STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION – GENERAL OFFICE
(Including Adult Education, Field Services,
and Public Safety Shared Services)

For the Two Years Ended June 30, 2008

AND DEPARTMENT-WIDE FINANCIAL AUDIT

For the Year Ended June 30, 2008

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE EXAMINATION – GENERAL OFFICE
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For the Year Ended June 30, 2008

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STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

AGENCY OFFICIALS

Director (beginning June 8, 2009)	Michael P. Randle
Director (until June 7, 2009)	Roger E. Walker, Jr.
Assistant Director	Deanne Benos
Executive Assistant to the Director	Sergio Molina
Chief of Staff	James Reinhart
Chief of Community Outreach	Shelith Hansbro
Chief of Administration	Bill Edley
Chief of Parole	Jesse Montgomery
Chief of Investigations and Intelligence	Joseph Burke
Chief Legal Counsel	Edward Huntley
Chief of Intergovernmental Relations	Tim McLean
Chief of Labor Relations	Stephanie Shallenberger
Chief of Operations	Rick Bard
Chief of Affirmative Action	Vicki Fair
Deputy Directors:	
Finance and Administration	Tony Small
Programs and Support Services	Roberta Fews
Women and Family Services	Debbie Denning
District 1	Guy Pierce
District 2	Vacant
District 3	Ronald Meek
District 4	Danny Hartline
Community Corrections	Barbara Hurt
Parole	Jason Garnett
Assistant Deputy Director, Fiscal Accounting Compliance	Mary Ann Bohlen
Assistant Deputy Director, Business Operations	Carol Chrans
Assistant Deputy Director, Budget Services	Bryan Gleckler

The Department's General Office is located at:

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

Illinois
Department of
Corrections

Pat Quinn
Governor

Michael P. Randle
Director

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

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

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

Sikich LLP
1000 Churchill Rd.
Springfield, IL 62702

July 20, 2009

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 State of Illinois 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's compliance with the following assertions during the two-year period ended June 30, 2008. Based on this evaluation, we assert that during the year(s) ended June 30, 2007 and June 30, 2008, the Department has materially complied with the assertions below.

A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

State of Illinois Department of Corrections

Michael P. Randle, Director

Tony Small, Chief Fiscal Officer

MaryAnn Bohlen, Assistant Deputy Director, Fiscal Accounting and Compliance

Edward Huntley, Chief Legal Counsel

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPLIANCE REPORT

SUMMARY

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

INTRODUCTION

Our scope as special assistant auditors to the Auditor General for the compliance examination is defined as follows:

a. State compliance testing of the General Office, which includes Adult Education, Field Services and Public Safety Shared Services for the two years ended June 30, 2008.

b. State compliance testing of all appropriations to the Department of Corrections for travel expenditures, printing expenditures, equipment expenditures, electronic data processing expenditures, telecommunications expenditures, operation of automotive equipment expenditures, lapse period expenditures, and revenues and receipts for the two years ended June 30, 2008.

ACCOUNTANTS' REPORTS

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

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	47	21
Repeated findings	19	10
Prior recommendations implemented or not repeated	2	11

Details of findings are presented in a separately tabbed report section. The findings in this report are a result of our compliance testing performed at the General Office (including Adult Education, Field Services and Public Safety Shared Services). This report does not include findings developed by the special assistant auditors performing examinations of the individual adult institutions and Correctional Industries. Any findings developed by those special assistant auditors are reported in their separate reports. Any findings regarding procedural or administrative matters relating to all or multiple institutions of the Department of Corrections are included in this report.

