33%) did not have documentation of approval, and
- 16 individuals (27%) had different access than what was approved.

Furthermore, during testing at the Correctional Centers, we noted:

- The Department failed to remove access rights for individuals who no longer required access to various applications.
- An individual was noted as having access to the Central Inventory System (CIS); however, was not documented in the CIS user listing. The individual was utilizing another user's credentials.

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

Department management indicated the lack of resources resulted in the exceptions.

Without the implementation of adequate controls and procedures for computer resources, there is an increased danger that unauthorized individuals may gain access to these resources. These deficiencies could result in unauthorized access and misuse of the Department's computer systems. (Finding Code No. 2018-043, 2016-043)

RECOMMENDATION:

To enhance computing resource controls, we recommend the Department:

- Develop and implement policies and procedures regarding the provisioning of access rights to all applications and environments.
- Ensure access rights are disabled upon an individual's separation from the Department or upon determination access is no longer required.
- Periodically review user access rights to ensure user accounts are appropriate based upon job responsibilities.
- Ensure documentation is obtained approving access to applications.

DEPARTMENT RESPONSE:

The Department accepts the finding and will strengthen its controls over the Information Technology environment. This action will include consistent review of user access, developing a formal approval process for user access and ensuring proper documentation is filed for all such transactions.

2018-044 FINDING: (Weaknesses with Payment Card Industry Data Security Standards)

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

The Department accepted credit card payments in order to allow families to provide funds to offenders. In Fiscal Years 2017 and 2018, the Department accepted on behalf of offenders 634,098 and 655,406 transactions totaling approximately \$48,818,654 and \$50,278,534, respectively.

In addition, the Department has a gift shop where employees and guests make purchases. The proceeds from the gift shop are deposited into the Employee Benefit Fund. For Fiscal Years 2017 and 2018, the Department's gift shop transactions totaled approximately \$24,000.

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

- Formally assessed each program accepting credit card payments, the methods in which payments could be made, matched these methods to the appropriate Self-Assessment Questionnaire (SAQ), and contacted service providers and obtained relevant information and guidance as deemed appropriate.
- Completed a SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data.
- Ensured vendors were PCI DSS compliant.

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

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

Department management stated lack of staffing and oversight contributed to the conditions noted.

Failure to establish and maintain adequate procedures to handle and protect confidential and personally identifiable information could result in identity theft or other unintended use. (Finding Code 2018-044, 2016-042)

RECOMMENDATION:

We recommend the Department:

- At least annually, assess each program accepting credit card payments, the methods in which payments can be made, and match these methods to the appropriate SAQ.
- Complete the appropriate SAQ(s) for its environment and maintain documentation supporting its validation efforts.
- Obtain documentation demonstrating the vendors are PCI DSS compliant.
- Maintain contact with the Treasurer's Office to ensure sufficient knowledge and awareness of PCI Compliance status, issues, and guidance surrounding the E-Pay program.

DEPARTMENT RESPONSE:

The Department accepts the finding and will ensure proper oversight over applicable payment card transactions. The Department's efforts will include an annual filing of a Self-Assessment Questionnaire (SAQ), verifying vendors are PCI DSS compliant and remaining up-to-date with the Illinois Treasurer's Office E-Pay program.

2018-045 FINDING: (Inadequate controls over issuance of telecommunication devices)

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

During our testing of controls over cell phones, auditors noted 10 of 60 (17%) issued cell phones tested were missing the corresponding Cell Phone Acquisition Request Forms (DOC 0014). For the remaining 50 DOC 0014 Forms provided, 48 of the forms (96%) were not completed or approved properly.

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

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

In the prior period, Department management stated the exceptions noted were due to conflicting priorities and inadequate staffing. Management stated the current exceptions were due to employee oversight.

Failure to maintain adequate controls over issuance of telecommunication devices may result in unauthorized or questionable transactions. (Finding Code No. 2018-045, 2016-027)

RECOMMENDATION:

We recommend the Department maintain and establish adequate controls over the issuance of telecommunication devices, including timely approval of issuance and maintenance of required documentation.

DEPARTMENT RESPONSE:

The Department accepts the finding and will strengthen its controls over telecommunication devices and filing of required documentation.

2018-046 FINDING: (Policies and procedures regarding operation of State vehicles not followed)

The Department of Corrections (Department) had several weaknesses regarding the reporting of vehicle accidents, vehicle maintenance records, and personal use of State vehicles.

During the testing of vehicle accident reports, we noted the following:

- 23 of 38 (61%) Motorist’s Report of Illinois Motor Vehicle Accident forms (SR-1) and Cover Letters tested were submitted more than 7 days from the day of the accident.

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

| Two Years Ending | Number of Exceptions | Sample Size | % of Exceptions | Range of Days Late |
|------------------|----------------------|-------------|-----------------|--------------------|
| June 30, 2008 | 14 | 34 | 41% | 1 to 146 |
| June 30, 2010 | 35 | 60 | 58% | 1 to 593 |
| June 30, 2012 | 11 | 60 | 18% | 1 to 70 |
| June 30, 2014 | 20 | 60 | 33% | 1 to 41 |
| June 30, 2016 | 25 | 60 | 42% | 1 to 59 |
| June 30, 2018 | 23 | 38 | 61% | 7 to 383 |

- 3 of 38 (8%) Forms SR-1 tested were not properly completed.

According to the Illinois Administrative Code (Code) (44 Ill. Adm. Code 5040.520), a driver of a state-owned or leased vehicle which is involved in an accident of any type is to report the accident to the appropriate law enforcement agency and to the Department of Central Management Services (CMS) by completing the Motorist’s Report of Illinois Motor Vehicle Accident form (SR-1). The Form SR-1 is to be completed, as nearly as possible, in its entirety including a clear description of the accident and the conditions surrounding the accident. In no case is the report to be completed later than three (3) days following an accident. If the State driver is incapable of completing the report because of death or disability, the driver’s supervisor should complete the form. CMS also states the completion of the Uniform Cover Letter is vital to proceed with the adjustment process.

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

During the testing of vehicle maintenance records, we noted the following:

- 17 of 60 (28%) vehicles tested did not undergo annual inspections.
- 38 of 60 (63%) vehicles tested did not receive oil changes timely within the allotted mileage and/or months requirement ranging from 3 to 11,012 days late.

- 27 of 60 (45%) vehicles tested did not have tire rotations performed every two oil changes.
- 20 of 60 (33%) vehicles tested were missing information on oil changes and tire rotations, and therefore we were unable to test compliance with maintenance requirements.

According to the Code (44 Ill. Adm. Code 5040.400), all state-owned or leased vehicles which fall under this Part shall undergo regular service and/or repair in order to maintain the vehicles in road worthy, safe, operating condition and appropriate cosmetic condition. Driver should check oil, coolant, and battery water levels (if possible) regularly, such as at each refueling. The Code (44 Ill. Adm. Code 5040.410) states that agencies are to have vehicles inspected by CMS at least once per year and maintain vehicles in accordance with the schedules provided by CMS or with other schedules acceptable to CMS that provide for proper care and maintenance of special use vehicles.

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

During the testing of personal use of State vehicles, the auditors requested the Department provide the population of employee-assigned State vehicles during the examination period to test compliance with State and Department policy. In response to our request, the Department was unable to provide a complete listing of all employee-assigned State vehicles. The Department filed paper copies of approvals and required documentation at the administration office for employee-assigned vehicles, but did not maintain a listing of employees assigned a vehicle.

Due to these conditions, we were unable to conclude the Department's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C §205.35) to fully test the Department's compliance with requirements for personally-assigned State vehicles.

Even given the population limitations noted above which hindered our ability to conclude whether the selected samples were representative of the population as a whole, we selected samples from the documents provided by the Department and noted the following from our testing:

- The Annual Individually Assigned Vehicles Tax Exemption Certification (DOC 0348) form was missing for 16 of 60 (27%) employees tested. Seven of the 44 forms (16%) provided did not indicate the date the forms were received and we were not able to test the timeliness of submission. In addition, 3 of the 44 forms (7%) provided were not signed and approved by the supervisor.
- The Annual Commute Mileage Certification (DOC 0349) for 17 of 60 (28%) employees sampled did not indicate the date the forms were received and, therefore,

we were not able to test the timeliness of submission. The DOC 349 form was missing for 1 of 60 (2%) employees tested. In addition, one form (2%) was missing the employee's signature.

- The Annual Certification of License and Vehicle Liability Coverage (DOC 0068) for 17 of 60 (28%) samples did not indicate the date the forms were received and, therefore, we were unable to test the timeliness of submission. In addition, one form (2%) was missing the employee's signature.
- The Determination of Value for Individual Use of a State Vehicle (DOC 0346) for 4 of 60 (7%) samples did not indicate the dates the forms were received and we were not able to test the timeliness of submission. In addition, we noted for 2 of 29 forms (7%) provided, the taxable benefit did not equal the employee's taxable benefit reported per pay period.

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

- a. Annual Commute Mileage Certification, DOC 0349, to be completed initially and between July 1st and July 31st annually.
- b. Annual Individually Assigned Vehicle Tax Exemption Certification, DOC 0348, to be completed initially and between December 1st and December 31st annually.
- c. Annual Certification of License and Vehicle Liability Coverage, DOC 0068, to be completed initially and between July 1st and July 31st annually;
- d. Determination of Value for Individual Use of a State Vehicle, DOC 0346, to be completed initially and between December 1st and December 31st annually.

Department management stated, as it did in the prior examination, the exceptions were due to conflicting priorities, employee oversight, and lack of resources to replace the fleet management system.

Good business practice dictates that vehicles should be maintained to prevent excessive repair costs in the future. Failure to adequately maintain vehicles can cost the State significant amounts in future years through additional repair bills and shortened useful lives for vehicles. Untimely submission or failure maintain and track submission of the forms for vehicle accidents or for individually assigned vehicle usage may result in increased risk of loss or failure to report an employee's taxable vehicle usage income. Failure to identify and track all personally assigned State vehicles increases the risk the Department will fail to monitor and ensure compliance with applicable requirements and may subject the Department to litigation or loss. (Finding Code No. 2018-046, 2016-024, 2014-010, 12-27, 10-21, 08-33, 06-01, 04-03, 02-04, 00-03)

RECOMMENDATION:

We recommend the Department implement internal controls and sufficient oversight to timely report vehicle accidents, properly maintain State vehicles, and ensure forms are fully completed, dated, submitted, and retained for those employees who are personally assigned State vehicles. The Department should also track and monitor personally assigned vehicles.

DEPARTMENT RESPONSE:

The Department accepts the finding and will ensure all forms received by the vehicle unit are date stamped. The Department will also remind staff of the importance of filing accident reports in a timely manner, completing routine vehicle maintenance inspections and turning in personally assigned vehicle forms within the prescribed deadlines.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

SCHEDULE OF FINDINGS

PRIOR FINDINGS NOT REPEATED

A. **FINDING:** (Inaccurate offender records)

During the previous engagement, the Department of Corrections (Department) lacked controls over offender records.

During the current engagement, the Department has worked to resolve inaccurate data records for those offenders' subject to the Sex Offender Registration Act (730 ILCS150/4) and the Murderer and Violent Offender Against Youth Registration Act (730 ILCS 154/15). In addition, our testing indicated data logic issues have been addressed. Other issues noted were reported in Finding Code No. 2018-016. As a result, this finding is not repeated. (Finding Code No. 2016-009)

B. **FINDING:** (Lack of project management over Offender 360 project)

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

During the current engagement, the Department did not implement additional modules. In addition, our testing indicated data logic issues have been addressed. Other issues noted were reported in Finding Code No. 2018-007 and 2018-010. As a result, this finding is not repeated. (Finding Code No. 2016-011, 2014-031, 12-18)

C. **FINDING** (Failure to provide mandated information to visitors)

During the previous engagement, the Department failed to provide mandated information on HIV, AIDS and counseling to visitors in the Correctional Centers.

During the current engagement, our sample testing indicated the Department appropriately provided mandated information to visitors. As a result, this finding is not repeated. (Finding Code No. 2016-013)

D. **FINDING:** (Noncompliance with inmate grievance procedures)

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

During the current engagement, our sample testing indicated the Department adequately maintained records of grievances and decisions made with respect to the grievances as required by the Code. As a result, this finding is not repeated. (Finding Code No. 2016-018, 2014-022, 12-35)

E. **FINDING:** (Weaknesses over issuance of temporary identification cards)

During the previous audit period, the Department did not comply with requirements for issuing temporary identification cards.

During the current engagement, Public Act 99-907 eliminated requirements for the Department to issue temporary identification cards to inmates upon release. (Finding Code No. 2016-021, 2014-020, 12-36).

F. **FINDING:** (Inadequate controls over disbursements from the Springfield Employee's Benefit Fund)

During the previous engagement, the Department did not maintain adequate controls over disbursements from the Springfield Employee's Benefit Fund.

During the current engagement, our sample testing indicated the disbursements made by the Department were properly approved and adequately supported. As a result, this finding is not repeated. (Finding Code No. 2016-023)

G. **FINDING:** (Lack of due diligence over inventory conversion)

During the previous engagement, the Department failed to conduct due diligence over the inventory conversion project.

During the current engagement, our detailed testing indicated the assets noted in the prior finding as not properly converted from the old Property Control System to the new Central Inventory System (CIS) were either updated in CIS, or properly resolved as disposed or transferred, and therefore appropriately not converted in CIS. As a result, this finding is not repeated. (Finding Code No. 2016-041)

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Fiscal Year 2018
 - Fiscal Year 2017
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances by Object – All Funds
 - Comparative Schedule of Expenditures by Correctional Center – All Funds
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller

- Analysis of Operations (Unaudited):
 - Agency Functions and Planning Program (Unaudited)
 - Analysis of Significant Variations in Expenditures (Unaudited)
 - Analysis of Significant Variations in Receipts (Unaudited)
 - Analysis of Significant Lapse Period Spending (Unaudited)
 - Analysis of Significant Account Balances (Unaudited)
 - Analysis of Accounts Receivable (Unaudited)
 - Budget Impasse Disclosures (Unaudited)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
 - Interest Costs on Fiscal Year 2017 and 2018 Invoices (Unaudited)
 - Average Number of Employees (Unaudited)
 - State Housing Benefits (Unaudited)
 - Analysis of Employee Overtime (Unaudited)
 - Annual Cost Statistics and Notes (Unaudited)
 - Annual Cost Statistics – Illinois Correctional Industries (Unaudited)
 - Participating Educational Institutions (Unaudited)
 - Emergency Purchases (Unaudited)
 - Memorandums of Understanding (Unaudited)

- Analysis of Operations (Unaudited) (Continued):

- Working Capital Revolving Fund Activity (Unaudited)

- Inmate Assaults on Staff at Adult Correctional Centers (Unaudited)

- Service Efforts and Accomplishments (Unaudited)

- Summary of Operations by Industries – Illinois Correctional Industries (Unaudited)

- Farm Leases by Location – Illinois Correctional Industries (Unaudited)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states Schedules 1 and 3 through 6 for the year ended June 30, 2018 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the accompanying supplementary information for the year ended June 30, 2017 in Schedules 2 through 6 and the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2018

For the Sixteen Months Ended October 31, 2018

| Public Act 100-0021 and Public Act 100-0586 | Expenditure Authority (Net After Transfers) | Expenditures Through June 30, 2018 | Lapse Period Expenditures July 1, 2018 to October 31, 2018 | Total Expenditures 16 Months Ended October 31, 2018 | Balances Lapsed October 31, 2018 |
|--|---|------------------------------------|--|---|----------------------------------|
| <u>APPROPRIATED FUNDS</u> | | | | | |
| General Revenue Fund - 001 | | | | | |
| General Office: | | | | | |
| Lump Sums and Other Purposes | \$ 1,854,404,271 | \$ 1,384,444,041 | \$ 463,717,046 | \$ 1,848,161,087 | \$ 6,243,184 |
| Back Wage Payments | 41,288,149 | - | 41,172,836 | 41,172,836 | 115,313 |
| | <u>\$ 1,895,692,420</u> | <u>\$ 1,384,444,041</u> | <u>\$ 504,889,882</u> | <u>\$ 1,889,333,923</u> | <u>\$ 6,358,497</u> |
| Adult Field Services: | | | | | |
| Grant to the Illinois Sentencing Policy Advisory Council | \$ 775,000 | \$ 478,830 | \$ 22,262 | \$ 501,092 | \$ 273,908 |
| | <u>\$ 775,000</u> | <u>\$ 478,830</u> | <u>\$ 22,262</u> | <u>\$ 501,092</u> | <u>\$ 273,908</u> |
| Total, Fund 001 | <u>\$ 1,896,467,420</u> | <u>\$ 1,384,922,871</u> | <u>\$ 504,912,144</u> | <u>\$ 1,889,835,015</u> | <u>\$ 6,632,405</u> |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2018

For the Sixteen Months Ended October 31, 2018

| Public Act 100-0021 and Public Act 100-0586 | Expenditure Authority (Net After Transfers) | Lapse Period | | Total Expenditures 16 Months Ended October 31, 2018 | Balances Lapsed October 31, 2018 |
|---|---|------------------------------------|---|---|----------------------------------|
| | | Expenditures Through June 30, 2018 | Expenditures July 1, 2018 to October 31, 2018 | | |
| Working Capital Revolving Fund - 301 | | | | | |
| Correctional Industries: | | | | | |
| Personal Services | \$ 9,690,900 | \$ 7,433,399 | \$ 396,200 | \$ 7,829,599 | \$ 1,861,301 |
| Student, Member and Inmate Compensation | 2,177,400 | 1,336,207 | 138,476 | 1,474,683 | 702,717 |
| State Contributions to State Employees' | | | | | |
| Retirement System | 5,234,400 | 3,786,680 | 185,107 | 3,971,787 | 1,262,613 |
| State Contributions to Social Security | 741,400 | 552,224 | 29,526 | 581,750 | 159,650 |
| Group Insurance | 2,760,000 | 1,730,517 | 80,514 | 1,811,031 | 948,969 |
| Contractual Services | 3,249,900 | 1,182,303 | 293,443 | 1,475,746 | 1,774,154 |
| Travel | 89,500 | 3,711 | 1,414 | 5,125 | 84,375 |
| Commodities | 33,020,500 | 15,282,104 | 3,097,528 | 18,379,632 | 14,640,868 |
| Printing | 4,900 | 3,357 | 1,475 | 4,832 | 68 |
| Equipment | 2,770,700 | 229,458 | 317,675 | 547,133 | 2,223,567 |
| Telecommunications Services | 64,400 | 13,662 | 2,628 | 16,290 | 48,110 |
| Operation of Automotive Equipment | 1,361,400 | 824,360 | 179,624 | 1,003,984 | 357,416 |
| Green Recycling Initiatives | 250,000 | - | - | - | 250,000 |
| Repairs, Maintenance and Other Capital Improvements | 147,000 | 10,172 | 6,728 | 16,900 | 130,100 |
| Refunds | 7,400 | 688 | 571 | 1,259 | 6,141 |
| Total, Fund 301 | \$ 61,569,800 | \$ 32,388,842 | \$ 4,730,909 | \$ 37,119,751 | \$ 24,450,049 |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2018

