



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF JUVENILE JUSTICE

Compliance Examination
 For the Two Years Ended June 30, 2022

Release Date: May 3, 2023

FINDINGS THIS AUDIT: 25				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat [^]	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	5	5	2020		6, 11, 24	
Category 2:	4	16	20	2018	2, 3, 4, 5,	16, 20	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2016		17, 21	
TOTAL	4	21	25	2014		19, 22	
[^] PY finding 2020-002 was broken out into 2 separate findings in the CY				2012		14	
				2008	1	8, 9, 10, 12, 13, 15	
FINDINGS LAST AUDIT: 25							

SYNOPSIS

- **(20-01)** The Department did not maintain adequate documentation and control over its State property during the examination period.
- **(20-02)** The Department did not exercise adequate controls over voucher processing.
- **(20-05)** The Department did not timely submit its vouchers for payment to the Comptroller's Office and approve for payment all interest due to vendors during the examination period.
- **(20-24)** The Department did not obtain or conduct timely independent internal control reviews over its service providers.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROLS OVER STATE PROPERTY

The Department did not maintain adequate documentation and control over its State property during the examination period.

This finding was first noted during the examination of the two years ended June 30, 2008. In subsequent years, the Department has been unsuccessful in implementing a corrective action plan.

We noted the following during our testing:

Location codes were incorrect

- The Department's property control listing did not accurately report equipment locations and location codes. Two of 120 (2%) equipment items counted, totaling \$635, were found in a different location as compared to the property system record. These exceptions were noted at Youth Centers in Pere Marquette and Warrenville.

Equipment items could not be located

- Fourteen of 60 (23%) equipment items selected from the property listing, totaling \$250,162, were unable to be located. These exceptions were noted at the Admin Office in Springfield.

Equipment was missing tag number

- Seven of 120 (6%) equipment items selected from the property listing and from the various locations throughout the Department had missing tag numbers. One of the items amounted to \$12,400, while the value of the other 6 items could not be determined. These exceptions were noted at Youth Centers in Chicago, St. Charles, and Harrisburg, Admin Office in Springfield and Aftercare Center in Springfield.

Equipment items were not listed on the property listing

- Sixteen of 60 (27%) equipment items selected from various locations throughout the Department were physically found, but not reported on property records. These exceptions were noted at Youth Centers in Chicago and St. Charles, Admin Office in Springfield, and Aftercare Center in Springfield.

Equipment items were incorrectly listed on the property listing

- One of 60 (2%) equipment items selected from the property listing was a rented equipment incorrectly recorded as part of the property records. This equipment was already retrieved by the vendor on November 13, 2020, but was still included in the property listing.

Additions were either not recorded at the proper value or were duplicated

- During property testing of 9 additions, we noted the Department incorrectly recorded the value of an equipment item in the property listing resulting in an

understatement of \$200 and 2 (22%) equipment items were duplicate items resulting in an overstatement of equipment by \$4,969.

Deletions were removed from the property listing late

- During property testing of 38 deletions, we noted 4 (11%), totaling \$19,569 were removed from the inventory listing between 282 and 1,000 days late.
- The Department did not maintain an accurate inventory listing; therefore, its annual inventories and annual certifications to Department of Central Management Services (CMS) were not adequately completed.

Annual certifications filed with CMS were not accurate

- The Department reported 496 items (11% of total inventoried items) and 873 items (6% of total inventoried items) that were unable to be located in Fiscal Year 2021 and Fiscal Year 2022, respectively. This exception amounted to a total discrepancy of \$887,440 for both fiscal years.
- The Department reported inventory balances as of Fiscal Year 2020 and Fiscal Year 2021 in its Certification of Inventory for closed Youth Centers:
 - Youth Center Joliet had a total inventory of \$30,576,729 in Fiscal Year 2021 and \$6,083,992 in Fiscal Year 2022.
 - Youth Center Murphysboro had a total inventory of \$2,287 in Fiscal Year 2021 and \$5,193 in Fiscal Year 2022.

- During the property testing of 12 unused, condemned, or worn-down buildings at Youth Center (St. Charles), we noted the following:

Items were excluded from the deletion list

- All (100%) of the unused, condemned or worn-down buildings were not included in the deletion listing report in Fiscal Year 2021. In Fiscal Year 2022, 10 (83%) buildings were still not included in the deletion listing report.
- All (100%) of the unused, condemned or worn-down buildings were included in the Annual Real Property Utilization Report (ARPUR) in Fiscal Year 2021. In Fiscal Year 2022, 5 (42%) buildings were still included in the ARPUR. (Finding 1, pages 11-14) **This finding has been reported since 2008.**

Items were not included on the Annual Real Property Report

We recommended the Department strengthen its controls over maintaining, recording, and reporting its State property and equipment by reviewing its inventory and recordkeeping practices to ensure compliance with State laws and regulations. Further, we recommended the Department ensure all property transactions are accurately and timely recorded on the Department's property records.

Department accepted the recommendation

Department officials accepted the recommendation and stated they have developed a Corrective Action Plan.

INADEQUATE CONTROLS OVER VOUCHER PROCESSING

The Department did not exercise adequate controls over voucher processing. We noted the following during our sample testing:

Vouchers approved untimely

During our sample testing of 60 payroll vouchers, we noted for 3 (5%) payroll vouchers tested, totaling \$787,495, the voucher did not have documentation of proper approved by the agency head or authorized designee.

