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# REPORT DIGEST

## ILLINOIS COURT OF CLAIMS

### COMPLIANCE EXAMINATION

For the Two Years Ended:  
June 30, 2009

#### Summary of Findings:

Total this report: 8  
Total last report: 5  
Repeated findings: 4

Release Date:  
May 27, 2010



State of Illinois  
Office of the Auditor General  
**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

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### SYNOPSIS

- The Court of Claims did not properly reconcile the Court receipts and expenditure records with the Office of the Comptroller's monthly reports.
- The Court of Claims did not maintain adequate segregation of duties in the areas of payroll, receipts processing, expenditure control and State property.
- The Court of Claims personnel policies and procedures have not been updated since December 1, 1983 and do not include all relevant personnel and payroll topics.
- The Court of Claims did not have adequate controls over part-time employees designated to work from locations outside the Springfield and Chicago Offices.

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{Expenditures and Activity Measures are summarized on the reverse page.}

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**ILLINOIS COURT OF CLAIMS  
COMPLIANCE EXAMINATION  
For The Two Years Ended June 30, 2009**

<b>EXPENDITURE STATISTICS</b>	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2007</b>
<b>Total Expenditures (All Funds) .....</b>	<b>\$68,076,529</b>	<b>\$47,868,613</b>	<b>\$52,043,710</b>
<u>OPERATIONS TOTAL</u> .....	\$1,422,361	\$1,492,475	\$1,343,649
% of <b>Total</b> Expenditures .....	2.1%	3.1%	2.6%
Personal Services (excluding judges).....	\$945,726	\$933,683	\$824,560
% of Operations Expenditures .....	66.5%	62.6%	61.4%
Average Number of Employees:			
Part-time (excludes 7 judges not paid from the Court's appropriation) .....	26	27	27
Full-time.....	4	5	5
Other Payroll Costs (FICA, Retirement) .....	\$299,221	\$249,920	\$181,932
% of Operations Expenditures .....	21.0%	16.7%	13.5%
Contractual Services .....	\$7,696	\$9,123	\$8,274
% of Operations Expenditures .....	.5%	.6%	0.6%
Lump Sum and Other Purposes .....	\$133,199	\$264,992	\$294,020
% of Operations Expenditures .....	9.4%	17.8%	21.9%
All Other Operations Items .....	\$36,519	\$34,757	\$34,863
% of Operations Expenditures .....	2.6%	2.3%	2.6%
<u>AWARDS AND GRANTS TOTAL</u> .....	\$66,654,168	\$46,376,138	\$50,700,061
% of <b>Total</b> Expenditures .....	97.9%	96.9%	97.4%
<b>Cost of Property and Equipment.....</b>	<b>\$197,888</b>	<b>\$188,001</b>	<b>\$177,045</b>
<u>COURT EXPENDITURES PAID FROM OTHER SOURCES</u>			
Judges Salaries paid through appropriation to the Office of the State Comptroller.....	\$424,419	\$408,879	\$333,366
<b>SELECTED ACTIVITY MEASURES</b>	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2007</b>
Filing Fees Collected .....	\$7,314	\$6,539	\$9,046
Total Claims Awarded * .....	5,825	6,478	6,366
Total Claims Denied * .....	3,395	2,664	3,146
Total Claims Dismissed * .....	1,118	745	730
* - not examined			
<b>ADMINISTRATIVE AGENCY HEADS</b>			
During Engagement Period: Matthew J. Finnell, Court Administrator (through 2-20-09)			
	Michael Mathis, (Acting 2-23-09 – 10-31-09)		
	Delores Martin, Director and Deputy Clerk		
Currently:	Brad Bucher, Court Administrator (effective 11-1-09)		
	Delores Martin, Director and Deputy Clerk		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER RECEIPT AND  
EXPENDITURE RECORDS**

The Court of Claims (Court) did not properly reconcile Court receipts and expenditure records with the Office of the Comptroller's (IOC) monthly reports. We noted the following:

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**Receipt and expenditures records not reconciled to Comptroller reports**

- The Court did not perform monthly reconciliations of Court receipt records with Comptroller reports. The Court records reports cash receipts of \$1,267,467 and \$655,368 in FY08 and FY09, respectively. We noted differences between the Court and IOC records of \$31,679 and \$318,754 in FY08 and FY09 respectively. In addition, the Court did not make necessary corrections for errors in their agency records. The monthly reconciliation process should have brought these inaccuracies to the Court's attention.
  