For the Sixteen Months Ended October 31, 2018

| Public Act 100-0021 and Public Act 100-0586 FISCAL YEAR 2018 | Expenditure Authority (Net After Transfers) | Lapse Period | | Total Expenditures 16 Months Ended October 31, 2018 | Balances Lapsed October 31, 2018 |
|---|--|--|---|--|--|
| | | Expenditures Through June 30, 2018 | Expenditures July 1, 2018 to October 31, 2018 | | |
| Department of Corrections Reimbursement and Education Fund - 523 | | | | | |
| General Office: | | | | | |
| Lump Sums and Other Purposes | \$ 47,000,000 | \$ 19,776,844 | \$ 2,480,456 | \$ 22,257,300 | \$ 24,742,700 |
| Total, Fund 523 | <u>\$ 47,000,000</u> | <u>\$ 19,776,844</u> | <u>\$ 2,480,456</u> | <u>\$ 22,257,300</u> | <u>\$ 24,742,700</u> |
| GRAND TOTAL - ALL FUNDS | <u>\$ 2,005,037,220</u> | <u>\$ 1,437,088,557</u> | <u>\$ 512,123,509</u> | <u>\$ 1,949,212,066</u> | <u>\$ 55,825,154</u> |

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of October 31, 2018, and have been reconciled to Department records.
- Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.
- Note 3: During Fiscal Year 2018, the Department operated without enacted appropriations until Public Act 100-0021 and Public Act 100-0586 were signed into laws on July 6, 2017 and June 4, 2018, respectively. During the impasse, the Department incurred non-payroll obligations, which the Department was unable to pay until the passage of Public Act 100-0021 and Public Act 100-0586.
- Note 4: Notwithstanding anything within Public Act 100-0021 and Public Act 100-0586 to the contrary, Public Act 100-0021 and Public Act 100-0586 authorized the Department to pay for all costs incurred to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Department which were submitted against its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS
 DEPARTMENT OF CORRECTIONS
 COMPLIANCE EXAMINATION
 SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

| Public Act 99-0524, Public Act 100-0021, and Court-Ordered Expenditures | Expenditure Authority (Net After Transfers) | Expenditures Through June 30, 2017 | Lapse Period Expenditures July 1, 2017 to September 30, 2017 | Total Expenditures 15 Months Ended September 30, 2017 | Balances Lapsed September 30, 2017 |
|--|--|--|---|--|--|
| FISCAL YEAR 2017 | | | | | |
| <u>APPROPRIATED FUNDS</u> | | | | | |
| General Revenue Fund - 001 | | | | | |
| General Office: | | | | | |
| Lump Sums and Other Purposes | \$ 171,150,000 | \$ 137,306,325 | \$ 33,843,675 | \$ 171,150,000 | \$ - |
| Lump Sum, Operations | 930,026,700 | 855,698,072 | 48,389,285 | 904,087,357 | 25,939,343 |
| | <u>\$ 1,101,176,700</u> | <u>\$ 993,004,397</u> | <u>\$ 82,232,960</u> | <u>\$ 1,075,237,357</u> | <u>\$ 25,939,343</u> |
| Adult Field Services: | | | | | |
| Grant to the Illinois Sentencing Policy Advisory Council | \$ 576,192 | \$ 552,314 | \$ 23,877 | \$ 576,191 | \$ 1 |
| | <u>\$ 576,192</u> | <u>\$ 552,314</u> | <u>\$ 23,877</u> | <u>\$ 576,191</u> | <u>\$ 1</u> |
| Total, Fund 001 | <u>\$ 1,101,752,892</u> | <u>\$ 993,556,711</u> | <u>\$ 82,256,837</u> | <u>\$ 1,075,813,548</u> | <u>\$ 25,939,344</u> |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

| Public Act 99-0524, Public Act 100-0021, and Court-Ordered Expenditures | Expenditure Authority (Net After Transfers) | Expenditures Through June 30, 2017 | Lapse Period Expenditures July 1, 2017 to September 30, 2017 | Total Expenditures 15 Months Ended September 30, 2017 | Balances Lapsed September 30, 2017 |
|--|--|--|---|--|--|
| FISCAL YEAR 2017 | | | | | |
| Working Capital Revolving Fund - 301 | | | | | |
| Correctional Industries: | | | | | |
| Personal Services | \$ 10,800,800 | \$ 2,212,902 | \$ - | \$ 2,212,902 | \$ 8,587,898 |
| Student, Member and Inmate Compensation | 2,177,400 | 1,388,855 | 126,617 | 1,515,472 | 661,928 |
| State Contributions to State Employees' | | | | | |
| Retirement System | 4,925,000 | 982,616 | - | 982,616 | 3,942,384 |
| State Contributions to Social Security | 826,300 | 166,513 | 186 | 166,699 | 659,601 |
| Group Insurance | 3,360,000 | 581,282 | - | 581,282 | 2,778,718 |
| Contractual Services | 3,250,000 | 1,241,303 | 204,729 | 1,446,032 | 1,803,968 |
| Travel | 70,300 | 5,504 | 1,441 | 6,945 | 63,355 |
| Commodities | 32,799,955 | 13,905,847 | 2,061,535 | 15,967,382 | 16,832,573 |
| Printing | 4,845 | 4,778 | 67 | 4,845 | - |
| Equipment | 1,500,000 | 165,984 | 376,365 | 542,349 | 957,651 |
| Telecommunications | 64,400 | 28,303 | 2,823 | 31,126 | 33,274 |
| Operation of Auto Equipment | 1,361,400 | 690,926 | 315,683 | 1,006,609 | 354,791 |
| Green Recycling Initiatives | 250,000 | - | 180,686 | 180,686 | 69,314 |
| Repairs, Maintenance and Other Capital | | | | | |
| Improvements | 147,000 | 27,914 | 4,747 | 32,661 | 114,339 |
| Refunds | 32,400 | 17,989 | 1,317 | 19,306 | 13,094 |
| Total, Fund 301 | \$ 61,569,800 | \$ 21,420,716 | \$ 3,276,196 | \$ 24,696,912 | \$ 36,872,888 |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

| Public Act 99-0524, Public Act 100-0021, and Court-Ordered Expenditures FISCAL YEAR 2017 | Expenditure Authority (Net After Transfers) | Expenditures Through June 30, 2017 | Lapse Period Expenditures July 1, 2017 to September 30, 2017 | Total Expenditures 15 Months Ended September 30, 2017 | Balances Lapsed September 30, 2017 |
|--|--|--|---|--|--|
| Department of Corrections Reimbursement and Education Fund - 523 | | | | | |
| General Office: | | | | | |
| Lump Sums and Other Purposes | \$ 47,000,000 | \$ 13,782,872 | \$ 11,192,440 | \$ 24,975,312 | \$ 22,024,688 |
| Total, Fund 523 | \$ 47,000,000 | \$ 13,782,872 | \$ 11,192,440 | \$ 24,975,312 | \$ 22,024,688 |
| Budget Stabilization Fund - 686 | | | | | |
| Lump Sums and Other Purposes | \$ 150,000,000 | \$ 149,878,810 | \$ 121,190 | \$ 150,000,000 | \$ - |
| Total, Fund 686 | \$ 150,000,000 | \$ 149,878,810 | \$ 121,190 | \$ 150,000,000 | \$ - |
| GRAND TOTAL - ALL FUNDS | \$ 1,360,322,692 | \$ 1,178,639,109 | \$ 96,846,663 | \$ 1,275,485,772 | \$ 84,836,920 |

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2017, and have been reconciled to Department records.
- Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.
- Note 3: During Fiscal Year 2017, the Department operated without enacted appropriations until Public Act 100-0021 was signed into law on July 6, 2017. During the impasse, the Department incurred non-payroll obligations, within Funds 001, 301, and 523, which the Department was unable to pay until the passage of Public Act 100-0021.
- Note 4: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Department to pay for all costs incurred to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Department which were submitted against its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

- Note 5: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay.” As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Department was able to submit vouchers to pay its employees in full from Funds 001, 301, and 523 without a maximum expenditure limit for personal service costs during Fiscal Year 2017. Further, the Department incurred non-payroll obligations within Funds 001, 301, 523, and 686, which the Department was unable to pay until the passage of Public Act 100-0021.
- Note 6: Public Act 99-0524 authorized the Department to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department to be submitted against its Fiscal Year 2017 appropriation.
- Note 7: The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted Fiscal Year 2017 appropriations, to process Fiscal Year 2017 certified payment vouchers for obligations and expenses required by consent decrees, no less than the level paid in Fiscal Year 2015, that are necessary to comply with the consent decrees.

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, 2018, 2017, and 2016

| | Fiscal Year | | |
|--|---|--|---|
| | 2018 | 2017 | 2016 |
| | Public Act 100-0021 and Public Act 100-0586 | Public Act 99-0524, Public Act 100-0021, and Court-Ordered Expenditures | P.A. 99-0524 and Court-Ordered Expenditures |
| ALL FUNDS | | | |
| <u>Appropriations (Net after Transfers)</u> | \$ 2,005,037,220 | \$ 1,360,322,692 | \$ 1,035,125,365 |
| <u>Expenditures</u> | | | |
| Personal services | 897,223,436 | 849,898,098 | 840,499,365 |
| Retirement | 4,285,271 | 1,204,065 | 4,485,195 |
| Social Security | 65,328,100 | 61,460,414 | 61,064,726 |
| Group insurance | 1,996,635 | 711,016 | 2,782,213 |
| Contractual services | 732,939,917 | 227,049,697 | 19,228,826 |
| Travel | 1,452,502 | 884,668 | 133,077 |
| Travel and allowances for committed, paroled, and discharge prisoners | 432,640 | 662,384 | 326,394 |
| Commodities | 112,253,105 | 90,670,770 | 24,909,075 |
| Printing | 692,439 | 1,057,241 | 2,068 |
| Equipment | 3,468,152 | 2,443,976 | 653,092 |
| Electronic data processing | 36,051 | 1,281 | - |
| Telecommunications services | 21,939,390 | 11,901,662 | 56,333 |
| Operation of automotive equipment | 5,686,768 | 5,646,058 | 851,836 |
| Lump sums and other purposes | 83,845,955 | 795,041 | 567,063 |
| Awards & grants | 17,090,274 | 20,737,717 | 66,355 |
| Permanent improvement | 354,280 | 206,667 | - |
| Refunds | 187,151 | 155,017 | 4,251 |
| Total Expenditures | 1,949,212,066 | 1,275,485,772 | 955,629,869 |
| Lapsed Balances | \$ 55,825,154 | \$ 84,836,920 | \$ 79,495,496 |

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, 2018, 2017, and 2016, State Officers' salaries were as follows:

| | Fiscal Year | | |
|--------------------|-------------|------------|------------|
| | 2018 | 2017 | 2016 |
| Director | \$ 150,300 | \$ 150,300 | \$ 150,300 |
| Assistant Director | 127,800 | 127,800 | 127,800 |
| | \$ 278,100 | \$ 278,100 | \$ 278,100 |

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of October 31, 2018, September 30, 2017, and September 30, 2016 and have been reconciled to Department records.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

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

For the Fiscal Years Ended June 30, 2018, 2017, and 2016

- Note 3: The United States District Court for the Central District of Illinois in *Rasho* (07CV1298) required the Department and by extension the Capital Development Board (CDB) to construct a new mental health hospital for the Department at the Stateville Correctional Center, as well as improve treatment for mentally ill offenders at the Department, which includes repurposing the closed Illinois Youth Center - Joliet as a treatment center for mentally ill offenders. As the Department never received enacted permanent improvement appropriations for these projects from the Capital Development Fund (Fund 141), the CDB was able to submit vouchers to pay its costs in full without a maximum expenditure limit for permanent improvement costs related to these projects during Fiscal Year 2016.
- Note 4: During Fiscal Years 2016 and 2017, the Department operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Department's court-ordered payroll payments were merged into the enacted appropriation within Fund 001, Fund 301, and Fund 523. Further, the Department incurred non-payroll obligations within Fund 001, Fund 301, and Fund 523, which the Department was unable to pay until the passage of Public Act 99-0524.
- Note 5: During Fiscal Year 2017, the Department operated without enacted appropriations until Public Act 100-0021 was signed into law on July 6, 2017. During the impasse, the Department incurred non-payroll obligations, within Funds 001, 301, and 523, which the Department was unable to pay until the passage of Public Act 100-0021.
- Note 6: Notwithstanding anything within Public Act 100-0021 and Public Act 100-0586 to the contrary, Public Act 100-0021 and Public Act 100-0586 authorized the Department to pay for all costs incurred to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Department which were submitted against its Fiscal Year 2017 or Fiscal Year 2018 appropriation.
- Note 7: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Department was able to submit vouchers to pay its employees in full from Funds 001, 301, and 523 without a maximum expenditure limit for personal service costs during Fiscal Year 2017. Further, the Department incurred non-payroll obligations within Funds 001, 301, 523, and 686, which the Department was unable to pay until the passage of Public Act 100-0021.
- Note 8: Public Act 99-0524 authorized the Department to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department and submitted against its Fiscal Year 2017 appropriation.
- Note 9: During Fiscal Year 2018, the Department operated without enacted appropriations until Public Act 100-0021 and Public Act 100-0586 were signed into laws on July 6, 2017 and June 4, 2018, respectively. During the impasse, the Department incurred non-payroll obligations, which the Department was unable to pay until the passage of Public Act 100-0021 and Public Act 100-0586.
- Note 10: The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted Fiscal Year 2017 appropriations, to process Fiscal Year 2017 certified payment vouchers for obligations and expenses required by consent decrees, no less than the level paid in Fiscal Year 2015, that are necessary to comply with the consent decrees.

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

For the Fiscal Years Ended June 30, 2018, 2017, and 2016

| | Fiscal Year | | |
|-----------------------------|---|--|---|
| | 2018 | 2017 | 2016 |
| | Public Act 100-0021 and Public Act 100-0586 | Public Act 99-0524, Public Act 100-0021, and Court-Ordered Expenditures | P.A. 99-0524 and Court-Ordered Expenditures |
| CORRECTIONAL CENTER: | | | |
| Big Muddy River | \$ 36,688,383 | \$ 37,429,715 | \$ 1,322,796 |
| Centralia | 36,897,979 | 37,901,612 | 1,555,158 |
| Danville | 31,769,994 | 32,256,286 | 2,184,409 |
| Decatur | 20,032,269 | 21,459,580 | 702,340 |
| Dixon | 69,101,103 | 71,512,438 | 2,652,738 |
| East Moline | 30,899,487 | 30,097,788 | 1,711,514 |
| Elgin | 3,181,478 | 52,013 | - |
| Graham | 45,703,867 | 47,729,593 | 3,194,092 |
| Hill | 33,118,328 | 33,515,546 | 1,956,335 |
| Illinois River | 35,781,918 | 35,963,188 | 3,319,212 |
| Jacksonville | 37,917,688 | 39,428,914 | 1,859,294 |
| Joliet | 17,459,914 | 2,109,727 | - |
| Kewanee | 15,333,494 | 4,960,619 | - |
| Lawrence | 43,734,646 | 45,695,783 | 2,351,047 |
| Lincoln | 23,761,086 | 23,923,722 | 1,083,585 |
| Logan | 60,264,684 | 58,367,325 | 2,086,371 |
| Menard | 86,605,824 | 88,288,059 | 4,066,064 |
| Murphysboro | 3,063,256 | 236,949 | - |
| Pinckneyville | 47,371,822 | 49,564,087 | 2,925,648 |
| Pontiac | 75,276,617 | 75,966,272 | 3,522,522 |
| Robinson | 26,323,605 | 26,535,291 | 1,532,097 |
| Shawnee | 35,189,910 | 35,369,124 | 1,125,841 |
| Sheridan | 48,099,300 | 51,069,229 | 6,505,408 |
| Southwestern Illinois | 26,733,809 | 27,223,632 | 2,607,426 |
| Stateville | 117,159,957 | 124,532,995 | 5,252,122 |
| Taylorville | 26,964,177 | 27,469,482 | 1,933,020 |
| Vandalia | 33,545,347 | 34,263,947 | 2,009,132 |
| Vienna | 37,376,914 | 38,183,708 | 1,963,813 |
| Western Illinois | 37,627,098 | 38,742,672 | 1,890,778 |
| Total | \$ 1,142,983,954 | \$ 1,139,849,296 | \$ 61,312,762 |

Note 1: The information reflected in this schedule for Fiscal Years 2016, 2017, and 2018 were taken from Department records and were not available from the State Comptroller's record since appropriations were not made for each correctional center.