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		FINDINGS (*GOVERNMENT AUDITING STANDARDS*)	
08-1	19	Weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements	Material Weakness and Material Noncompliance
08-2	22	Failure to provide requested engagement documentation in a timely manner or at all and lack of cooperation during audit	Material Weakness and Material Noncompliance
08-3	25	Improper calculation and reporting of liabilities at year end	Material Weakness and Material Noncompliance
08-4	27	Nonpayment of revolving fund invoices	Material Weakness and Material Noncompliance
08-5	29	Department indebted the State without authorization	Material Weakness and Material Noncompliance
08-6	32	Weaknesses in the financial accounting for, and reporting of capital assets	Material Weakness and Material Noncompliance
08-7	35	Inaccurate and inadequate property/fixed asset recordkeeping	Material Weakness and Material Noncompliance
08-8	38	Inadequate administration and accounting of locally held funds	Material Weakness and Material Noncompliance
08-9	42	Inadequate controls over inventory	Material Weakness and Material Noncompliance
08-10	44	Inadequate controls over grant reporting	Significant Deficiency and Noncompliance

Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE)	
08-11	46	Failure to expend personal service appropriations in compliance with Legislative intent	Significant Deficiency and Material Noncompliance
08-12	49	Inappropriate payment of another agency's personnel costs	Significant Deficiency and Noncompliance
08-13	50	Inmate commissary goods marked up more than allowed by statute	Significant Deficiency and Noncompliance
08-14	53	Administration of benefit funds at Correctional Centers	Significant Deficiency and Noncompliance
08-15	55	Noncompliance with the Illinois Procurement Code	Significant Deficiency and Noncompliance
08-16	57	Operation and maintenance of "cash box" imprest funds at Correctional Centers	Significant Deficiency and Noncompliance
08-17	60	New computers not utilized in inmate training programs at all Correctional Centers	Significant Deficiency
08-18	62	Adult Transition Center records not properly maintained	Significant Deficiency and Noncompliance
08-19	66	Weaknesses in Adult Transition Center (ATC) food services contract	Significant Deficiency
08-20	68	Payroll timekeeping system not automated	Significant Deficiency
08-21	69	Employee performance evaluations not documented	Significant Deficiency and Noncompliance

Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE) – (Continued)	
08-22	70	Timesheets not submitted in compliance with the State Officials and Employees Ethics Act	Significant Deficiency and Noncompliance
08-23	72	Inadequate documentation of employee training and no designated training coordinators	Significant Deficiency and Noncompliance
08-24	74	Standardized procedures for separated employees not being followed	Significant Deficiency and Noncompliance
08-25	75	Inadequate controls over processing lump sum payments for separated employees	Significant Deficiency and Noncompliance
08-26	76	Failure to maintain adequate payroll documentation	Significant Deficiency and Noncompliance
08-27	78	Failure to maintain required personnel documentation	Significant Deficiency and Noncompliance
08-28	80	Inadequate monitoring of memorandums of understanding	Significant Deficiency and Noncompliance
08-29	82	Weaknesses in administration of lump sum appropriation accounts	Significant Deficiency and Noncompliance
08-30	84	Lack of documentation for interagency agreements	Significant Deficiency and Noncompliance
08-31	86	Weaknesses in contract administration	Significant Deficiency and Noncompliance
08-32	88	Inadequate controls over travel	Significant Deficiency and Noncompliance

Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE) – (Continued)	
08-33	90	Inadequate procedures regarding State vehicles	Significant Deficiency and Noncompliance
08-34	94	Failure to document reconciliations were performed in a timely manner	Significant Deficiency and Noncompliance
08-35	95	Inadequate control of voucher processing at Correctional Centers	Significant Deficiency and Noncompliance
08-36	97	Cash receipts and refunds not paid into the State treasury on a timely basis as required by State law	Significant Deficiency and Noncompliance
08-37	99	Lack of required admission documents	Significant Deficiency and Noncompliance
08-38	100	Written notice of correspondence restrictions not provided	Significant Deficiency and Noncompliance
08-39	101	Failure to properly document and/or send required notification to Public Housing Agencies	Significant Deficiency and Noncompliance
08-40	102	Failure to report required bilingual employee needs information	Significant Deficiency and Noncompliance
08-41	103	Failure to prepare and submit required reports to the Governor and/or the General Assembly as required by State statute	Significant Deficiency and Noncompliance
08-42	105	Failure to timely prepare and submit required reports to mandated entities	Significant Deficiency and Noncompliance
08-43	107	Noncompliance with Uniform Disposition of Unclaimed Property Act	Significant Deficiency and Noncompliance

Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE) – (Continued)	
08-44	108	Failure to update Administrative Directives	Significant Deficiency and Noncompliance
08-45	110	Noncompliance with applicable portions of the Arsonist Registration Act	Significant Deficiency and Noncompliance
08-46	112	Subcommittee on Women Offenders to the Adult Advisory Board not created	Significant Deficiency and Noncompliance
08-47	113	Failure to actively serve on Illinois Public Safety Agency Network Board	Significant Deficiency and Noncompliance

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

Item No.	Page	Description	Finding Type
08-1	19	Weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements	Material Weakness and Material Noncompliance
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Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE) – (Continued)	
08-7	35	Inaccurate and inadequate property/fixed asset recordkeeping	Material Weakness and Material Noncompliance
08-8	38	Inadequate administration and accounting of locally held funds	Material Weakness and Material Noncompliance
08-9	42	Inadequate controls over inventory	Material Weakness and Material Noncompliance
08-10	44	Inadequate controls over grant reporting	Significant Deficiency and Noncompliance
		PRIOR FINDINGS NOT REPEATED	
A	114	Efficiency initiative payments	
B	114	Untimely submission of the Statements of Economic Interest	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on July 8, 2009. Attending were:

DEPARTMENT OF CORRECTIONS

Michael P. Randle	Director
Sergio Molina	Executive Assistant to the Director
Mary Ann Bohlen	Assistant Deputy Director
Carol Chrans	Assistant Deputy Director
Bryan Gleckler	Assistant Deputy Director
Edward Huntley	Chief Legal Counsel
Joseph Deady	Public Administration Intern

OFFICE OF THE AUDITOR GENERAL

Paul Usherwood	Audit Manager

SIKICH LLP

Nick Appelbaum	Partner
Amy Sherwood	Senior Manager
Tara Patton	Senior Accountant

Responses to the recommendations were provided by Mary Ann Bohlen in correspondence dated July 15, 2009.

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Sikich™
1000 Churchill Road • Springfield, IL 62702

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Corrections' (the Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2008. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Department's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with specified requirements.

As described in finding 08-11 in the accompanying Schedule of Findings, the Department did not comply with requirements regarding the obligation, expenditure, receipt, and use of public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law. As described in finding 08-5 in the accompanying Schedule of Findings, the Department did not comply with requirements regarding the obligation, expenditure, receipt and use of public funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use. As described in findings 08-1, 08-2, 08-3, 08-4, 08-5, 08-6, 08-7, 08-8, 08-9 and 08-11 in the accompanying Schedule of Findings, the Department did not comply with requirements regarding applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. As described in finding 08-8 in the accompanying Schedule of Findings, the Department did not comply with requirements regarding money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department regarding properly and legally administering, accounting and accurate recordkeeping relating thereto in accordance with law. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Department complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2008. However, the results of our procedures disclosed other instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying Schedule of Findings as findings 08-10, 08-12 through 08-16, 08-18, and 08-21 through 08-47.

Internal Control

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Department's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance as described in the accompanying Schedule of Findings as findings 08-1 through 08-47 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings, we consider items 08-1 through 08-9 to be material weaknesses.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The Department's responses to the findings identified in our examination are described in the accompanying Schedule of Findings. We did not examine the Department's responses and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2008, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated July 20, 2009. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Department.

The 2008 and 2007 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008 taken as a whole.

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

Sikich LLP

Springfield, Illinois
July 20, 2009

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Corrections (the Department), as of and for the year ended June 30, 2008, which collectively comprise Department's basic financial statements and have issued our report thereon dated July 20, 2009. Our report on the basic financial statements was modified as follows:

- Because of the inadequacy of accounting records, we were unable to form an opinion regarding the amounts at which inventory balances are recorded in the balance sheets for the major fund and aggregate remaining fund information (stated at $9,774 and $1,813, in thousands, respectively).