- The Court did not perform monthly reconciliations of Court expenditure records with Comptroller reports. The Court expended \$47,868,613 and \$68,076,529 in FY08 and FY09, respectively. We noted differences between the Court and IOC records of \$32,739 and \$244,765 in FY08 and FY09 respectively. In addition, the Court did not make necessary corrections for errors in their agency records. The monthly reconciliation process should have brought these inaccuracies to the Court's attention. (Finding 1, pages 10-12) **This finding has been repeated since 2005.**

We recommended the Court perform monthly reconciliations of their receipt and expenditure records to the records of the Office of the Comptroller and correct errors in records to ensure reliable records are maintained.

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**Court officials agreed with recommendation**

Court officials agreed with our recommendation and stated the Court will follow the SAMS Manual in performing the recommended procedures. **(For previous Court response, see Digest footnote #1.)**

**INADEQUATE SEGREGATION OF DUTIES**

The Court did not maintain adequate segregation of duties in the areas of payroll, receipts processing, expenditure control and State property. We noted the following:

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**Inadequate segregation of duties in Court functions**

- One person had the authority to prepare payroll, make adjustments to payroll, and approve payroll.

- One employee was responsible for both the recordkeeping and custody of receipts.
- One person had authority to prepare and approve vouchers, initiate correction of errors, receive goods, maintain accounting records and perform monthly expenditure reconciliations.
- One person had authority to tag inventory, maintain the property records, perform the annual physical inventory and complete the quarterly reports of State property. (Finding 3, pages 15-16)

We recommended the Court allocate sufficient personnel in order to maintain effective internal control over the authorization and custody and recordkeeping duties regarding payroll, receipts processing, expenditure control, and State property.

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**Court officials agreed with recommendation**

Court officials agreed with the recommendation and stated some staff shortages have been addressed and duties have since been segregated in the areas stated in the finding.

### **OUTDATED AND INCOMPLETE PERSONNEL POLICIES AND PROCEDURES**

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**Personnel policies not updated since December 1983**

The Court personnel policies and procedures have not been updated since December 1, 1983 and do not include all relevant personnel and payroll topics. During testing of the Court's personnel policies and procedures, we noted the Court did not maintain employment applications or perform annual evaluations of their full-time employees. We also noted the personnel policies and procedures had not been updated to address changes or new issues related to the following personnel and payroll functions: salary/raises, training policies to include Sexual Harassment, overtime/compensatory time, hiring, termination, evaluations, part-time employees, flextime, prohibited political activity, and the Family and Medical Leave Act. (Finding 5, pages 19-20)

We recommended the Court update their personnel policies and procedures to provide to all employees. We also recommended the Court ensure employment applications are maintained, annually document employee performance evaluations, and provide sexual harassment training as a component of ongoing and new employee training as required by statute.

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**Court officials agreed with recommendation**

Court officials agreed with the recommendation and stated updated polices and procedures will address each of the functions listed in the finding.