Note 2: Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

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

For the Fiscal Years Ended June 30, 2018, 2017, and 2016

- Note 3: The United States District Court for the Central District of Illinois in *Rasho* (07CV1298) required the Department and by extension the Capital Development Board (CDB) to construct a new mental health hospital for the Department at the Stateville Correctional Center, as well as improve treatment for mentally ill offenders at the Department, which includes repurposing the closed Illinois Youth Center - Joliet as a treatment center for mentally ill offenders. As the Department never received enacted permanent improvement appropriations for these projects from the Capital Development Fund (Fund 141), the CDB was able to submit vouchers to pay its costs in full without a maximum expenditure limit for permanent improvement costs related to these projects during Fiscal Year 2016.
- Note 4: During Fiscal Year 2016, the Department operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Department's court-ordered payroll payments were merged into the enacted appropriation within Fund 001, Fund 301, and Fund 523. Further, the Department incurred non-payroll obligations within Fund 001, Fund 301, and Fund 523, which the Department was unable to pay until the passage of Public Act 99-0524.
- Note 5: During Fiscal Year 2017, the Department operated without enacted appropriations until Public Act 100-0021 was signed into law on July 6, 2017. During the impasse, the Department incurred non-payroll obligations, within Funds 001, 301, and 523, which the Department was unable to pay until the passage of Public Act 100-0021.
- Note 6: Notwithstanding anything within Public Act 100-0021 and Public Act 100-0586 to the contrary, Public Act 100-0021 and Public Act 100-0586 authorized the Department to pay for all costs incurred to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Department which were submitted against its Fiscal Year 2017 or Fiscal Year 2018 appropriation.
- Note 7: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Department was able to submit vouchers to pay its employees in full from Funds 001, 301, and 523 without a maximum expenditure limit for personal service costs during Fiscal Year 2017. Further, the Department incurred non-payroll obligations within Funds 001, 301, 523, and 686, which the Department was unable to pay until the passage of Public Act 100-0021.
- Note 8: Public Act 99-0524 authorized the Department to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report includes information from Department management about the number of invoices and the total dollar amount of invoices held by the Department and submitted against its Fiscal Year 2017 appropriation.
- Note 9: During Fiscal Year 2018, the Department operated without enacted appropriations until Public Act 100-0021 and Public Act 100-0586 were signed into laws on July 6, 2017 and June 4, 2018, respectively. During the impasse, the Department incurred non-payroll obligations, which the Department was unable to pay until the passage of Public Act 100-0021 and Public Act 100-0586.

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

For the Fiscal Years Ended June 30, 2018, 2017, and 2016

Note 10: The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted Fiscal Year 2017 appropriations, to process Fiscal Year 2017 certified payment vouchers for obligations and expenses required by consent decrees, no less than the level paid in Fiscal Year 2015, that are necessary to comply with the consent decrees.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF CHANGES IN STATE PROPERTY**

For the Fiscal Years Ended June 30, 2017 and 2018

| | Equipment | Land and Land Improvements | Building and Building Improvements | Site Improvements | Capital Lease Equipment | Total |
|--------------------------|-----------------------|----------------------------|------------------------------------|----------------------|-------------------------|-------------------------|
| Balance at July 1, 2016 | \$ 155,402,707 | \$ 60,675,168 | \$ 1,475,682,467 | \$ 92,513,854 | \$ 2,580,625 | \$ 1,786,854,821 |
| Additions | 1,603,827 | - | 100 | - | 1,909,827 | 3,513,754 |
| Deletions | 4,261,058 | - | - | - | 327,000 | 4,588,058 |
| Net Transfers | (3,328,600) | - | 2,394,445 | - | - | (934,155) |
| Balance at June 30, 2017 | <u>\$ 149,416,876</u> | <u>\$ 60,675,168</u> | <u>\$ 1,478,077,012</u> | <u>\$ 92,513,854</u> | <u>\$ 4,163,452</u> | <u>\$ 1,784,846,362</u> |
| Balance at July 1, 2017 | \$ 149,416,876 | \$ 60,675,168 | \$ 1,478,077,012 | \$ 92,513,854 | \$ 4,163,452 | \$ 1,784,846,362 |
| Additions | 1,642,788 | - | 33,804 | - | 274,000 | 1,950,592 |
| Deletions | 1,690,116 | - | 113,568 | - | 270,000 | 2,073,684 |
| Net Transfers | (740,006) | 177,666 | 79,156,672 | 16,351 | - | 78,610,683 |
| Balance at June 30, 2018 | <u>\$ 148,629,542</u> | <u>\$ 60,852,834</u> | <u>\$ 1,557,153,920</u> | <u>\$ 92,530,205</u> | <u>\$ 4,167,452</u> | <u>\$ 1,863,333,953</u> |

Note 1: This schedule has been reconciled to property reports (C-15 Agency Report of State Property) submitted to the Office of the State Comptroller.

Note 2: This summary schedule was prepared using State property records required by the Illinois Administrative Code (Code). The capitalization policy in the Code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles. Adjustments to correct net transfers and errors in reporting classification were made in the financial statements. See Finding Code No. 2018-001 and 2018-002.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER

For Fiscal Years Ended June 30, 2018, 2017, and 2016

| | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 |
|---|---------------------|---------------------|---------------------|
| <u>Fund 0001 - General Revenue Fund</u> | | | |
| General Office: | | | |
| Jury duty | \$ 27,809 | \$ 1,031 | \$ 1,633 |
| Prior year refunds | 90,118 | 28,876 | 19,139 |
| Miscellaneous | 125,828 | 44,053 | 53,641 |
| School District - Miscellaneous: | | | |
| Prior year refunds | - | - | 94 |
| Adult Field Services: | | | |
| Dormant trust accounts | - | - | 644 |
| Jury duty | - | - | 315 |
| Prior year refunds | - | 1,542 | 3,186 |
| Correctional Centers: | | | |
| Jury duty | 5,631 | 8,289 | 11,028 |
| Dormant trust accounts | 107,954 | 42,181 | 56,645 |
| Copy fees, subpoena fees, and contraband | 1,268 | 1,309 | 1,947 |
| Rent, phone calls, pallets, and recycling | 14,516 | 9,100 | 7,165 |
| Witness fees | 1,531 | 500 | 1,420 |
| Replacement badges | 1,496 | 748 | 1,614 |
| Prior year refunds | - | 1,711 | 8,643 |
| Miscellaneous | 690 | 434 | 3,292 |
| Total - Fund 0001 (Department records) | 376,841 | 139,774 | 170,406 |
| Deposits in Transit, Beginning | - | - | - |
| Deposits in Transit, Ending | - | - | - |
| Other Adjustments | (18,716) | 19,593 | 1,035 |
| Total - Fund 0001 (Comptroller's records) | \$ 358,125 | \$ 159,367 | \$ 171,441 |
| <u>Fund 0301 - Working Capital Revolving Fund (1)</u> | | | |
| Receipts from sales of products | \$ 30,154,220 | \$ 32,489,276 | \$ 22,581,903 |
| Rent from farm leases | 690,761 | 723,040 | 1,353,215 |
| Proceeds from sales of equipment | 43,692 | - | 11,318 |
| Miscellaneous | 25 | 1,765 | - |
| Jury Duty | 33 | 16 | 50 |
| Prior year refunds | 146 | 88 | 66 |
| Total - Fund 0301 (Department records) | 30,888,877 | 33,214,185 | 23,946,552 |
| Deposits in Transit, Beginning | 143,104 | 114,501 | 215,668 |
| Deposits in Transit, Ending | (49,911) | (143,104) | (114,501) |
| Held Intergovernmental Payments, Beginning | (9,042,212) | (869) | (6,743,309) |
| Held Intergovernmental Payments, Ending | 32,067,582 | 9,042,212 | 869 |
| Budgetary Refunds | 2,000 | - | - |
| Other Adjustments | 642 | (24,238) | 517,694 |
| Total - Fund 0301 (Comptroller's records) | \$ 54,010,082 | \$ 42,202,687 | \$ 17,822,973 |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER

For Fiscal Years Ended June 30, 2018, 2017, and 2016

| | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 |
|--|----------------------|----------------------|----------------------|
| <u>Fund 0523 - Department of Corrections Reimbursement Fund</u> | | | |
| Court ordered reimbursement | \$ 66,717 | \$ - | \$ 128,798 |
| Inmate maintenance work release | 1,157,842 | 1,208,731 | 1,287,650 |
| Illinois Department of Public Health | - | - | - |
| Library reimbursement | 122,223 | 96,388 | 119,736 |
| Inmate reimbursement - miscellaneous | 797,149 | 949,287 | 759,172 |
| Recovered workers' compensation | - | - | - |
| U.S. Department of Justice | 1,058,050 | 5,801,705 | 4,316,809 |
| Illinois Criminal Justice Information Authority | 712,557 | 685,511 | 617,794 |
| Electronic device monitoring | 418 | 803 | 2,895 |
| Illinois Department of Human Services | - | - | 185,000 |
| Private organizations | 589,824 | 542,547 | 465,930 |
| College tuition reimbursement | - | 100 | - |
| U.S. Social Security Administration | 187,455 | 173,020 | 184,040 |
| Illinois Community College Board | 3,015,456 | 1,670,762 | 235,985 |
| Telephone commissions | 8,615,918 | 11,563,440 | 11,088,665 |
| Illinois Emergency Management Agency | - | - | - |
| Inmate commissary sales profit | 2,566,193 | 4,124,407 | 5,384,999 |
| University of Illinois | - | 5,807 | - |
| Reimbursements | 349,617 | 114,769 | 189,283 |
| Miscellaneous | 280,335 | 219,761 | 140,333 |
| Repayment pursuant to law | - | 1,115 | 678 |
| Other Illinois State Agency-General Revenue Fund | - | 10,000,000 | - |
| Department of Commerce and Economic Opportunity | - | - | 450,511 |
| Prior year refunds | 13,286 | 1,896 | 744 |
| Total - Fund 0523 (Department records) | <u>19,533,040</u> | <u>37,160,049</u> | <u>25,559,022</u> |
| Deposits in Transit, Beginning | - | - | - |
| Deposits in Transit, Ending | - | - | - |
| Other Adjustments | 608,887 | 1,421,563 | (12,864) |
| Total - Fund 0523 (Comptroller's records) | <u>\$ 20,141,927</u> | <u>\$ 38,581,612</u> | <u>\$ 25,546,158</u> |
| <u>Fund 0686 - Budget Stabilization Fund</u> | | | |
| Prior year refunds | \$ 22,895 | \$ - | \$ - |
| Total - Fund 0686 (Department records) | 22,895 | - | - |
| Deposits in Transit, Beginning | - | - | - |
| Deposits in Transit, Ending | - | - | - |
| Other Adjustments | - | - | - |
| Total - Fund 0686 (Comptroller's records) | <u>\$ 22,895</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total All Funds (Department records) | 50,821,653 | 70,514,008 | 49,675,980 |
| Deposits in Transit, Beginning | 143,104 | 114,501 | 215,668 |
| Deposits in Transit, Ending | (49,911) | (143,104) | (114,501) |
| Held Intergovernmental Payments, Beginning | (9,042,212) | (869) | (6,743,309) |
| Held Intergovernmental Payments, Ending | 32,067,582 | 9,042,212 | 869 |
| Budgetary Refunds | 2,000 | - | - |
| Other Adjustments (Note 1) | 590,813 | 1,416,918 | 505,865 |
| Total All Funds (Comptroller's records) | <u>\$ 74,533,029</u> | <u>\$ 80,943,666</u> | <u>\$ 43,540,572</u> |

Note:

(1) Other adjustments include timing in recording transactions between the State Comptroller and the Department.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

AGENCY FUNCTIONS AND PLANNING PROGRAM

(Unaudited)

MISSION STATEMENT

To serve justice in Illinois and increase public safety by promoting positive change in offender behavior, operating successful reentry programs, and reducing victimization.

VISION

- We will operate safe, secure, and humane correctional facilities.
- We will provide quality services to those who require medical and mental health treatment.
- We will evaluate offenders individually and develop an appropriate course of action based on individual needs.
- We will reduce recidivism by offering seamless, efficient services that are geared toward offender rehabilitation.
- Staff is our greatest asset and we will ensure that all staff are trained to the highest professional level.
- This is a team-based environment where open communication and sharing new ideas are encouraged.
- We value the well-being of the Illinois Department of Corrections staff and offenders and will serve the people of Illinois with compassion and fairness.

ORGANIZATION

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

Effective August 14, 2015 through May 19, 2019, John Baldwin served as the Acting Director of the Illinois Department of Corrections. The current Director is Rob Jeffreys.

As of the report date, the Department operated the following Correctional Centers, which are listed by security level:

| <u>Security Level</u> | <u>Center Name</u> |
|------------------------------|---|
| Maximum Medium | Logan, Menard*, Pontiac**, and Stateville*** Big Muddy River, Centralia, Danville, Dixon****, Graham, Hill, Illinois River, Lawrence, Pinckneyville, Shawnee, Sheridan, and Western Illinois |
| Minimum | Decatur, East Moline, Jacksonville, Lincoln, Murphysboro, Robinson, Southwestern Illinois, Taylorville, Vandalia, and Vienna |
| Work Camp | East Moline, Jacksonville (Greene County and Pittsfield), Southwestern Illinois, and Western Illinois (Clayton) |
| Impact Incarceration Program | Pinckneyville (DuQuoin) and Vienna (Dixon Springs) |
| Transitional | Crossroads Adult Transition Center, Fox Valley Adult Transition Center, North Lawndale Adult Transition Center, and Peoria Adult Transition Center |
| Multi-Classification Center | Elgin, Joliet, and Kewanee |

*- also includes Medium Security Unit

** - also includes Medium Security Unit and Mental Health Unit

*** - also includes Minimum Security Unit

**** - also includes Psychiatric Unit and Special Treatment Center

INTERNAL ORGANIZATION

The function of the General Office is to provide support services to all 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 as necessary to meet the provisions of the Code; as well as provides administrative and services to the Department of Juvenile Justice, Prisoner Review Board, Illinois State Police, Office of the State Fire Marshal and Illinois Criminal Justification Information Authority as detailed in various interagency agreements that make-up Public Safety Shared Services.

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

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

STRATEGIC PLANNING AND PRIORITIES

The Department has four major programs:

1. Bureau of Operations – handles Department’s security, safety, maintenance and sanitation, offender management and movement, classification, transfers, reception and orientation, special issues and field operations.
2. Adult Institutions/Adult Transition Centers – reduce recidivism by supporting the efforts of people with criminal records to become employed, law-abiding members of the community.
3. Parole – addresses public safety and enhances parole supervision on the streets through increased monitoring and graduated sanctions.
4. Program Services – provide a continuum of service for those committed from the point of incarceration to discharge from parole by providing consistent and effective programs for them to become productive members of society upon release.

The Department establishes, reviews, and updates its goals on a regular basis. Department goals are developed through continuing sources of information derived through operations, changes in legislation, census statistics, innovations in programs, inmate population makeup, and availability of resources. Senior management of the various divisions consolidate the information.

The Adult Education Division submits annual education/vocational/grant reports to the Illinois Community College Board. An annual report of adult education activities is submitted to the Chief of Programs.

When new programs, policies, and procedures are developed, they are formalized through the development of the Department’s Administrative Rules and Directives. These rules and directives are subject to audits by Internal Audit and staff that follow facility/performance based standards.

ILLINOIS CORRECTIONAL INDUSTRIES

The Department of Corrections - Illinois Correctional Industries (Industries) operates as a productive enterprise employing offenders from institutions under the jurisdiction of the Department. The Industries programs are supported by revenues derived from the sale of its products and services. Tax-supported institutions and non-profit organizations comprise most of the market.

The Illinois Procurement Code (30 ILCS 500/45-30) requires State agencies give the Department preference when procuring items manufactured by the Industries. County, municipal units and other public institutions qualify as Department customers. Not-for-profit corporations chartered in Illinois, as well as individuals, may also purchase Department produced goods and services.

Industries supports the Department's mission with its vision to operate respected Correctional Industry programs accountable to the citizens of Illinois and beneficial to incarcerated individuals and their customers.

CORRECTIONAL INDUSTRIES PLANNING PROGRAM

Industries developed the following strategies to achieve its vision:

1. Direct future growth in areas where Industries display maximum strength and ability;
2. Employ people and facilities that enhance these areas;
3. Improve continuously on these areas through education and knowledge;
4. Avoid participation in areas where Industries cannot make worthy and unique contributions;
5. Make total quality the Industries way of doing business; and
6. Make a fair profit on current operations to meet its obligations, sustain growth and reach the Department's goals.

Industries strives to adhere the following values in achieving their vision:

Re-entry: Industries recognize the value of vocational training for offenders in that it assists them in their re-entry into society by increasing their chances of gaining employment therefore reducing the likelihood of re-offending.

Public Safety: Industries improve the security of correctional facilities by providing needed programming to occupy and employ inmates during their incarceration while also reducing recidivism.

Partnership: Industries build alliances with their customers, vendors and Illinois businesses which allow our quality products and training to evolve with the market place and the needs of their stakeholders.

Personnel: Industries strive to create a team environment which recognizes and respects the commitment of their employees to the offenders they train, the products they make and the State they serve.

The management team of the Industries composed of the Chief Executive Officer, Assistant Chief Executive Officer, Chief Fiscal Manager, and Facility Managers, meet regularly to discuss the planning process and progress of its operations toward the achievement of its vision.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

(Unaudited)

The Department of Corrections' (Department) explanations for significant fluctuations in Fiscal Years 2017 and 2018 expenditures greater than 25% of total expenditures for that category and \$250,000 as presented in the Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances by Object – All Funds (Schedule 3) are detailed below.

Retirement

Expenditures for retirement increased by \$3,081,206 or 256% in Fiscal Year 2018 from Fiscal Year 2017 due to 12 months of retirement obligations for Illinois Correctional Industries employees paid by the Department in Fiscal Year 2018 compared to only 3 months of retirement obligations for Illinois Correctional Industries employees paid by the Department in Fiscal Year 2017.

Expenditures for retirement decreased by \$3,281,130 or 73% in Fiscal Year 2017 from Fiscal Year 2016 due to only 3 months of retirement obligation for Illinois Correctional Industries employees paid by the Department in Fiscal Year 2017 compared to 12 months of retirement obligation for Illinois Correctional Industries employees paid by the Department in Fiscal Year 2016. During Fiscal Year 2017, the remaining 9 months of retirement obligation for Illinois Correctional Industries employees was paid by the State Employees' Retirement System.

Group Insurance

Expenditures for group insurance increased by \$1,285,619 or 181% in Fiscal Year 2018 from Fiscal Year 2017 due to 12 months of group insurance for Illinois Correctional Industries employees paid by the Department in Fiscal Year 2018 compared to only 3 months of group insurance for Illinois Correctional Industries employees paid by the Department in Fiscal Year 2017.

Expenditures for group insurance decreased by \$2,071,197 or 74% in Fiscal Year 2017 from Fiscal Year 2016 due to only 3 months of group insurance for Illinois Correctional Industries employees paid by the Department in Fiscal Year 2017 compared to 12 months of group insurance for Illinois Correctional Industries employees paid by the Department in Fiscal Year 2016. During Fiscal Year 2017, the remaining 9 months of group insurance for Illinois Correctional Industries employees was paid by the Department of Central Management Services.

Contractual Services

Expenditures for contractual services increased by \$505,890,220 or 223% in Fiscal Year 2018 from Fiscal Year 2017 mainly due to the increase in contractual services for new computer software and increase in medical services provided to the newly-opened Murphysboro Treatment Center and Elgin Treatment Center.