Travel voucher deficiencies

During our sample testing of 40 travel vouchers, we noted two vouchers (5%) were duplicate payments resulting in an overpayment of \$883 and 1 voucher (3%) did not include supporting documentation for the purpose of travel, signature of traveler, and approval of voucher.

Improper object code used

During our sample testing of 25 awards and grants vouchers, we noted 2 vouchers (8%) were processed with an incorrect appropriation object code. The supporting documentation were for travel reimbursements to contractual payroll employees but were processed as tort, settlements and similar payments (non-taxable). (Finding 2, pages 15-16) **This finding has been reported since 2018.**

We recommended the Department retain all vouchers and adequate supporting documentation. We also recommended the Department timely approve vouchers.

Department accepted the recommendation

Department officials accepted the recommendation and stated they have established a Corrective Action Plan.

VOUCHER PROCESSING WEAKNESS

The Department did not timely submit its vouchers for payment to the Comptroller's Office and approve for payment all interest due to vendors during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) we conducted an

analysis of the Department's expenditures data for fiscal years 2021 and 2022 to determine compliance with the State Prompt Payment Act and the Illinois Administrative Code. We noted the following noncompliance:

Interest vouchers were not approved timely

- The Department owed two vendors interest totaling \$43 in Fiscal Year 2021; however, the Department had not approved these vouchers for payment to the vendors
- The Department did not timely approve 2,667 of 6,216 (43%) vouchers processed during the Fiscal Year 2021, totaling \$18,050,107. We noted these late vouchers were submitted by the Department to the Comptroller's Office between 1 and 400 days late.
- The Department did not timely approve 2,459 of 6,570 (37%) vouchers processed during the Fiscal Year 2022, totaling \$17,999,392. We noted these late vouchers were submitted by the Department to the Comptroller's office between 1 and 351 days late. (Finding 5, pages 21-22) **This finding has been reported since 2018.**

The Department did not timely approve vouchers

We recommended the Department process proper bills within 30 days of receipt and approve vouchers for payment of interest due to vendors.

Department partially agreed

Department officials disagreed with the statement related to not approving invoices timely and noted the approval date was miscalculated due to the date not being captured in the ERP system but rather written on the invoice itself. Department officials agreed the required prompt pay interest was not paid to the two vendors.

Accountant's Comment

In an Accountant's Comment, we stated the Departments response is factually inaccurate as the ERP System **does maintain** the approval date. In fact, all approvals are required to be entered into the ERP System before the vouchers are submitted to the Office of Comptroller for payment. We question how the calculation of prompt payment interested could be calculated if the ERP system did not have the approval date.

LACK OF ADEQUATE CONTROLS OVER THE REVIEW OF INTERNAL CONTROLS OVER SERVICE PROVIDERS

The Department did not obtain or conduct timely independent internal control reviews over its service providers.

We requested the Department provide the population of service providers utilized in order to determine if the Department had reviewed the internal controls over the service providers. In response to our request, the Department provided a listing of eight service providers utilized during the examination period.

The Department utilized these service providers to provide:

- Hosting of its servers and application systems, maintenance of network and infrastructure, and security administration of user access.
- Hosting of a cloud-based major application system.
- Development of an electronic medical health system and its maintenance.
- Provision of hardware that would run an educational system for the youth offenders.

During testing of the eight service providers, we noted the Department:

Did not obtain SOC reports

- Did not obtain System and Organization Control (SOC) reports or conduct independent internal control reviews for all of its service providers

Did not conduct analysis of SOC report to determine impact

- Did not conduct an analysis of the SOC reports to determine the impact of the modified opinions or the noted deviations.
- Had not conducted an analysis of the Complementary User Entity Controls (CUECs) documented in the SOC reports. (Finding 24, pages 59-60)

We recommended the Department identify all service providers and determine and document if a review of controls is required. If required, the Department should:

- Obtain SOC reports (or perform independent reviews) of internal controls associated with outsourced systems at least annually
- Monitor and document the operation of the CUECs relevant to the Department's operations.
- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the usage of the subservice organizations would not impact the Department's 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.

Department accepted the recommendation

Department officials accepted the recommendation and stated staff is working internally with the Department of Innovation and Technology to improve its accountability and controls over service providers. Department officials also stated they have established a Corrective Action Plan. .

OTHER FINDINGS

The remaining findings pertain to failure to maintain required personnel documentation; inaccurate youth transfer listings; reconciliations not performed timely; inadequate controls over postage inventory, Resident Trust Fund, Employee and Resident Benefit Funds, Travel and Allowance Fund, employee training, performance evaluations, contractual agreement, interagency agreements, census data, administration of discipline policies and release documents; administration process not fully segregated; noncompliance with the Fiscal Control and Internal Auditing Act and the Unified Code of Corrections; policies not followed for State vehicles; reporting deficiencies; and weaknesses regarding the security and control of confidential information. We will review the Department’s progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT’S OPINION

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2022, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2020-001 through 2020-005. Except for the noncompliance described in these findings, the accountants stated the Department complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Adelfia, LLC.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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