## **INADEQUATE CONTROL OVER PART-TIME EMPLOYEES**

The Court did not have adequate controls over part-time employees designated to work from locations outside the Springfield and Chicago Offices. For fiscal years 2008 and 2009, the Court had an average of 31 part-time employees consisting of commissioners, commissioners' secretaries, judges' secretaries, and law clerks. During our review of internal controls we noted the following:

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### **Lack of controls over part-time employees**

- There were no policies and procedures regarding flexible work schedules of part-time employees.
- There was no formal method to determine part-time employees actually performed official State business during periods they were paid for.
- There was minimal timekeeping documentation for part-time employees maintained. (Finding 6, pages 21-22) **This finding has been repeated since 2005.**

We recommended the Court establish formal, written policies and procedures for flexible work schedules of part-time employees. We further recommended the Court establish a monitoring system to keep track of the time worked by part-time employees, or amend the Court's Personnel Rules to require an alternative formal method to ensure employees worked the periods paid.

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### **Court officials agreed with recommendation**

Court officials agreed with the recommendation and stated changes have been made to some of the issues addressed in the finding. Court officials also stated the Commissioners are now required to submit a monthly activity sheet itemizing their work with the Court and the Court is updating its personnel rules which will include a method to account for work performed by part-time employees. **(For previous Court response, see Digest footnote #2.)**

## **OTHER FINDINGS**

The remaining findings pertain to 1) insufficient controls over the recording and reporting of its State property, 2) inadequate controls over refunds and receipts, 3) lack of a documented process to support the estimation of personnel expenditures reimbursed from a Federal grant, and 4) inadequate controls over voucher processing. We will follow up on these findings during our next examination of the Court of Claims.

## **AUDITORS' OPINION**

We conducted a compliance examination of the Court of Claims as required by the Illinois State Auditing Act. The auditors qualified their report on State Compliance for findings 09-1. Except for the noncompliance described in this finding, the auditors state the Court complied, in all material respects, with the requirement described in the report. We have not audited any financial statements of the Court of Claims for the purpose of expressing an opinion because the Court of Claims does not, nor is it required to, prepare financial statements.

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WILLIAM G. HOLLAND, Auditor General

WGH:JSC:pp

## **SPECIAL ASSISTANT AUDITORS**

This examination was performed by staff of the Office of the Auditor General.

## **DIGEST FOOTNOTE**

### **#1 INADEQUATE RECONCILIATIONS OF RECEIPT AND EXPENDITURE RECORDS TO COMPTROLLER'S REPORTS – Previous Court Response**

2007: The Court agrees with the factual basis for the finding but questions the materiality of some issues. The staff person who kept the receipts log during the audit period is now more familiar with the process. The Court agrees to follow the SAMS manual in performing the reconciliations of the transactions as was recommended.

### **#2 INADEQUATE CONTROL OVER PART-TIME EMPLOYEES – Previous Court Response**

2007: The Court agrees that this finding is fairly accurate as a description of the facts stated therein as far as it goes. However, the Court would cast them in a different light and add to them. Informal monitoring does take place. More importantly though, time in and of itself is not an indicator of quantity or quality of work in these jobs. The part-time people are expected to get the work done which is assigned to them in a reasonable amount of time. No two cases are alike. Cases may be resolved by various methods. A person could accomplish a great amount of "work" (the product for which they are compensated) in a short amount of time sometimes and other times accomplish little after spending a significant amount of time on an assignment. Another

example is the situation where one part-time person spends an entire day hearing a mind-numbing case involving the intricacies of public aid laws, or listening to professional witnesses testifying about which type of highway epoxy meets contract specs or is appropriate under the circumstance, or how big and hard a rock must be to constitute gravel, rock, or something else from a cone drilling from a bridge construction project (actual cases from the past). Another equally compensated part-time employee may get to spend her day listening to more compelling testimony or have such skills which facilitate a mutually satisfactory settlement in less than a day. In none of these examples is time a true or fair method to measure, apples to apples, of the product of the labor or benefit to the State.

As for the recommendation following the finding, the Court agrees in principle and will address the matter in the course of the comprehensive review and update referred to in the response to the first finding. A written policy of the expectations from the workers will be prepared and a more formal monitoring of the meeting of these expectations will be developed.