Expenditures for contractual services increased by \$207,820,871 or 1,081% in Fiscal Year 2017 from Fiscal Year 2016 due to held payments from Fiscal Year 2016 paid in Fiscal Year 2017 because of the budget impasse and an increase in medical services provided to the newly-opened Joliet Treatment Center and Kewanee Life Skills Re-entry Center.

Travel

Expenditures for travel increased by \$567,834 or 64% in Fiscal Year 2018 from Fiscal Year 2017 mainly due to delayed payments of the majority of the Fiscal Year 2017 in-state travel reimbursements and the remaining Fiscal Year 2016 travel reimbursements because of the budget impasse.

Expenditures for travel increased by \$751,591 or 565% in Fiscal Year 2017 from Fiscal Year 2016 mainly due to delayed payments of the majority of the Fiscal Year 2016 travel reimbursements and some Fiscal Year 2017 travel reimbursements because of the budget impasse.

Travel and Allowance for Committed, Paroled, and Discharge Prisoners

Expenditures for travel and allowance for committed, paroled, and discharge prisoners increased by \$335,990 or 103% in Fiscal Year 2017 from Fiscal Year 2016 mainly due to delayed payment of travel and allowance fees for released inmates to the centers because of the budget impasse.

Commodities

Expenditures for commodities increased by \$65,761,695 or 264% in Fiscal Year 2017 from Fiscal Year 2016 mainly due to delayed payment for food items at the correctional centers because of the budget impasse.

Printing

Expenditures for printing decreased by \$364,802 or 35% in Fiscal Year 2018 from Fiscal Year 2017 due to the Department's Rapid Results Initiatives. This program aims to deliver services faster, better, and with fewer resources by developing and using electronic versions of paper forms.

Expenditures for printing increased by \$1,055,173 or 51,024% in Fiscal Year 2017 from Fiscal Year 2016 mainly due to delayed payment for purchases of paper throughout the correctional centers because of the budget impasse.

Equipment

Expenditures for equipment increased by \$1,024,176 or 42% in Fiscal Year 2018 from Fiscal Year 2017 mainly due to delayed payment for EDP equipment and machine purchases throughout the correctional centers because of the budget impasse.

Expenditures for equipment increased by \$1,790,884 or 274% in Fiscal Year 2017 from Fiscal Year 2016 due to delayed payment for equipment purchases because of the budget impasse and additional equipment items purchased for the newly-opened Joliet Correctional Center and Kewanee Life Skills Re-entry Center.

Telecommunications Services

Expenditures for telecommunications services increased by \$10,037,728 or 84% in Fiscal Year 2018 from Fiscal Year 2017 mainly due to delayed payments for telephone rentals and services because of the budget impasse.

Expenditures for telecommunications services increased by \$11,845,329 or 21,027% in Fiscal Year 2017 from Fiscal Year 2016 mainly due to delayed payments for monitoring services for paroled offenders because of the budget impasse.

Operation of Automotive Equipment

Expenditures for operation of automotive equipment increased by \$4,794,222 or 563% in Fiscal Year 2017 from Fiscal Year 2016 mainly due to delayed payments for gasoline, oil, and antifreeze because of the budget impasse.

Lump Sums and Other Purposes

Expenditures for lump sums and other purposes increased by \$83,050,914 or 10,446% in Fiscal Year 2018 from Fiscal Year 2017 due to the payment of interest to vendors for vouchers held from Fiscal Year 2016.

Awards and Grants

Expenditures for awards and grants increased by \$20,671,363 or 31153% in Fiscal Year 2017 from Fiscal Year 2016 mainly due to delayed payments because of the budget impasse for claims and settlements, related attorney fees, medical services for public assistance recipients, and payments to local governments for employees.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

(Unaudited)

The Department of Corrections' (Department) explanations for significant fluctuations for fiscal years 2016 to 2018 greater than 25% of total receipts for a funding source and \$250,000 as presented in the Comparative Schedule of Cash Receipts (Schedule 6) are detailed below.

Working Capital Revolving Fund - 0301

Receipts from sales of products increased by \$9,907,373 or 44% during fiscal year 2017 due to State agency customers receiving appropriation authority to pay for invoices received late in fiscal year 2016 and into fiscal year 2017.

Rent from farm leases decreased by \$630,175 or 47% during fiscal year 2017 due primarily to the termination and non-renewal of leases and reduction of renewal lease rate per acre.

Department of Corrections Reimbursement Fund – 0523

United States Department of Justice receipts increased by \$1,484,896 or 34% during fiscal year 2017 due to an increase of Federal grant funds associated with the Second Chance Act. United States Department of Justice receipts decreased by \$4,743,655 or 82% during fiscal year 2018 due to the exhaustion of Federal grants funds provided by the Second Chance Act.

Illinois Community College Board (ICCB) receipts increased by \$1,434,777 or 608% during fiscal year 2017 due to the State passing the stopgap budget that provided partial funding of ICCB grants. ICCB receipts increased by \$1,344,694 or 80% during fiscal year 2018 due to ICCB receiving full appropriation authority to pay for fiscal year 2017 held payments and fiscal year 2018 payments.

Telephone commissions decreased by \$2,947,522 or 25% during fiscal year 2018 due to the passage of Public Act 099-0878, which limited the amount vendors can charge per minute.

Receipts from inmate commissary sales profits decreased by \$1,558,214 or 38% in fiscal year 2018 due to the Department's timing of transferring profits into the fund.

General Revenue Fund receipts increased by \$10,000,000 or 100% during fiscal year 2017 and decreased by \$10,000,000 or 100% during fiscal year 2018 due to a one-time deposit made into the fund in fiscal year 2017 from the Department of Central Management Services for State operations due to the budget impasse.

Department of Commerce and Economic Opportunity (DCEO) receipts decreased by \$450,511 or 100% during fiscal year 2017 due to a grant that ended in fiscal year 2016.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

(Unaudited)

The Department of Corrections' (Department) explanations for significant fiscal years 2017 and 2018 lapse period spending greater than 25% of total expenditures per line item and \$250,000 as presented in the Schedule of Appropriations, Expenditures and Lapsed Balances for fiscal years 2018 and 2017, Schedule 1 and Schedule 2, respectively, are detailed below.

Fiscal Year 2018

General Revenue Fund – 001

General Office – Lump Sums and Other Purposes

Lapse period spending of \$463,717,046 or 25% was due to the timing of vouchers processed that were received close to the end of the fiscal year, and timing of payment of State Prompt Payment Act interest.

General Office – Lump Sum, Operations

Lapse period spending of \$41,172,836 or 100% was due to the payment of backpay wages from fiscal years 2011 and 2012.

Working Capital Revolving Fund – 301

Correctional Industries – Equipment

Lapse period spending of \$317,675 or 58% was primarily due to the timing of payments for three freightliner vehicles.

Fiscal Year 2017

Working Capital Revolving Fund – 301

Correctional Industries – Equipment

Lapse period spending of \$376,365 or 69% was due to vouchers processed for vendor invoices received after the fiscal year.

Correctional Industries – Operation of Automotive Equipment

Lapse period spending of \$315,683 or 31% was due to the timing of vouchers processed for the State Garage Revolving Fund and contracted vendors.

Department of Corrections Reimbursement Fund – 523

General Office – Lump Sums and Other purposes

Lapse period spending of \$11,192,440 or 45% was due to various payments held until the lapse period, in order to pay and manage what existing resources the Department had during the fiscal year.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

**ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
(Expressed in Thousands)**

(Unaudited)

ACCOUNTS RECEIVABLE – WORKING CAPITAL REVOLVING FUND

Accounts receivable for the Working Capital Revolving Fund represent amounts due from sales of goods and services to State agencies, local governments and others. As of June 30, 2018 and 2017, Industries had reported accounts receivable of \$42,208 and \$37,529, respectively. The following represents an analysis of accounts receivable by customer at June 30, 2018 and June 30, 2017. Amounts due from other funds are included in these accounts receivable amounts.

| Account | Fiscal Year 2018 | Fiscal Year 2017 |
|--|---------------------|---------------------|
| Department of Corrections | \$ 40,738 | \$ 36,170 |
| Department of Agriculture | 1 | 1 |
| Department of Children and Family Services | - | 6 |
| Department of Central Management Services | 22 | 27 |
| Department of Natural Resources | 33 | 3 |
| Department of Juvenile Justice | 135 | 240 |
| Department of Human Services | 430 | 351 |
| Department of Military Affairs | 3 | - |
| Department of Healthcare and Family Services | 43 | 115 |
| Department of Transportation | 16 | - |
| Department of Veterans' Affairs | 78 | 128 |
| Department of Innovation and Technology | - | 1 |
| Department of Public Health | 1 | - |
| Capital Development Board | - | 48 |
| Prisoner Review Board | 1 | - |
| Illinois Supreme Court | 7 | - |
| Illinois State Board of Election | 23 | - |
| Illinois Emergency Management Agency | 3 | - |
| State Employees' Retirement System | - | 2 |
| Illinois State Police | 37 | 35 |
| Historic Preservation History | - | 1 |
| Secretary of State | - | 5 |
| Illinois State Treasurer | - | 2 |
| State Colleges and Universities | 10 | 5 |

| Account (continued) | Fiscal Year 2018 | Fiscal Year 2017 |
|-------------------------------|---------------------|---------------------|
| Due from other State Agencies | 476 | 197 |
| Federal Government | 4 | - |
| Local Government | 5 | 13 |
| Other | 142 | 179 |
| | \$ 42,208 | \$ 37,529 |

INVENTORIES

Inventories of the Industries represent the amount of goods on hand that are to be used in the process of manufacturing finished goods, finished goods that are ready to be sold, or operating supplies that are used in producing goods and services. The inventories of finished goods, work in process, raw materials and operating supplies are stated at the lower of cost or market. Stores inventory consists of fuel and automotive supplies and is principally valued using an average cost method. The following represents inventories by component as of June 30, 2018 and June 30, 2017.

| | Fiscal Year 2018 | Fiscal Year 2017 |
|--------------------|---------------------|---------------------|
| Finished goods | \$ 1,857 | \$ 2,274 |
| Work in process | 106 | 73 |
| Raw materials | 3,572 | 3,817 |
| Operating supplies | 191 | 198 |
| Fuel inventory | 21 | 12 |
| | \$ 5,747 | \$ 6,374 |

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

**ANALYSIS OF ACCOUNTS RECEIVABLE
(Expressed in Thousands)**

(Unaudited)

The accounts receivable for the Department’s governmental funds consist of other receivables of \$70, due from other Department funds of \$14,542, due from other State funds of \$1,231, and due from Federal government of \$80 for the Department of Corrections Reimbursement Fund, DOC Commissary Funds, and DOC Resident’s and Employee’s Benefit Fund. All amounts are current and are considered fully collectible.

The accounts receivable for the Department’s Working Capital Revolving Fund represent Illinois Correctional Industries’ amounts due from sales of goods and services to State agencies, local governments, and others. The following represents the aging of accounts receivable and allowance for estimated uncollectibles for June 30, 2018 and June 30, 2017.

| | Fiscal Year 2018 | Fiscal Year 2017 |
|--|---------------------|---------------------|
| Current | \$ 3,144 | \$ 3,505 |
| 1 - 30 days old | 2,021 | 1,608 |
| 31 - 90 days old | 4,783 | 5,260 |
| 91 - 180 days old | 6,859 | 6,321 |
| Over 180 days old | 25,409 | 21,021 |
| Accounts receivable gross balance | 42,216 | 37,715 |
| Less: allowance for estimated uncollectibles | 8 | 186 |
| Accounts receivable, net balance | \$ 42,208 | \$ 37,529 |

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

BUDGET IMPASSE DISCLOSURES

(Unaudited)

Article 74 of Public Act 99-0524 authorized the Department to pay Fiscal Year 2016 costs using the Department's Fiscal Year 2017 appropriations for non-payroll expenditures. In addition, Article 998 of Public Act 100-0021 and Article 33 of Public Act 100-0586 authorized the Department to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Department's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The following charts shows the Department's payments of its prior period costs using future appropriations:

Fiscal Year 2016 Invoices

| Fund # | Fund Name | Paid From Fiscal Year 2017 Appropriations | | Paid From Fiscal Year 2018 Appropriations | |
|--------|---|---|----------------|---|---------------|
| | | Number | Dollar Value | Number | Dollar Value |
| 001 | General Revenue Fund | 23,297 | \$ 87,188,833 | 25,959 | \$147,423,237 |
| 301 | Working Capital Revolving Fund | 1,154 | 6,688,520 | 105 | 710,747 |
| 523 | Department of Corrections Reimbursement Fund | 74 | 2,743,887 | 320 | 3,028,363 |
| 686 | Budget Stabilization Fund | 19,718 | 117,394,904 | - | - |
| | | 44,243 | \$ 214,016,144 | 26,384 | \$151,162,347 |

Fiscal Year 2017 Invoices

| Fund # | Fund Name | Paid From Fiscal Year 2017 Appropriations | | Paid From Fiscal Year 2018 Appropriations | |
|--------|---|---|--------------|---|---------------|
| | | Number | Dollar Value | Number | Dollar Value |
| 001 | General Revenue Fund | - | - | 50,765 | \$337,590,069 |
| 301 | Working Capital Revolving Fund | - | - | 2,301 | 898,250 |
| 523 | Department of Corrections Reimbursement Fund | - | - | 2,380 | 6,823,327 |
| | | - | - | 55,446 | \$345,311,646 |

In addition, the Department lacked sufficient expenditure authority, from either court-ordered expenditures or enacted appropriations, to cover its fiscal year 2016 costs within its General Revenue Fund (001). The Department, as of the end of fieldwork, was holding six Fiscal Year 2018 invoices, totaling \$6,890.

Finally, the Department's Fiscal Year 2017 costs accounted for within the General Revenue Fund (001) were paid pursuant to court order and appropriation.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**

(Unaudited)

Transactions Involving the Illinois Finance Authority

The Illinois Department of Corrections (Department) engaged with the Illinois Finance Authority to provide payment to critical vendor who were threatening to cease services if the vendor was not paid its full amount due in the absence of enacted appropriations or other legal expenditure authority. Under the terms of an agreement between the Illinois Finance Authority and the vendor, the vendor received payment for 100% of the amount due and owing on the Department's past due invoices. The vendor, in turn, assigned its rights to both the Department's payment and interest penalties due under the State Prompt Payment Act (30 ILCS 540) to the Illinois Finance Authority. When the Department ultimately received an appropriation or other legal expenditure authority to pay the past due invoice, the Department paid the amount due on the invoice and associated interest penalties to the Illinois Finance Authority.

The following chart shows the amount paid by the Illinois Finance Authority to vendors to pay the Department's costs during Fiscal Years 2017 and 2018:

| Vendor | Good/Services Provided | Amount |
|--------|------------------------|---------------------|
| A | Food Services | <u>\$ 3,967,001</u> |

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

Vendor Payment Program (VPP)

In 2011, the State of Illinois (State) created the voluntary VPP in response to delays in payments for goods and services provided by the State's vendors arising from the State's cash flow deficit. The Department of Central Management Services (CMS) approved third party financing entities to act as "qualified purchasers" of accounts receivable from "participating vendors" who had submitted invoices which had not been paid by the State.

A participating vendor's accounts receivable is eligible for the VPP if it is from an invoice unpaid by the State that is (1) not for medical assistance payments (2) where 90 days have passed since the proper bill date, which is (3) entitled to interest under the State Prompt Payment Act (Act) (30 ILCS 540) and (4) free of any liens or encumbrances. Under the terms of an agreement between a qualified purchaser and the participating vendor, the participating vendor receives payment for 90% of the receivable balance. The participating vendor, in turn, assigns its rights to the interest

due under the Act to the qualified purchaser. When the State Comptroller ultimately pays the invoice, the participating vendor receives the remaining 10% due (less any offsets).

Notably, while CMS approved the qualified purchasers and provided information to vendors about VPP, neither CMS nor the State are parties to the assignment agreements.

During Fiscal Year 2017 and 2018, none of the Department’s vendors participated in the Vendor Payment Program (VPP).

Vendor Support Initiative Program (VSI)

During Fiscal Year 2016, the State created the voluntary VSI as an alternative to the VPP for cases where the Department lacked an enacted appropriation or other legal expenditure authority to present invoices to the State Comptroller for payment. The VSI operated similarly to the VPP, although the Department was required to determine a participating vendor’s invoice (1) would have met the requirements of the VPP and (2) provided the proper bill date of invoice prior to the qualified purchaser and participating vendor entering into an agreement where the participating vendor received payment for 90% of the receivable balance. The participating vendor, in turn, assigned its rights to the interest due under the Act to the qualified purchaser. After the State Comptroller ultimately paid the invoice after the Department received appropriations or other legal expenditure authority to pay the invoice, the participating vendor received the remaining 10% due (less any offsets).

During Fiscal Year 2017, the Department had 23 vendors participate in VSI for 759 invoices, totaling \$60,319,132. A summary of the amount of transactions by qualified purchaser follows:

| Qualified Purchaser | Fiscal Year 2017 Total Amount |
|---------------------|-------------------------------|
| A | \$ 34,594,317 |
| B | <u>25,724,815</u> |
| | <u>\$ 60,319,132</u> |

During Fiscal Year 2018, none of the Department’s vendors participated in the Vendor Support Initiative Program (VSI).

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

INTEREST COSTS ON FISCAL YEAR 2017 AND 2018 INVOICES

(Unaudited)

The Illinois Department of Corrections (Department) calculated prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issued a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2017 or Fiscal Year 2018. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Department. The following charts show the Department's prompt payment interest incurred related to Fiscal Year 2017 and 2018 invoices, calculated on the accrual basis of accounting, through June 30, 2017 and June 30, 2018, by fund:

**PROMPT PAYMENT INTEREST INCURRED
Year ended June 30, 2018**

| <u>Fund #</u> | <u>Fund Name</u> | <u>Invoices</u> | <u>Vendors</u> | <u>Dollar Value</u> |
|---------------|--|-----------------|----------------|---------------------|
| 001 | General Revenue Fund | 92,383 | 4,766 | \$ 77,983,607 |
| 301 | Working Capital Revolving Fund | 6,569 | 550 | 2,332,405 |
| 523 | Department of Corrections Reimbursement Fund | 554 | 357 | 854,934 |
| | Total | 99,506 | 5,673 | \$ 81,170,946 |

**PROMPT PAYMENT INTEREST INCURRED
Year ended June 30, 2017**

| <u>Fund #</u> | <u>Fund Name</u> | <u>Invoices</u> | <u>Vendors</u> | <u>Dollar Value</u> |
|---------------|--|-----------------|----------------|---------------------|
| 001 | General Revenue Fund | 22,736 | 1,960 | \$ 12,138,252 |
| 301 | Working Capital Revolving Fund | 1,891 | 222 | 621,595 |
| 523 | Department of Corrections Reimbursement Fund | 2,333 | 306 | 123,087 |
| 686 | Budget Stabilization Fund | 66 | 20 | 13,285 |
| | Total | 27,026 | 2,508 | \$ 12,896,219 |

Department officials stated their primary consideration for whether to use the existing cash balance in each fund, as well as appropriation authority, was to ensure the sustaining of Department operations. For instance, the Department's Illinois Correctional Industries did not issue payments for outstanding interest penalties when there was an operational need for other vouchers to be paid.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

AVERAGE NUMBER OF EMPLOYEES

(Unaudited)

The following table, prepared from Department of Corrections (Department) records, presents the average number of employees by the divisions and the Correctional Centers (excluding Illinois Correctional Industries) for the fiscal years ended June 30, 2018, 2017, and 2016.

| <u>Division</u> | <u>Fiscal Year 2018</u> | <u>Fiscal Year 2017</u> | <u>Fiscal Year 2016</u> |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Office | 252 | 243 | 249 |
| Education Services | 180 | 191 | 190 |
| Statewide and Field Services | 544 | 545 | 544 |
| <u>Correctional Centers</u> | | | |
| Big Muddy River | 322 | 324 | 323 |
| Centralia | 397 | 399 | 389 |
| Danville | 309 | 303 | 287 |
| Decatur | 207 | 216 | 212 |
| Dixon | 636 | 632 | 583 |
| East Moline | 297 | 293 | 298 |
| Elgin | 65 | 1 | - |
| Graham | 445 | 457 | 431 |
| Hill | 289 | 289 | 300 |
| Illinois River | 313 | 317 | 312 |
| Jacksonville | 406 | 411 | 410 |
| Joliet | 183 | 19 | - |
| Kewanee | 159 | 75 | - |
| Lawrence | 401 | 410 | 397 |
| Lincoln | 232 | 232 | 226 |
| Logan | 499 | 507 | 484 |
| Menard | 928 | 903 | 877 |
| Murphysboro | 87 | - | - |
| Pinckneyville | 450 | 446 | 443 |
| Pontiac | 788 | 784 | 754 |
| Robinson | 255 | 245 | 246 |

| <u>Correctional Centers (continued)</u> | <u>Fiscal Year 2018</u> | <u>Fiscal Year 2017</u> | <u>Fiscal Year 2016</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Shawnee | 303 | 315 | 336 |
| Sheridan | 377 | 421 | 420 |
| Southwestern | 223 | 215 | 224 |
| Stateville | 1,070 | 1,095 | 1,111 |
| Taylorville | 242 | 254 | 256 |
| Vandalia | 357 | 357 | 347 |
| Vienna | 393 | 388 | 382 |
| Western Illinois | 376 | 374 | 358 |
| Total average full-time employees | <u>11,985</u> | <u>11,661</u> | <u>11,389</u> |

The following table, prepared from Department records, presents the average number of correctional officers for the fiscal years ended June 30, 2018, 2017, and 2016. Correctional officers are included in the total average full time employees presented above.

| <u>Correctional Centers</u> | <u>Fiscal Year 2018</u> | <u>Fiscal Year 2017</u> | <u>Fiscal Year 2016</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Big Muddy River | 253 | 248 | 249 |
| Centralia | 314 | 318 | 309 |
| Danville | 237 | 231 | 217 |
| Decatur | 141 | 142 | 144 |
| Dixon | 495 | 515 | 469 |
| East Moline | 216 | 212 | 215 |
| Elgin | 58 | - | - |
| Graham | 338 | 349 | 329 |
| Hill | 220 | 217 | 226 |
| Illinois River | 238 | 244 | 242 |
| Jacksonville | 320 | 314 | 305 |
| Joliet | 136 | 14 | - |
| Kewanee | 102 | 81 | - |
| Lawrence | 321 | 329 | 315 |
| Lincoln | 178 | 178 | 176 |
| Logan | 401 | 396 | 375 |
| Menard | 721 | 694 | 663 |
| Murphysboro | 72 | - | - |
| Pinckneyville | 351 | 349 | 345 |
| Pontiac | 666 | 667 | 630 |
| Robinson | 193 | 184 | 187 |
| Shawnee | 224 | 236 | 254 |

| <u>Correctional Centers (continued)</u> | <u>Fiscal Year 2018</u> | <u>Fiscal Year 2017</u> | <u>Fiscal Year 2016</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Sheridan | 288 | 327 | 326 |
| Southwestern | 168 | 162 | 169 |
| Stateville | 860 | 880 | 877 |
| Taylorville | 177 | 189 | 192 |
| Vandalia | 262 | 259 | 251 |
| Vienna | 283 | 275 | 274 |
| Western Illinois | 298 | 292 | 275 |
| Total average correctional officers | <u>8,531</u> | <u>8,302</u> | <u>8,014</u> |

The following table, prepared from Department records, presents the average number of (non-inmate) employees for the Illinois Correctional Industries for the fiscal years ended June 30, 2018, 2017, and 2016.

| <u>Division</u> | <u>Fiscal Year 2018</u> | <u>Fiscal Year 2017</u> | <u>Fiscal Year 2016</u> |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Office | 15 | 15 | 25 |
| <u>Correctional Centers</u> | | | |
| Centralia | 2 | 2 | 4 |
| Danville | 4 | 3 | 3 |
| Decatur | 2 | 2 | 2 |
| Dixon | 7 | 7 | 8 |
| East Moline | 6 | 6 | 6 |
| Graham | 3 | 2 | 3 |
| Hill | 11 | 8 | 11 |
| Illinois River | 15 | 13 | 14 |
| Lincoln Central Distribution | 7 | 6 | 7 |
| Lincoln Sign Shop | 2 | 2 | 2 |
| Logan | 1 | 1 | 1 |
| Menard | 11 | 12 | 10 |
| Shawnee | 3 | 4 | 3 |
| Sheridan | 1 | 1 | 1 |
| Stateville | 1 | 1 | 2 |
| Vandalia | 8 | 8 | 8 |
| Western Illinois | 6 | 5 | 5 |
| Total average full-time employees | <u>105</u> | <u>98</u> | <u>115</u> |

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

STATE HOUSING BENEFITS

(Unaudited)

The Department of Corrections (Department) houses employees on the grounds of many of its correctional facilities in guard dormitories or houses/trailers. Currently there are approximately 12 employees living in dormitory rooms and approximately 39 employees living in houses/trailers. The Department has an administrative directive that establishes the rates paid by employees. While the Department initially pays for the utilities and maintenance, the employees pay a monthly fee that includes utility charges. Additionally a taxable fringe benefit is charged to the employee for tax purposes. The Department does not provide housing to non-employees and security deposits are required.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

ANALYSIS OF EMPLOYEE OVERTIME

(Unaudited)

Certain employees are eligible for overtime if the hours worked during the day exceed the employee's standard work hours. Correctional Officers receive a ¼-hour of overtime for each day they stand for roll call. The roll call overtime is paid at time and one half. Correctional Lieutenants receive 1 ½ times normal pay but do not stand roll call.

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

The following tables, prepared from Department records, present the paid overtime and used compensatory time incurred during Fiscal Years 2018 and 2017.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

ANALYSIS OF EMPLOYEE OVERTIME
For the Fiscal Year Ended June 30, 2018

(Unaudited)

| Division | Overtime Hours Paid | \$ Value of Overtime Hours Paid | Compensatory Hours Used | \$ Value of Compensatory Hours Used | Total Overtime and Compensatory Hours | Total \$ Value of Overtime and Compensatory Hours |
|---------------------------------------|---------------------|---------------------------------|-------------------------|-------------------------------------|---------------------------------------|---|
| General Office | 9,193 | \$ 426,502 | - | \$ - | 9,193 | \$ 426,502 |
| Education Services | 764 | 24,527 | - | - | 764 | 24,527 |
| Statewide & Field Services | 27,055 | 1,483,574 | 7,047 | 276,944 | 34,102 | 1,760,518 |
| Big Muddy | 19,651 | 914,741 | 21,381 | 659,700 | 41,032 | 1,574,441 |
| Centralia | 11,557 | 531,991 | 15,864 | 482,999 | 27,421 | 1,014,990 |
| Danville | 17,697 | 738,889 | 18,323 | 532,593 | 36,020 | 1,271,482 |
| Decatur | 14,412 | 713,151 | 9,013 | 281,004 | 23,425 | 994,155 |
| Dixon | 39,024 | 1,730,184 | 54,343 | 1,664,218 | 93,367 | 3,394,402 |
| East Moline | 24,066 | 1,039,853 | 33,361 | 988,663 | 57,427 | 2,028,516 |
| Elgin | 3,100 | 139,721 | 2,456 | 68,085 | 5,556 | 207,806 |
| Graham | 34,314 | 1,536,513 | 30,739 | 933,082 | 65,053 | 2,469,595 |
| Hill | 18,248 | 780,802 | 20,076 | 592,865 | 38,324 | 1,373,667 |
| Illinois River | 23,214 | 1,025,493 | 20,315 | 593,501 | 43,529 | 1,618,994 |
| Jacksonville | 27,220 | 1,261,353 | 19,229 | 619,054 | 46,449 | 1,880,407 |
| Joliet | 4,490 | 217,656 | 8,465 | 270,196 | 12,955 | 487,852 |
| Kewanee | 5,505 | 290,461 | 6,074 | 194,539 | 11,579 | 485,000 |
| Lawrence | 43,595 | 1,916,337 | 24,002 | 706,940 | 67,597 | 2,623,277 |
| Lincoln | 23,419 | 1,007,283 | 9,362 | 265,798 | 32,781 | 1,273,081 |
| Logan | 90,992 | 3,916,021 | 26,919 | 745,612 | 117,911 | 4,661,633 |
| Menard | 82,639 | 3,132,590 | 13,372 | 423,639 | 96,011 | 3,556,229 |
| Murphysboro | 3,295 | 125,535 | - | - | 3,295 | 125,535 |
| Puckneyville | 23,385 | 1,059,450 | 24,038 | 720,023 | 47,423 | 1,779,473 |
| Pontiac | 54,557 | 2,514,494 | 37,944 | 1,135,181 | 92,501 | 3,649,675 |
| Robinson | 16,312 | 730,078 | 12,965 | 388,491 | 29,277 | 1,118,569 |
| Shawnee | 28,433 | 1,276,948 | 22,819 | 727,214 | 51,252 | 2,004,162 |
| Sheridan | 36,581 | 1,626,101 | 20,751 | 627,733 | 57,332 | 2,253,834 |
| Southwestern Illinois | 11,456 | 525,089 | 13,059 | 407,317 | 24,515 | 932,406 |
| Stateville | 202,011 | 9,457,052 | 71,049 | 2,317,811 | 273,060 | 11,774,863 |
| Taylorville | 23,206 | 1,043,825 | 19,203 | 561,149 | 42,409 | 1,604,974 |
| Vandalia | 20,423 | 974,932 | 23,709 | 729,342 | 44,132 | 1,704,274 |
| Vienna | 9,972 | 506,546 | 14,780 | 495,493 | 24,752 | 1,002,039 |
| Western | 20,884 | 940,048 | 21,278 | 643,585 | 42,162 | 1,583,633 |
| ADULT TOTAL | 933,658 | 41,673,137 | 614,889 | 18,775,827 | 1,548,547 | 60,448,964 |
| DEPARTMENT TOTAL | 970,670 | 43,607,740 | 621,936 | 19,052,771 | 1,592,606 | 62,660,311 |
| Correctional Industries | 7,072 | 318,895 | 2 | 65 | 7,074 | 318,960 |
| GRAND TOTAL | 977,742 | \$ 43,926,635 | 621,938 | \$ 19,052,836 | 1,599,680 | \$ 62,979,471 |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

ANALYSIS OF EMPLOYEE OVERTIME

For the Fiscal Year Ended June 30, 2017

(Unaudited)

| Division | Overtime Hours Paid | \$ Value of Overtime Hours Paid | Compensatory Hours Used | \$ Value of Compensatory Hours Used | Total Overtime and Compensatory Hours | Total \$ Value of Overtime and Compensatory Hours |
|---------------------------------------|---------------------|---------------------------------|-------------------------|-------------------------------------|---------------------------------------|---|
| <i>General Office</i> | 8,260 | \$ 380,880 | - | \$ - | 8,260 | \$ 380,880 |
| <i>Education Services</i> | 172 | 6,679 | - | - | 172 | 6,679 |
| <i>Statewide & Field Services</i> | 28,689 | 1,534,832 | 2 | 40 | 28,691 | 1,534,872 |
| Big Muddy | 18,833 | 920,279 | 21,449 | 686,908 | 40,282 | 1,607,187 |
| Centralia | 9,011 | 429,751 | 13,904 | 428,411 | 22,915 | 858,162 |
| Danville | 15,210 | 704,147 | 19,954 | 601,650 | 35,164 | 1,305,797 |
| Decatur | 10,724 | 559,708 | 10,678 | 346,421 | 21,402 | 906,129 |
| Dixon | 19,016 | 935,744 | 43,212 | 1,329,529 | 62,228 | 2,265,273 |
| East Moline | 12,833 | 610,249 | 32,089 | 976,519 | 44,922 | 1,586,768 |
| Graham | 16,801 | 864,189 | 25,676 | 790,289 | 42,477 | 1,654,478 |
| Hill | 13,476 | 640,410 | 22,053 | 684,867 | 35,529 | 1,325,277 |
| Illinois River | 9,725 | 478,576 | 17,740 | 523,528 | 27,465 | 1,002,104 |
| Jacksonville | 30,263 | 1,486,911 | 20,311 | 648,343 | 50,574 | 2,135,254 |
| Joliet | 17 | 1,197 | 307 | 12,371 | 324 | 13,568 |
| Kewanee | 2,920 | 151,107 | 3,569 | 121,633 | 6,489 | 272,740 |
| Lawrence | 26,896 | 1,249,252 | 23,078 | 699,067 | 49,974 | 1,948,319 |
| Lincoln | 16,819 | 766,346 | 7,740 | 229,908 | 24,559 | 996,254 |
| Logan | 71,906 | 3,261,037 | 25,444 | 723,085 | 97,350 | 3,984,122 |
| Menard | 71,901 | 3,011,004 | 29,741 | 965,536 | 101,642 | 3,976,540 |
| Pineknexville | 19,960 | 944,653 | 25,893 | 789,813 | 45,853 | 1,734,466 |
| Pontiac | 35,427 | 1,812,398 | 35,510 | 1,071,023 | 70,937 | 2,883,421 |
| Robinson | 18,343 | 861,095 | 13,473 | 422,688 | 31,816 | 1,283,783 |
| Shawnee | 13,869 | 673,638 | 17,676 | 608,852 | 31,545 | 1,282,490 |
| Sheridan | 15,587 | 757,431 | 21,555 | 672,856 | 37,142 | 1,430,287 |
| Southwestern Illinois | 14,330 | 688,988 | 13,823 | 447,404 | 28,153 | 1,136,392 |
| Stateville | 139,479 | 6,911,054 | 76,985 | 2,574,552 | 216,464 | 9,485,606 |
| Taylorville | 10,936 | 539,604 | 13,739 | 416,035 | 24,675 | 955,639 |
| Vandalia | 13,809 | 713,801 | 20,901 | 645,931 | 34,710 | 1,359,732 |
| Vienna | 7,652 | 424,136 | 13,709 | 456,877 | 21,361 | 881,013 |
| Western | 19,170 | 884,986 | 22,032 | 675,973 | 41,202 | 1,560,959 |
| ADULT TOTAL | 654,913 | 31,281,691 | 592,241 | 18,550,069 | 1,247,154 | 49,831,760 |
| Correctional TOTAL | 692,034 | 33,204,082 | 592,243 | 18,550,109 | 1,284,277 | 51,754,191 |
| <i>Correctional Industries</i> | 8,201 | 377,372 | - | - | 8,201 | 377,372 |
| GRAND TOTAL | 700,235 | \$ 33,581,454 | 592,243 | \$ 18,550,109 | 1,292,478 | \$ 52,131,563 |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

ANNUAL COST STATISTICS

(Unaudited)

| | 2018 | | | 2017 | | |
|---|---------------------------------|-----------------------------|--|---------------------------------|-----------------------------|--|
| | Rated Capacity June 30, 2018 | Average Daily Population | Average Yearly Cost per Resident ⁽¹⁾ | Rated Capacity June 30, 2017 | Average Daily Population | Average Yearly Cost per Resident ⁽¹⁾ |
| Adult Institutions: | | | | | | |
| Maximum Security | | | | | | |
| Logan | 1,106 | 1,767 | \$ 34,106 | 1,106 | 1,830 | \$ 31,895 |
| Menard | 3,098 | 3,165 | \$ 27,364 | 3,098 | 3,485 | \$ 25,334 |
| Pontiac | 1,800 | 1,420 | \$ 53,012 | 1,800 | 1,582 | \$ 48,019 |
| Stateville | 3,162 | 2,844 | \$ 41,195 | 3,162 | 2,968 | \$ 41,959 |
| Total - Maximum Security | <u>9,166</u> | <u>9,196</u> | | <u>9,166</u> | <u>9,865</u> | |
| Average Yearly Cost per Resident ⁽¹⁾ | | | \$ 36,897 | | | \$ 35,191 |
| Medium Security | | | | | | |
| Big Muddy River | 952 | 1,676 | \$ 21,890 | 952 | 1,775 | \$ 21,087 |
| Centralia | 950 | 1,464 | \$ 25,204 | 950 | 1,524 | \$ 24,870 |
| Danville | 896 | 1,749 | \$ 18,165 | 896 | 1,789 | \$ 18,030 |
| Dixon | 1,430 | 2,319 | \$ 29,798 | 1,430 | 2,388 | \$ 29,947 |
| Graham | 1,174 | 1,887 | \$ 24,220 | 1,174 | 1,922 | \$ 24,833 |
| Hill | 896 | 1,702 | \$ 19,458 | 896 | 1,784 | \$ 18,787 |
| Illinois River | 1,011 | 2,002 | \$ 17,873 | 1,011 | 2,011 | \$ 17,883 |
| Lawrence | 2,257 | 1,964 | \$ 22,268 | 2,257 | 2,191 | \$ 20,856 |
| Pinckneyville | 2,434 | 2,145 | \$ 22,085 | 2,434 | 2,307 | \$ 21,484 |
| Shawnee | 896 | 1,670 | \$ 21,072 | 896 | 1,754 | \$ 20,165 |
| Sheridan | 1,304 | 1,741 | \$ 27,627 | 1,304 | 1,853 | \$ 27,560 |
| Western Illinois | 1,102 | 1,824 | \$ 20,629 | 1,102 | 1,943 | \$ 19,940 |
| Total - Medium Security | <u>15,302</u> | <u>22,143</u> | | <u>15,302</u> | <u>23,241</u> | |
| Average Yearly Cost per Resident ⁽¹⁾ | | | \$ 22,629 | | | \$ 22,234 |

(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

ANNUAL COST STATISTICS

(Unaudited)

| | 2018 | | | 2017 | | |
|---|---------------------------------|-----------------------------|--|---------------------------------|-----------------------------|--|
| | Rated Capacity June 30, 2018 | Average Daily Population | Average Yearly Cost per Resident ⁽¹⁾ | Rated Capacity June 30, 2017 | Average Daily Population | Average Yearly Cost per Resident ⁽¹⁾ |
| Minimum Security | | | | | | |
| Decatur | 500 | 450 | \$ 44,516 | 500 | 627 | \$ 34,226 |
| East Moline | 588 | 1,285 | \$ 24,046 | 588 | 1,308 | \$ 23,011 |
| Jacksonville | 900 | 1,289 | \$ 29,416 | 900 | 1,310 | \$ 30,098 |
| Lincoln | 500 | 940 | \$ 25,278 | 500 | 1,005 | \$ 23,805 |
| Murphysboro | 246 | 18 | \$ 170,181 | - | - | \$ - |
| Robinson | 600 | 1,181 | \$ 22,289 | 600 | 1,201 | \$ 22,094 |
| Southwestern Illinois | 600 | 703 | \$ 38,028 | 600 | 638 | \$ 42,670 |
| Taylorville | 600 | 1,159 | \$ 23,265 | 600 | 1,195 | \$ 22,987 |
| Vandalia | 1,100 | 1,281 | \$ 26,187 | 1,100 | 1,284 | \$ 26,685 |
| Vienna | 925 | 1,156 | \$ 32,333 | 925 | 1,103 | \$ 34,618 |
| Total - Minimum Security | 6,559 | 9,462 | | 6,313 | 9,671 | |
| Average Yearly Cost per Resident ⁽¹⁾ | | | \$ 28,178 | | | \$ 27,772 |
| Multi Security | | | | | | |
| Elgin | 44 | 6 | \$ 530,246 | - | - | \$ - |
| Joliet | 486 | 62 | \$ 281,612 | - | - | \$ - |
| Kewanee | 680 | 149 | \$ 102,909 | 680 | 80 | \$ 62,008 |
| Total - Multi Security | 1,210 | 217 | | 680 | 80 | |
| Average Yearly Cost per Resident ⁽¹⁾ | | | \$ 165,783 | | | \$ 62,008 |
| Total Adult Institutions | 32,237 | 41,018 | | 31,461 | 42,857 | |
| Average Yearly Cost per Resident ⁽¹⁾ | | | \$ 63,372 | | | \$ 36,801 |

(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

ANNUAL COST STATISTICS

(Unaudited)

| | 2018 | | | 2017 | | |
|---|---------------------------------|-----------------------------|--|---------------------------------|-----------------------------|--|
| | Rated Capacity June 30, 2018 | Average Daily Population | Average Yearly Cost per Resident ⁽¹⁾ | Rated Capacity June 30, 2017 | Average Daily Population | Average Yearly Cost per Resident ⁽¹⁾ |
| Adult Transition Centers (ATC) | | | | | | |
| State-operated | | | | | | |
| Fox Valley | 100 | 125 | \$ 24,849 | 100 | 129 | \$ 24,391 |
| Peoria | 248 | 186 | \$ 22,562 | 200 | 228 | \$ 17,825 |
| Total - ATC State-operated | 348 | 311 | | 300 | 357 | |
| Average Yearly Cost per Resident ⁽¹⁾ | | | \$ 23,481 | | | \$ 20,198 |
| Contractual | | | | | | |
| Crossroads | 350 | 281 | \$ 27,871 | 250 | 337 | \$ 23,133 |
| North Lawndale | 200 | 94 | \$ 51,969 | 200 | 142 | \$ 39,907 |
| Total - ATC Contractual | 550 | 375 | | 450 | 479 | |
| Average Yearly Cost per Resident ⁽¹⁾ | | | \$ 33,912 | | | \$ 28,106 |
| Total Adult Transition Centers | 898 | 686 | | 750 | 836 | |
| Average Yearly Cost per Resident ⁽¹⁾ | | | \$ 28,697 | | | \$ 24,152 |
| Grand Total (Adult Institutions and ATCs) | 33,135 | 41,704 | | 32,211 | 43,693 | |
| Over capacity | | 8,569 | | | 11,482 | |

Notes:

(1) Net Expenditures for correctional centers equals expenditures from funds appropriated to the agency. Net Expenditures do not include any allocations from the General Office, Adult Education, or Field Services divisions.

Other Notes:

The chart above does not parcel out satellite units or facilities that may be the responsibility of the parent institution.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

NOTES TO ANNUAL COST STATISTICS

(Unaudited)

The average daily population of adult institutions (maximum, medium, minimum, and multi security) has decreased from 42,857 for Fiscal Year 2017 to 41,018 for Fiscal Year 2018. This represents a decrease of 1,839 inmates for Fiscal Year 2018. The rated capacity of adult institutions was 32,237 on June 30, 2018 and 31,461 on June 30 2017.

The average yearly cost per resident is summarized as follows for Fiscal Years 2018 and 2017:

| | <u>Fiscal Year 2018</u> | <u>Fiscal Year 2017</u> |
|---|-----------------------------|-----------------------------|
| Adult Institution | \$ 63,372 | \$ 36,801 |
| Adult Transition Centers (exclude Crossroads and North Lawndale) | 23,481 | 20,198 |

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

Work Camps

East Moline
Jacksonville (Greene County & Pittsfield)
Southwestern Illinois
Western Illinois (Clayton)

Boot Camps

Pinckneyville (DuQuoin)
Vienna (Dixon Springs)

Adult Transition Centers

Approximately 686 inmates in Fiscal Year 2018 and 836 inmates in Fiscal Year 2017 are housed in four adult transition centers (ATCs) throughout the State. Inmates who are nearing the conclusion of their sentences and have made a satisfactory adjustment while confined to a prison may be eligible for participation in the work release program. Inmates housed in an ATC are expected to become employed or to participate in some other worthwhile endeavor, such as attending school. Participation in the work release program is considered a privilege, and those inmates who do not abide by the strict rules and regulations enforced at the ATCs are transferred back to prison.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

ANNUAL COST STATISTICS - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

COMMODITIES EXPENDITURES

The following is an analysis of commodities expenditures of the Illinois Correctional Industries (Industries) for fiscal years ended June 30, 2018 and 2017.

| | Fiscal Year 2018 | Fiscal Year 2017 |
|--------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Clothing | \$ 702,749 | \$ 1,237,714 |
| Food & Beverage | 13,503,515 | 12,146,883 |
| Recycling | 24,612 | 13,903 |
| Furniture | 374,654 | 405,635 |
| Cleaning & Laundry | 665,582 | 784,896 |
| Eye Glasses | 702,986 | 608,406 |
| Metal Products | 181,108 | 149,567 |
| Other | 35,769 | 26,863 |
| Total Commodities Expenditures | <u>\$ 16,190,975</u> | <u>\$ 15,373,867</u> |

ADMINISTRATIVE COSTS

The following schedule of administrative costs, prepared by the Industries, consists of Central Administration expenses, as well as administrative expenses incurred at each shop for fiscal years ended June 30, 2018 and 2017.

| | Fiscal Year 2018 | Fiscal Year 2017 |
|--------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Central Administration: | | |
| Marketing | \$ 176,820 | \$ 91,852 |
| Fiscal | 478,811 | 221,428 |
| Chief Executive Office Section | 1,391,306 | 695,795 |
| Services | 684,824 | 309,577 |
| Total Administrative Costs | <u>\$ 2,731,761</u> | <u>\$ 1,318,652</u> |

(The Central Administration costs shown above are included in shop costs shown in the next schedule.)

SELLING, GENERAL, AND ADMINISTRATIVE COSTS

The following schedule of Shop Administrative Expenses plus Selling, General, and Administrative Costs, prepared by Industries, consists of Central Administrative expenses from previous schedule, Warehouse and Trucking Selling expenses, and administrative expenses incurred at each shop.

| | Fiscal Year 2018 | Fiscal Year 2017 |
|--|--------------------------|--------------------------|
| | <u>2018</u> | <u>2017</u> |
| Shops: | | |
| Centralia | \$ 297,652 | \$ 133,560 |
| Danville | 339,506 | 106,104 |
| Decatur | 240,662 | 87,030 |
| Dixon | 1,034,636 | 479,946 |
| East Moline | 242,933 | 137,489 |
| Graham | 321,749 | 164,720 |
| Hill | 1,820,853 | 769,191 |
| Illinois River | 1,113,983 | 566,823 |
| Lincoln Chair & Sign | 196,150 | 70,895 |
| Logan | 6,230 | 2,420 |
| Menard | 1,098,936 | 418,744 |
| Shawnee | 348,417 | 90,261 |
| Sheridan (included in other clothing shops) | - | - |
| Stateville | 196,338 | 833 |
| Vandalia | 910,700 | 361,680 |
| Western | 1,534,461 | 762,282 |
| Less Interest and Depreciation Expense | (90,284) | (81,503) |
| Total Selling, General, and Administrative Costs | <u>\$ 9,612,922</u> | <u>\$ 4,070,475</u> |
| TOTAL OPERATING EXPENSES | <u>\$ 35,411,901</u> | <u>\$ 23,174,091</u> |
| Percentage of Selling, General, and Administrative Costs to Total Operating Expenses (Note 1) | <u>27.15%</u> | <u>17.56%</u> |

Note 1: Fiscal Year 2018 percentage increased due to increase in personal services, including related costs, and commodities.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

PARTICIPATING EDUCATIONAL INSTITUTIONS

(Unaudited)

The Department of Corrections provided post-secondary academic and vocational training programs to enrolled inmates at educational facilities through contractual agreements with the following colleges during the audit period:

| <u>Educational Institution</u> | <u>Educational Facilities Served</u> |
|--------------------------------|--|
| Lake Land Community College | Big Muddy River, Dixon, East Moline, Graham, Hill, Illinois River, Jacksonville, Lawrence, Pinckneyville, Robinson, Shawnee, Sheridan, Southwestern Illinois, Taylorville, Vandalia, Vienna and Western Illinois |

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

EMERGENCY PURCHASES

(Unaudited)

The Department of Corrections (Department) reported the following emergency purchases to the Office of the Auditor General during Fiscal Years 2018 and 2017:

| Description | Estimated Amount | Actual Amount |
|--|---------------------|---------------------|
| Fiscal Year 2018 | | |
| Purchase of Correctional Officer uniforms. | \$ 500,000 | \$ 65,052 |
| Purchase of cartons for Illinois Correctional Industries. | 105,000 | 171,495 |
| Contract with CPA firm to complete statutorily required GAAP packages for the agencies involved in the Public Safety Shared Services Center. | 451,000 | 69,753 |
| Purchase of collagen casings for Illinois Correctional Industries. | 1,500,000 | 1,372,173 |
| Purchase of eyeglass frames for Dixon Correctional Center's Industries program. | 963,000 | 123,000 |
| Total Fiscal Year 2018 | <u>\$ 3,519,000</u> | <u>\$ 1,801,473</u> |

| Description | Estimated Amount | Actual Amount |
|--|---------------------|----------------------|
| Fiscal Year 2017 | | |
| 90-day continuation of the emergency contract for Electronic Detention Monitoring Services for Parolees/and or committed felons at the Department. | \$ 5,175,000 | \$ 6,351,673 |
| Procure a contractor to fabricate and install insulation blankets in 15 correctional centers. | 56,000 | 32,770 |
| Replacement transformer at Danville Correctional Center. | 52,000 | 76,667 |
| Rental of refrigerator trucks and purchase of diesel fuel to prevent loss of the entire food supply at Shawnee Correctional Center. | 80,000 | 73,020 |
| Purchase of chicken nuggets for multiple correctional centers. | 199,080 | 186,282 |
| Secure services of one or more Department of Justice (DOJ) - Certified Prison Rape Elimination Act (PREA) auditors to perform PREA audits at all correctional centers. | 110,400 | 138,000 |
| Purchase of milk and juice for the offender population for multiple correctional centers. | 1,000,000 | 2,427,979 |
| Purchase of coal for the Logan Correctional Center. | 527,000 | 511,114 |
| Purchase chiller units for the Administration Building and Dietary Building located on the grounds of Western Illinois Correctional Center and the Health Care Unit building located on the grounds of Stateville Correctional Center. | 173,000 | 109,131 |
| Replace high voltage electrical cables and high voltage transformer for the Program Center, Health Care Unit and Housing Unit. | 88,250 | 72,750 |
| Replace/repair of chiller coil at Hill Correctional Center. | 54,000 | 50,618 |
| Total Fiscal Year 2017 | <u>\$ 7,514,730</u> | <u>\$ 10,030,004</u> |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|--|--|---|--|
| 2013 | Utilization of the firing range at the Stateville Correctional Center by the Metropolitan Correctional Institution Chicago | Metropolitan Correctional Institution Chicago (Representative of the United States Government) | 09/09/13 - 01/01/18 | The Metropolitan Correctional Institution Chicago requests to use the Stateville Correctional Center's firing range. The firing range is to be used by authorized personnel of the Metropolitan Correctional Institution Chicago for firearms training. |
| 2013 | Facility Closure Agreement | American Federation of State, County, and Municipal Employees, Illinois Department of Corrections (Department), Illinois Department of Juvenile Justice (IDJJ) Employees | Four years from the date of closure of various facilities | This is a four-year Memorandum of Understanding that outlines procedures for the transfer of Department and IDJJ employees in the event of closure of the various employer's facilities. |
| 2014 | Processing of replacement Social Security number (SSN) cards | Social Security Administration (SSA) | 02/10/14 - 02/09/19 | Establishment of an effective, secure, and efficient means for each party's field staff to process applications from certain inmates for replacement SSN cards needed by inmates to obtain employment upon their release, thereby enhancing their employment opportunities and successful reintegration into society. Staff will provide the servicing SSA field office a list of authorized officials with whom they should work; follow established covered institution policy and procedures to verify the identity of every inmate when received into custody; no more than 120 days prior to the release from the covered institution advise applicable individuals of appropriate procedures for obtaining a replacement SSN card; receive and review applicable forms; properly file and maintain the information and SSN card. |

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STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|--|---|-------------------------|---|
| 2014 | Construction of Residential Treatment Space | State of Illinois, Capital Development Board | 06/30/14 - 07/01/17 | Agreement to complete upgrades at the Logan Correctional Center, Dixon Correctional Center and the Pontiac Correctional Center to enhance the Department's ability to provide mental health services at those facilities. |
| 2015 | Purchase of water service | City of Chester | 12/12/14 - Indefinitely | The Department agrees to purchase all water for Menard Correctional Center from the City of Chester. Beginning July 1, 2016, the Department shall pay \$2.60 per 1,000 gallons. Beginning July 1, 2017, the Department shall pay the sum of \$2.65 per 1,000 gallons per month. Thereafter, the rates for water service provided to Menard Correctional Center may increase effective July 1 of each year, if necessary. The City of Chester shall provide the Department with notice by August 1 for an increase effective the following July 1. |
| 2016 | Funding for the Illinois Sentencing Policy Advisory Council (SPAC) | SPAC | 07/01/15 - 12/31/16 | \$150,000 from that appropriation from the General Revenue Fund to the Department is to be used for the ordinary and contingent expenses not including payroll of the SPAC. |
| 2016 | Use of Dwight Correctional Center by Dwight Fire Protection District | Dwight Fire Protection District | 09/01/15 - 08/31/20 | Agreement allowing Dwight Fire Protection District to utilize land on the extreme west side of Dwight Correctional Center for the purposes of training exercises. |

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STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|--|---|-------------------------|--|
| 2016 | A comprehensive program evaluation of our correctional and community programs | Southern Illinois University (SIU) - Carbondale | 09/15/15 - 12/30/17 | SIU shall conduct an evaluation of clinical and cognitive programs at Pinckneyville Correctional Center and Sheridan Correctional Center. Based on its evaluation, SIU shall make recommendations for improved program delivery. |
| 2016 | Shared Data Agreement | Illinois Department of Employment Security (IDES), Safer Foundation | 10/01/15 - 09/30/16 | Agreement to implement procedures to govern the sharing of information between IDES, the Department, and Safer Foundation. |
| 2016 | Illinois State Fairgrounds | Department of Agriculture | 01/01/16 - 12/31/16 | Agreement allowing the Department use of the Illinois State Fairgrounds located in Sangamon County, Illinois in connection with training event, parking and other activities. |
| 2016 | Use of Stateville Correctional Center for Illinois State Police (ISP) Training | ISP | 05/04/16 - 12/31/16 | Agreement to allow ISP to utilize the Stateville Correctional Center including but limited to, the building and grounds of the former Minimum Security Unit as a Rapid Deployment Training venue. |
| 2016 | Department's maintenance of Sheriff's vouchers | Illinois Office of the Comptroller | 05/05/16 - Indefinitely | Defines the roles and responsibilities of the Department with regard to the Comptroller authorizing Department to maintain the original Sheriff's vouchers, and the proof of all signatures, at Department offices pursuant to Public Act 97-0932. |

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STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|---|---|-------------------------|---|
| 2016 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Education | Illinois Department of Public Health (IDPH) | 06/01/16 - 07/31/17 | A collaboration between the Department and IDPH to provide HIV/AIDS education to inmates. Provide case management services to inmates who are HIV+ or have AIDS. Provide mental health, substance abuse, and sexually transmitted disease prevention services. |
| 2016 | Payments made by Department of Central Management Services (DCMS) on behalf of the Department | DCMS | 06/03/16 - 06/23/17 | An agreement which obligates DCMS, on behalf of the Department, to pay funds pursuant to contracts related to Vandalia Work Camp, Pittsfield Work Camp, Dwight Cell House, and Dixon Cell House and that the Department will reimburse DCMS by the end of Fiscal Year 2017. |
| 2017 | Medical Program Agreement | University of Illinois Hospital and Health Science System | 07/21/16 - 09/30/16 | Amendment to 2010 Intergovernmental Agreement (IGA) set to expire 06/30/16 regarding past due payments for medical services the University of Illinois provided to inmates. IGA extended to 09/30/16. |
| 2017 | Prison Rape Elimination Act Agreement | John Howard Association | 07/26/16 - 09/01/19 | Agreement for the purpose of providing a way for inmates to report incidents of sexual abuse while still in Department custody. |
| 2017 | Purchase of natural gas | City of Chester | 08/01/16 - Indefinitely | Proposed increase of the cost of natural gas to Menard Correctional Center from \$1.24 per 1,000 cubic feet to \$1.72 per 1,000 cubic feet. |

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STATE OF ILLINOIS
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COMPLIANCE EXAMINATION
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MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|--|---|-------------------------|---|
| 2017 | Transfer of offenders with serious mental illness (SMI) | Illinois Department of Human Services (IDHS) | 09/07/16 - 6/30/18 | An agreement between the Department and IDHS for transfer of offenders with SMI to the Elgin Mental Health Center (EMHC). |
| 2017 | Shared Data Agreement | IDES, Safer Foundation | 10/01/16 - 9/30/17 | Agreement to implement procedures to govern the sharing of information between IDES, the Department, and Safer Foundation. |
| 2017 | Outside parking at Stateville Correctional Center Garage | DCMS | 01/01/17 - 12/31/21 | Agreement to allow the DCMS use of approximately eight bays and shared common areas within tile garage, as well as outside parking, at the Stateville Correctional Center Garage, Route 53, Joliet, Illinois. |
| 2017 | CPR Training | Lake Land College | 01/08/17 - 01/08/20 | Lakeland College shall provide an American Heart Association (AHA) certified CPR Instructor to conduct Heart Saver, Basic Life Support (BLS) and Instructor-level CPR/First Aid training. Department will mandate all CPR classes have no fewer than 12 students in each class. |
| 2017 | Transfer of real and personal property | IDJJ | 02/08/17 - Indefinitely | Agreement for the transfer of real and personal property from Illinois Youth Center - Kewanee for additional space for housing and programming for adult inmates. |

STATE OF ILLINOIS
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COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|--|---|-------------------------|---|
| 2017 | Municipality Firearms Range Agreement | Village of Hampton Police Department | 05/22/17 - 05/22/22 | An agreement between the Department and Village of Hampton Police Department for the purpose of providing access to municipality to use the East Moline Correctional Center Firearms Range and conduct firearms training. |
| 2017 | Transfer from youth center to Department | IDJJ | 05/31/17 - Indefinitely | Agreement that the possession, control, operation and use of the entire premises and the Illinois Youth Center - Murphysboro located thereon, including all buildings and other structures, and the access road built pursuant to the Roadway and Utilities easement described above, shall transfer from IDJJ to the Department. |
| 2018 | Supply of ammunition | ISP | 07/10/17 - Indefinitely | Agreement between the Department and ISP to supply ammunition. |
| 2018 | Shared Data Agreement | IDES, Safer Foundation | 09/28/17 - Indefinitely | Agreement to implement procedures to govern the sharing of information between IDES, the Department, and Safer Foundation. |
| 2018 | Beautifully and stabilize Joliet Correctional Center | City of Joliet | 10/07/17 - 09/30/22 | Agreement work cooperatively in order to beautify and stabilize Joliet Correctional Center. |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

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For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|--|---|-----------------------|--|
| 2018 | Possession and control of Joliet Correctional Center | City of Joliet | 01/01/18 - 12/31/22 | Agreement is to provide the City of Joliet with temporary possession and control of the Joliet Correctional Center, so that the City of Joliet may stabilize the prison by providing security, maintenance, debris removal, temporary and permanent improvements, and so the City of Joliet may analyze the potential for redevelopment, in order to promote commercial and recreation use of the correctional center. |
| 2018 | Municipality Firearms Range Agreement | 5th District SWAT | 01/01/18 - 12/31/22 | An agreement between the Department and 5th District SWAT for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Bridgeview Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Bridgeview Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Cook County, Bedford Park Police Department | 01/01/18 - 12/31/22 | Agreement to provide access to use firearm range and conduct training. |
| 2018 | Municipality Firearms Range Agreement | Village of Bolingbrook | 01/01/18 - 12/31/22 | An agreement between the Department and Village of Bolingbrook for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

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For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|---------------------------------------|---|-----------------------|--|
| 2018 | Municipality Firearms Range Agreement | Chicago Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Chicago Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Town of Cicero Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Cicero Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Cook County Sheriff's Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Cook County Sheriff's Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Crestwood Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Crestwood Police Department for the purpose of providing access to municipality to use the range and conduct firearms training to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Des Plaines Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Des Plaines Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |

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STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|---------------------------------------|---|-----------------------|---|
| 2018 | Municipality Firearms Range Agreement | Village of Downers Grove | 01/01/18 - 12/31/22 | An agreement between the Department and Village of Downers Grove for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | DuPage Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and DuPage Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Evergreen Park Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Evergreen Park Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Flossmoor Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Flossmoor Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Forest Preserve DuPage County Law Enforcement | 01/01/18 - 12/31/22 | An agreement between the Department and Forest Preserve DuPage County Law Enforcement for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|---------------------------------------|---|-----------------------|--|
| 2018 | Municipality Firearms Range Agreement | Hodgkins Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Hodgkins Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Lockport Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Lockport Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Lockport Park District Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Lockport Park District Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Lombard Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Lombard Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Manhattan Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Manhattan Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|---------------------------------------|---|-----------------------|---|
| 2018 | Municipality Firearms Range Agreement | Mokena Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Mokena Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Naperville Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Naperville Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | North Aurora Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and North Aurora Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Oak Brook Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Oak Brook Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Oak Brook Terrace Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Oak Brook Terrace Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |

(Continued)

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|--|---|-----------------------|--|
| 2018 | Municipality Firearms Range Agreement | Rockdale Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Rockdale Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | University of Chicago Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and University of Chicago Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Municipality Firearms Range Agreement | Woodridge Police Department | 01/01/18 - 12/31/22 | An agreement between the Department and Woodridge Police Department for the purpose of providing access to municipality to use the Stateville Correctional Center Firearms Range and conduct firearms training. |
| 2018 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Education | IDPH | 04/01/18 - 03/31/19 | A collaboration between the Department and IDPH to provide HIV/AIDS education to inmates. Provide case management services to inmates who are HIV+ or have AIDS. Provide mental health, substance abuse, and sexually transmitted disease prevention services. |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

| <u>Fiscal Year</u> | <u>Memorandums of Understanding</u> | <u>Parties Involved Other Than the Department</u> | <u>Dates Involved</u> | <u>Description of Memorandum Requirements</u> |
|--------------------|---|---|-------------------------|---|
| 2018 | Confidential Operating Agreement | IDHS | 04/06/18 - Indefinitely | An agreement between the Department and IDHS to provide security and operating needs for the transferred offenders with SMI to the EMHC. |
| 2018 | A comprehensive program evaluation of our correctional and community programs | SIU | 05/15/18 - 09/30/19 | Agreement to (a) develop and monitor five offender programs provided to Department; (b) train Department staff on implementation and delivery of those five offender programs; and (c) measure effectiveness and outcomes of those five offender programs provided to Department. |
| 2018 | Psychiatry Services | SIU | 06/22/18 - 06/30/19 | An agreement between the Department and SIU for the purposes of SIU providing psychiatry services via SIU Telehealth to mentally ill offenders and offenders with serious mental illness in Pontiac Correctional Center and Logan Correctional Center. |
| 2018 | Background investigations | IDJJ | 06/27/18 - Indefinitely | Establishment of Backgrounds Unit to conduct all background investigations for IDJJ prospective employees, volunteers, and contractors. |

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

WORKING CAPITAL REVOLVING FUND ACTIVITY

(Unaudited)

The following is a summary of overall activity in the Working Capital Revolving Fund for the fiscal years ended June 30, 2018 and 2017.

| | <u>Fiscal Year 2018</u> | <u>Fiscal Year 2017</u> |
|---|-----------------------------|-----------------------------|
| Gross profit | \$ 34,561,737 | \$ 35,417,447 |
| Selling, general, and administrative expenses | <u>35,977,410</u> | <u>23,877,677</u> |
| Operating income (loss) | (1,415,673) | 11,539,770 |
| Other expenses, net | <u>(728,433)</u> | <u>(230,675)</u> |
| Net income (loss) | <u>(2,144,106)</u> | <u>11,309,095</u> |
| Net assets, beginning of year | <u>35,436,654</u> | <u>24,127,559</u> |
| Net assets, end of year | <u><u>\$ 33,292,548</u></u> | <u><u>\$ 35,436,654</u></u> |

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

**INMATE ASSAULTS ON STAFF
AT ADULT CORRECTIONAL CENTERS**

(Unaudited)

| <u>Security Level</u> | <u>Fiscal Year 2018</u> | <u>Fiscal Year 2017</u> |
|-----------------------|-------------------------|-------------------------|
| Maximum Security | | |
| Logan (Female) | 97 | 59 |
| Menard | 28 | 26 |
| Pontiac | 234 | 214 |
| Stateville | 94 | 71 |
| Medium Security | | |
| Big Muddy River | 6 | 9 |
| Centralia | 4 | 2 |
| Danville | 10 | 6 |
| Dixon | 108 | 177 |
| Graham | 15 | 3 |
| Hill | 16 | 20 |
| Illinois River | 22 | 12 |
| Lawrence | 33 | 50 |
| Pinckneyville | 17 | 24 |
| Shawnee | 20 | 17 |
| Sheridan | 8 | 9 |
| Western Illinois | 15 | 19 |
| Minimum Security | | |
| Decatur (Female) | - | 2 |
| East Moline | 10 | 18 |
| Jacksonville | 1 | 3 |
| Lincoln | 1 | 2 |
| Murphysboro | - | - |
| Robinson | 3 | 2 |
| Southwestern Illinois | 3 | - |
| Taylorville | 5 | 1 |
| Vandalia | 2 | 13 |
| Vienna | 9 | 4 |
| Multi Security | | |
| Elgin | - | - |
| Kewanee | - | - |
| Joliet | - | - |
| Total | 761 | 763 |

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

SERVICE EFFORTS AND ACCOMPLISHMENTS

(Unaudited)

MISSION AND ORGANIZATION

To serve justice in Illinois and increase public safety by promoting positive change in offender behavior, operating successful reentry programs, and reducing victimization.

VISION

- We will operate safe, secure, and humane correctional facilities.
- We will provide quality services to those who require medical and mental health treatment.
- We will evaluate offenders individually and develop an appropriate course of action based on individual needs.
- We will reduce recidivism by offering seamless, efficient services that are geared toward offender rehabilitation.
- Staff is our greatest asset and we will ensure that all staff are trained to the highest professional level.
- This is a team-based environment where open communication and sharing new ideas are encouraged.
- We value the well-being of the Illinois Department of Corrections (Department) staff and offenders and will serve the people of Illinois with compassion and fairness.

ACHIEVEMENTS AND ACCOUNTABILITY

- Implemented an Employee Cost-Savings Suggestion Program saving millions of dollars through reduced spending. The program, which was implemented in July 2009, is featured on the Department website where employees are encouraged to identify opportunities to cut costs. Thus far, approximately \$2.5 million in cost-saving measures have been implemented.
- Continued community-based re-entry programs for inmates released back into society. These programs are designed to provide a wide array of services required by the parolee population to increase the likelihood of a successful reintegration into the community. Working in conjunction with the re-entry programs are the Transitional Jobs Program and the Statewide Job Preparation Program. These programs are designed to place parolees into everyday job programs and provide them the necessary skills to find employment.
- During the Rauner administration, the Department closed outdated facilities, such as the Stateville Correctional Center Round House, saving millions of dollars in deferred maintenance and other operational costs.
- In February 2017, the Department opened the first Life Skills Re-Entry Center at the former Illinois Youth Center in Kewanee. Offenders nearing the end of their sentences learn skills critical to their successful transition back into the community through the Re-Entry Center.

- In Fiscal Year 2017, the Office of Adult Education and Vocational Services implemented computer-based instruction and testing of High School Equivalency (HSE) at all facilities. The number of HSE completions rose from 346 in Fiscal Year 2016 to 660 in Fiscal Year 2017. Illinois has one of the highest correctional center HSE success rates in the nation at 94 percent.
- The Department’s offender population dropped from 48,235 in January 2015 to 41,070 as of mid-January 2018.

STRATEGIC INITIATIVES AND PRIORITIES

- Overhaul the Department’s information technology (IT) infrastructure, partnering with IT experts in sister agencies, as part of an ongoing multi-year process to modernize all hardware and software systems. Modernizing IT resources is a key component of a new emphasis on prioritizing expenditures on the basis of measurable outcomes.
- Adopt uniform standards of data collection in facilities management, parole and programmatic expenditures. This will enable the Department to mandate and ensure accountability on the basis of numeric measures of performance.

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

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

Objectives: Reduce recidivism, the number of people who return to prison within three years of release.
Continually improve staff and offender safety and security.

Funds: General Revenue Fund, Working Capital Revolving Fund, Department of Corrections Reimbursement Fund, Budget Stabilization Fund (FY17)

Statutory Authority: Illinois Compiled Statutes, Chapter 730 (Unified Code of Corrections)

| <u>Input Indicators</u> | <u>Fiscal Year 2016 Actual</u> | <u>Fiscal Year 2017 Actual</u> | <u>Fiscal Year 2018 Target/Projected</u> | <u>Fiscal Year 2018 Actual</u> | <u>Fiscal Year 2019 Target/Projected (b)</u> |
|---|--------------------------------|--------------------------------|--|--------------------------------|--|
| Total expenditures - all sources (in thousands) (a) | \$955,630 | \$1,275,486 | \$1,502,803 | \$1,949,212 | \$1,495,811 |

| <u>Input Indicators</u> | <u>Fiscal Year 2016 Actual</u> | <u>Fiscal Year 2017 Actual</u> | <u>Fiscal Year 2018 Target/ Projected</u> | <u>Fiscal Year 2018 Actual</u> | <u>Fiscal Year 2019 Target/ Projected (b)</u> |
|--|--------------------------------|--------------------------------|---|--------------------------------|---|
| Total expenditures - state appropriated funds (in thousands) | \$955,630 | \$1,275,486 | \$1,502,803 | \$1,949,212 | \$1,495,811 |
| Average monthly full-time equivalents | 11,176 | 11,773 | 12,471 | 12,095 | 12,557 |
| <u>Output Indicators</u> | | | | | |
| Percentage of adults reincarcerated within 3 years of release | 43.9% | 43.0% | 42.8 | 39.9% | 38.9% |
| Number of parolees returned to prison each month as a percent of average daily parole population | 2.0% | 2.6% | 2.5% | 2.3% | 2.3% |
| Number of contraband confiscations (per 1,000 offenders per month) | 0.9 | 0.6 | 1.0 | 40 | 39 |
| Number of offender-on-staff assaults (per 1,000 staff per month) | 4.3 | 10.0 | 10.0 | 11 | 11 |

| <u>Output Indicators</u> | <u>Fiscal Year 2016 Actual</u> | <u>Fiscal Year 2017 Actual</u> | <u>Fiscal Year 2018 Target/Projected</u> | <u>Fiscal Year 2018 Actual</u> | <u>Fiscal Year 2019 Target/Projected (b)</u> |
|---|--------------------------------|--------------------------------|--|--------------------------------|--|
| Number of offender-on-offender assaults (per 1,000 offenders per month) | 3.9 | 6.3 | 7.2 | 40 | 39 |

Notes:

- (a) The Fiscal Year 2019 expenditure for the General Revenue Fund, Working Capital Revolving Fund, and Department of Corrections Reimbursement Fund portion is the enacted appropriation of \$1,495,811. The Department will be seeking a supplemental appropriation. However, the amount has not been determined at this time.
- (b) The Fiscal Year 2019 data is subject to change pending further review by the Department staff.

SALES BY CUSTOMER

The following is an analysis of net sales by customer type for the Illinois Correctional Industries for the fiscal years ended June 30, 2018 and 2017:

| | <u>Fiscal Year 2018</u> | <u>Fiscal Year 2017</u> |
|---------------------------------------|-------------------------|-------------------------|
| Illinois Department of Corrections | \$ 27,772,582 | \$ 28,399,730 |
| Illinois Department of Human Services | 1,103,698 | 954,849 |
| Illinois Department of Transportation | 38,854 | 40,940 |
| Other State Agencies | 4,350,035 | 4,458,601 |
| Local Governments | 74,068 | 132,537 |
| Colleges and Universities | 98,221 | 82,293 |
| Not-for-Profit Organizations | 475,158 | 541,028 |
| Other Customers | 1,341,320 | 1,506,419 |
| Total sales | <u>\$ 35,253,936</u> | <u>\$ 36,116,397</u> |

INMATE ASSIGNMENTS

In Fiscal Year 2018, Illinois Correctional Industries filled 84% of industry assignments throughout the year, while in Fiscal Year 2017, the Industries filled 76% of industry assignments.

The first column, Total Available, reflects the established number of positions for a shop working at full capacity. When a shop is not working at full capacity, it is generally due to lack of sales, inmates being confined to their cells (uninterested in assignments, illness or lockdown), or vacancies due to routine turnover.

| INDUSTRY | Fiscal Year 2018 | | Fiscal Year 2017 | |
|--|------------------|-----------------|------------------|-----------------|
| | Total Available | Average Working | Total Available | Average Working |
| Centralia Administration | 4 | 3 | 5 | 4 |
| Centralia Recycling | 16 | 12 | 13 | 10 |
| Centralia Sewing | 27 | 17 | 37 | 20 |
| Danville Administration | 5 | 5 | 5 | 5 |
| Danville Recycling | 2 | 2 | 2 | 2 |
| Danville Silkscreen/Embroidery | 50 | 32 | 50 | 28 |
| Decatur Administration | 2 | 2 | 2 | 3 |
| Decatur Sewing | 20 | 18 | 40 | 21 |
| Decatur Dog Grooming | 7 | 7 | 6 | 6 |
| Dixon Administration | 8 | 7 | 8 | 6 |
| Dixon Optical | 69 | 68 | 86 | 74 |
| East Moline Administration | 4 | 4 | 4 | 4 |
| East Moline Laundry | 40 | 40 | 45 | 43 |
| Graham Administration | 4 | 4 | 4 | 3 |
| Graham Furniture | 26 | 22 | 36 | 24 |
| Graham Mattress | 8 | 7 | 7 | 4 |
| Graham Vehicle Repair/State Garage | 5 | 5 | 6 | 5 |
| Graham Vandalia/Recycling | 2 | 2 | N/A | N/A |
| Hill Administration | 5 | 5 | 5 | 5 |
| Hill Meat Processing | 27 | 27 | 31 | 31 |
| Hill Milk Processing | 27 | 27 | 30 | 28 |
| Hill Recycling | 10 | 10 | 2 | 2 |
| Illinois River Administration | 13 | 11 | 16 | 13 |
| Illinois River Bakery | 102 | 82 | 129 | 91 |
| Lincoln Furniture | 8 | 2 | 9 | 2 |
| Lincoln Sign Shop | 7 | 3 | 5 | 2 |
| Lincoln Warehouse Administration | 1 | 1 | 2 | 1 |
| Lincoln Warehouse Central Distribution | 6 | 5 | 7 | 2 |
| Logan Helping Paws | 35 | 35 | 39 | 27 |
| Logan Recycling | 13 | 13 | 20 | 17 |
| Menard Broom & Wax | 13 | 10 | 12 | 10 |
| Menard Knit | 50 | 35 | 50 | 39 |
| Menard Meat Processing | 15 | 10 | 15 | 10 |
| Menard Waste Removal/Recycling | 28 | 18 | 20 | 18 |
| Shawnee Administration | 6 | 5 | 5 | 5 |
| Shawnee/Vienna Prison Pugs | 17 | 14 | N/A | N/A |
| Shawnee Metal Furniture | 30 | 19 | 25 | 20 |
| Shawnee/Vienna Recycling | 10 | 5 | 6 | 6 |

| INDUSTRY (continued) | Fiscal Year 2018 | | Fiscal Year 2017 | |
|----------------------------------|------------------|-----------------|------------------|-----------------|
| | Total Available | Average Working | Total Available | Average Working |
| Sheridan Garment Cutting | 5 | 6 | 12 | 10 |
| Stateville Administration | 2 | 2 | 6 | 2 |
| Stateville Furniture | 2 | 2 | 11 | 10 |
| Stateville Soap | 10 | 10 | 6 | 5 |
| Vandalia Administration | 2 | 2 | 3 | 2 |
| Vandalia Meat Processing | 25 | 23 | 25 | 20 |
| Vandalia Milk/Oil Processing | 15 | 15 | 18 | 15 |
| Vandalia Tails | 22 | 22 | N/A | N/A |
| Vandalia Recycling | 10 | 10 | 9 | 3 |
| Western Illinois Administration | 4 | 4 | 4 | 4 |
| Western Illinois Food Processing | 66 | 47 | 66 | 57 |
| Western Illinois Recycling * | 19 | 19 | 18 | 15 |
| TOTAL | 904 | 756 | 962 | 734 |

* Indicates combination of Western, Jacksonville, & Pittsfield Recycling

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

SUMMARY OF OPERATIONS BY INDUSTRY - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

Fiscal Year 2018

| Industry/Shop | Revenue | Manufacturing Costs | Garment Cutting Allocated to Sewing Shops | Factory Administrative Overhead/Expenses | Selling, General and Administrative (SG&A) Expenses | Depreciation | Increase (Decrease) in Net Assets | Average # of Inmate Workers |
|--------------------------------|--------------|---------------------|---|--|---|--------------|-----------------------------------|-----------------------------|
| Illinois River Bakery | \$ 4,631,552 | \$ 3,345,250 | \$ - | \$ 216,749 | \$ 894,377 | \$ 42,532 | \$ 132,644 | 93 |
| Illinois River Recycling | 8,074 | 20,282 | - | 1,298 | 1,559 | - | (15,065) | - |
| Lincoln Furniture | 66,985 | 99,164 | - | 60,974 | 12,936 | - | (106,089) | 2 |
| Lincoln Sign Shop | 76,475 | 174,782 | - | 107,470 | 14,769 | - | (220,546) | 3 |
| Decatur Sewing/Garment | 191,750 | 304,258 | 11,026 | 203,971 | 36,691 | - | (364,196) | 20 |
| Decatur Dog Grooming | - | 39,236 | - | - | - | - | (39,236) | 7 |
| Lincoln Warehouse & Trucking | - | 3,756,247 | - | 133,021 | (3,942,858) | 53,590 | - | 6 |
| Centralia Sewing/Garment | 570,765 | 507,172 | 111,205 | 178,808 | 109,679 | 9,853 | (345,952) | 20 |
| Centralia Recycling | 9,823 | 20,244 | - | 7,268 | 1,897 | 5,624 | (25,210) | 12 |
| Graham Furniture | 578,790 | 566,550 | - | 74,903 | 110,594 | - | (173,257) | 28 |
| Graham Mattress | 442,803 | 298,874 | - | 40,061 | 85,445 | - | 18,423 | 7 |
| Graham Vehicle | 51,534 | 6,006 | - | 794 | 9,952 | - | 34,782 | 5 |
| Logan Recycling | 25,031 | 82,437 | - | - | 4,834 | - | (62,240) | 13 |
| Menard Broom, Wax & Soap | 845,716 | 888,749 | - | 88,305 | 157,160 | 1,827 | (290,325) | 10 |
| Menard Knit | 870,874 | 875,814 | 39 | 71,468 | 167,619 | 2,350 | (246,416) | 35 |
| Menard Meat/Food Processing | 2,040,384 | 1,195,374 | - | 117,604 | 394,042 | 18,022 | 315,342 | 10 |
| Menard Waste Removal/Recycling | 371,305 | 312,628 | - | 32,800 | 69,938 | 24,756 | (68,817) | 18 |
| Logan Helping Paws | 7,228 | 197,606 | - | - | 1,396 | - | (191,774) | 35 |
| Sheridan Garment Cutting | 119,874 | 247,395 | (128,963) | - | - | 1,442 | - | 6 |
| Stateville Furniture | 19,466 | 10,801 | - | 1,766 | 884 | 2,051 | 3,964 | 4 |
| Stateville Soap | 242,521 | 242,578 | - | 105,234 | 46,517 | - | (151,808) | 10 |
| Stateville Recycling | 12,507 | 117,695 | - | 39,523 | 2,415 | 2,745 | (149,871) | - |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

SUMMARY OF OPERATIONS BY INDUSTRY - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

Fiscal Year 2018 (continued)

| Industry/Shop | Revenue | Manufacturing Costs | Garment Cutting Allocated to Sewing Shops | Factory Administrative Overhead/Expenses | Selling, General and Administrative (SG&A) Expenses | Depreciation | Increase (Decrease) in Net Assets | Average # of Inmate Workers |
|---|---------------|---------------------|---|--|---|--------------|-----------------------------------|-----------------------------|
| Vandalia Milk/Juice Processing | \$ 1,417,573 | \$ 1,369,888 | \$ - | \$ 73,030 | \$ 265,075 | \$ 32,340 | \$ (322,760) | 17 |
| Vandalia Meat/Food Processing | 2,364,835 | 2,127,310 | - | 110,879 | 456,701 | 1,659 | (331,714) | 23 |
| Vandalia Recycling | 12,580 | 48,387 | - | 2,585 | 2,430 | 1,251 | (42,073) | 10 |
| Vandalia Tails | - | 7,261 | - | - | - | - | (7,261) | 22 |
| East Moline Laundry | 888,385 | 673,190 | - | 71,367 | 171,566 | 3,320 | (31,058) | 44 |
| Danville Silk Screening & Embroidery | 489,495 | 664,367 | 6,693 | 243,836 | 88,487 | 18,938 | (532,826) | 37 |
| Danville Recycling | 2,148 | 18,788 | - | 6,768 | 415 | - | (23,823) | 2 |
| Dixon Optical | 3,324,438 | 1,894,004 | - | 392,615 | 642,021 | 52,567 | 343,231 | 75 |
| Hill Meat/Food Processing | 2,956,303 | 2,590,675 | - | 88,370 | 570,926 | 34,137 | (327,805) | 30 |
| Hill Milk/Juice Processing | 5,346,349 | 3,654,508 | - | 128,255 | 1,032,496 | 154,991 | 376,099 | 29 |
| Hill Recycling | 3,759 | 2,385 | - | 80 | 726 | - | 568 | 10 |
| Western Illinois Meat/Food Processing | 6,554,019 | 4,404,275 | - | 264,789 | 1,265,722 | 37,865 | 581,368 | 51 |
| Western Illinois Recycling | 14,023 | 20,834 | - | 1,242 | 2,708 | - | (10,761) | 19 |
| Shawnee Metal Furniture | 271,193 | 481,077 | - | 290,451 | 49,876 | 3,748 | (553,959) | 24 |
| Shawnee Prison Pugs | - | 5,203 | - | - | - | - | (5,203) | 14 |
| Shawnee Recycling | 14,303 | 7,543 | - | 5,328 | 2,762 | 1,350 | (2,680) | 5 |
| Total | 34,842,860 | 31,278,837 | - | 3,161,612 | 2,731,757 | 506,958 | (2,836,304) | 756 |
| Depreciation | - | - | - | (37,296) | (21,254) | 58,550 | - | - |
| Non-Operating Expenses included in Allocation | - | 1,435,663 | 5,678 | 4,175 | 18,450 | - | 1,463,966 | - |
| Gain on Sale of Asset included in SG&A | - | - | - | - | 43,334 | - | (43,334) | - |
| Net Loss from Operations | 692,199 | 1,435,663 | 5,678 | 4,175 | 24,884 | - | (1,415,672) | - |
| Other income (expenses), net | \$ 35,535,059 | \$ 31,278,837 | \$ - | \$ 3,124,316 | \$ 2,760,271 | \$ 565,508 | \$ (778,201) | - |
| Net Gain/(Loss) | | | | | | | \$ (2,193,873) | |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

SUMMARY OF OPERATIONS BY INDUSTRY - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

Fiscal Year 2017

| Industry/Shop | Revenue | Manufacturing Costs | Garment Cutting Allocated to Sewing Shops | Factory Administrative Overhead/Expenses | Selling, General and Administrative (SG&A) Expenses | Depreciation | Increase (Decrease) in Net Assets | Average # of Inmate Workers |
|--------------------------------|--------------|---------------------|---|--|---|--------------|-----------------------------------|-----------------------------|
| Illinois River Bakery | \$ 5,165,288 | \$ 3,237,351 | \$ - | \$ 112,861 | \$ 452,701 | \$ 42,961 | \$ 1,319,414 | 104 |
| Illinois River Recycling | 11,513 | 7,310 | - | 251 | 1,009 | - | 2,943 | - |
| Lincoln Furniture | 88,960 | 90,197 | - | 36,035 | 7,702 | - | (44,974) | 2 |
| Lincoln Sign Shop | 24,390 | 60,174 | - | 25,031 | 2,126 | 2,480 | (65,421) | 2 |
| Decatur Sewing/Garment | 203,189 | 105,415 | 7,950 | 69,641 | 17,389 | 788 | 2,006 | 24 |
| Decatur Dog Grooming | - | 36,210 | - | - | - | - | (36,210) | 6 |
| Lincoln Warehouse & Trucking | - | 1,749,263 | - | - | (1,770,517) | 21,254 | - | 3 |
| Centralia Sewing/Garment | 628,578 | 339,664 | 95,556 | 74,338 | 54,400 | - | 64,620 | 24 |
| Centralia Recycling | 7,446 | 13,426 | - | 4,169 | 653 | 5,624 | (16,426) | 10 |
| Graham Furniture | 297,688 | 238,243 | - | 43,928 | 25,804 | - | (10,287) | 27 |
| Graham Mattress | 494,519 | 257,510 | - | 47,481 | 43,327 | - | 146,201 | 4 |
| Graham Vehicle | 34,520 | 6,263 | - | 1,155 | 3,026 | - | 24,076 | 5 |
| Logan Recycling | 24,627 | 30,938 | - | - | 2,158 | - | (8,469) | 17 |
| Menard Broom, Wax & Soap | 593,900 | 461,205 | - | 14,456 | 48,955 | 7,308 | 61,976 | 10 |
| Menard Knit | 1,057,695 | 770,424 | 1,911 | 23,925 | 92,330 | 2,350 | 166,755 | 39 |
| Menard Meat/Food Processing | 2,039,404 | 871,888 | - | 27,330 | 178,739 | 13,916 | 947,531 | 10 |
| Menard Waste Removal/Recycling | 318,390 | 164,550 | - | 5,943 | 27,066 | 28,089 | 92,742 | 18 |
| Logan Helping Paws | 2,985 | 93,669 | - | - | 262 | - | (90,946) | 27 |
| Sheridan Garment Cutting | 283,532 | 388,304 | (106,214) | - | - | 1,442 | - | 10 |
| Stateville Furniture | 12,995 | 37,227 | - | 60 | 361 | 2,051 | (26,704) | 12 |
| Stateville Soap | 410,431 | 270,774 | - | 412 | 35,392 | - | 103,853 | 5 |
| Stateville Recycling | - | 4 | - | - | - | - | (4) | - |

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018
SUMMARY OF OPERATIONS BY INDUSTRY - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

Fiscal Year 2017 (continued)

| Industry/Shop | Revenue | Manufacturing Costs | Garment Cutting Allocated to Sewing Shops | Factory Administrative Overhead/Expenses | Selling, General and Administrative (SG&A) Expenses | Depreciation | Increase (Decrease) in Net Assets | Average # of Inmate Workers |
|---|---------------|---------------------|---|--|---|--------------|-----------------------------------|-----------------------------|
| Vandalia Milk/Juice Processing | \$ 945,078 | \$ 876,998 | \$ - | \$ 27,196 | \$ 78,611 | \$ 24,691 | \$ (62,418) | 16 |
| Vandalia Meat/Food Processing | 2,101,974 | 1,144,657 | - | 34,573 | 184,223 | 1,659 | 736,862 | 21 |
| Vandalia Recycling | 13,882 | 15,512 | - | 468 | 1,217 | - | (3,315) | 3 |
| East Moline Laundry | 1,074,820 | 339,085 | - | 43,288 | 94,200 | 19,862 | 578,385 | 47 |
| Danville Silk Screening & Embroidery | 393,392 | 335,892 | 797 | 72,377 | 31,633 | 19,719 | (67,026) | 33 |
| Danville Recycling | 5,859 | 7,766 | - | 1,581 | 513 | - | (4,001) | 2 |
| Dixon Optical | 3,753,038 | 1,709,328 | - | 151,019 | 328,927 | 59,496 | 1,504,268 | 80 |
| Hill Meat/Food Processing | 3,454,612 | 1,735,643 | - | 38,651 | 302,772 | 34,137 | 1,343,409 | 33 |
| Hill Milk/Juice Processing | 4,203,148 | 2,567,486 | - | 59,392 | 368,376 | 152,026 | 1,055,868 | 33 |
| Western Illinois Meat/Food Processing | 7,711,227 | 4,130,379 | - | 84,617 | 675,834 | 37,865 | 2,782,532 | 61 |
| Western/Jacksonville Recycling | 16,839 | 14,801 | - | 355 | 1,476 | 2,700 | (2,493) | 15 |
| Shawnee Metal Furniture | 306,793 | 272,505 | - | 60,413 | 26,242 | 1,715 | (54,082) | 25 |
| Shawnee Recycling | 19,903 | 7,099 | - | 1,862 | 1,744 | 1,350 | 7,848 | 6 |
| Total | 35,700,615 | 22,387,160 | - | 1,062,808 | 1,318,651 | 483,483 | 10,448,513 | 734 |
| Depreciation | - | - | - | (28,626) | (21,254) | 49,880 | - | - |
| Adjustment to Allowance for Doubtful Accounts | 170,223 | - | - | - | - | - | 170,223 | - |
| Non-operating expenses included in Allocation | - | 905,614 | 3,970 | 3,025 | 8,425 | - | 921,034 | - |
| Net Gain from Operations | 699,550 | 914,805 | 3,970 | 3,025 | 8,425 | - | 11,539,770 | - |
| Other income (expenses), net | \$ 36,570,388 | \$ 22,396,351 | \$ - | \$ 1,034,182 | \$ 1,297,397 | \$ 533,363 | \$ 11,309,095 | - |
| Net Gain | | | | | | | | |

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018**

FARM LEASES BY LOCATION - ILLINOIS CORRECTIONAL INDUSTRIES

(Unaudited)

| Location | Acres | Expiration Date | Annual Billing | Past Due Receivable at June 30 | |
|--------------|--------|--------------------|-------------------|-----------------------------------|------|
| | | | | 2017 | 2018 |
| Dixon | 102.68 | 12/31/19 | \$ 20,638 | \$ - | \$ - |
| Dwight | 33.75 | 12/31/18 | 11,526 | - | - |
| Kewanee | 4.00 | 12/31/18 | 400 | - | - |
| Lawrence | 62.21 | 12/31/20 | 13,126 | - | - |
| Menard | 305.80 | 12/31/18 | 49,845 | - | - |
| Menard | 583.40 | 12/31/18 | 58,340 | - | - |
| Menard | 40.00 | 12/31/18 | 2,800 | - | - |
| Pontiac | 311.13 | 12/31/17 | 100,028 | - | - |
| Stateville | 593.50 | 12/31/18 | 195,262 | - | - |
| Tamms* | 81.62 | | | - | - |
| Vandalia | 930.18 | 12/31/18 | 209,290 | - | - |
| Vienna South | 237.70 | 12/31/18 | 31,139 | - | - |
| | | | \$ 692,394 | \$ - | \$ - |

*currently not leased

The Department of Central Management Services (DCMS) is responsible for the negotiation of the lease arrangements including determining fair market conditions and customary practices for the lease arrangements. DCMS has a practice of obtaining bids in order to obtain fair market conditions.

All new leases require each lessee to provide a letter of credit from a bank. Rent for the above leases is negotiated as a flat rate per acre per year. As expressly written in the leases, annual rent for the most of the lease agreements, is due in two installments, April 1 and October 1.