- In addition, because of the inadequacy of the accounting records we have not audited the financial activity of the DOC Residents' and Employees' Benefit Fund. The DOC Residents' and Employees' Benefit Fund is included in the Department's basic financial statements as part of the nonmajor funds and represents 3.9 percent, 77.8 percent and 2.2 percent of the assets, net assets, and revenues, respectively, of the Department's aggregate remaining fund information.

- Further, the Department has excluded from capital assets being depreciated certain property transferred from another State agency. In our opinion, property transfers should be included to conform to accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities is not reasonably determinable.

Except as noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings as items 08-1 through 08-10 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1 through 08-9 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 08-1 through 08-9. We also conducted a State compliance examination of the Department as required by the Illinois State Auditing Act. The results of that examination are reported in the accompanying Schedule of Findings as items 08-11 through 08-47.

We also noted certain matters which we have reported to management of the Department in a separate letter dated July 20, 2009.

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

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

Sikich LLP

Springfield, Illinois
July 20, 2009

CURRENT FINDINGS
(*GOVERNMENT AUDITING STANDARDS*)

08-1 **FINDING:** (Weaknesses in preparation of GAAP reporting forms submitted to the Illinois Office of the Comptroller and preparation of year-end Department financial statements)

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

During our audit of the June 30, 2008 Department financial statements, we noted untimely preparation of GAAP reporting packages and insufficient review of GAAP reporting packages. We recommended extensive adjustments and corrections. Several of the problems noted were as follows:

- GAAP reporting packages were not submitted to the Comptroller in a timely manner. GAAP reporting packages were due to the Comptroller on September 12, 2008, but were not submitted until October 27, 2008, approximately 1½ months late.

- After numerous requests, the Department did not provide the auditors with detailed workpapers to support GAAP reporting packages and financial statements until February 19, 2009, almost five months after the date the documentation was first requested. Providing us with requested supporting documentation almost five months late increases auditor skepticism whether records were maintained in a contemporaneous manner, causes significant delays in the audit, and impacts the preparation of the statewide financial statements (see finding 08-2).

- Department liabilities were improperly calculated at June 30, 2008. Accounts payable were overstated and encumbrances were understated by $557,000. Amounts owed to State revolving funds totaling $13,120,000 at June 30, 2008 were not included as liabilities. Expenditures in excess of Department appropriations totaling $10,443,000 were not recorded as liabilities at June 30, 2008 (see findings 08-3, 4 and 5).

- There were weaknesses in the financial accounting for, and reporting of capital assets. Transfers from the Capital Development Board were improperly recorded. The Department's Automated Property Control System (APCS) did not allow for testing of depreciation by asset. The Department could not provide sufficient support for the additions, deletions, and net transfers of capital assets as originally reported to the Comptroller (see findings 08-6 and 7).

- We noted numerous weaknesses in the Department's administration of its locally held funds. The Department was unable to provide documentation to support many transactions and balances relating to its locally held funds. Key bank reconciliations were not available. Numerous weaknesses were noted at the Correctional Centers and at the Adult Transitional Centers (see finding 08-8).

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

The Comptroller requires State agencies to prepare GAAP Reporting Packages for each of their funds to assist in the annual preparation of the statewide financial statements and the Department financial statements. GAAP Reporting Package instructions are specified in the Comptroller's Statewide Accounting Management System (SAMS) Manual, Chapter 27. The Comptroller sets due dates for the financial information to be submitted in order for the statewide financial statements and statewide Schedule of Expenditures of Federal Awards (SEFA) to be prepared and audited within a specified timeline to provide users of these statements information in a timely manner.

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

Because of the significance of the exceptions noted, we consider this to be a significant deficiency in the Department's internal control over financial and fiscal operations and a material weakness. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to comply with generally accepted accounting principles in its financial and fiscal operations. A material weakness is a deficiency or a combination of significant deficiencies that result in a more than remote likelihood that material noncompliance will not be prevented or detected by the Department's internal control.

It appears many of these problems were a result of an overall lack of a formalized methodology to accumulate information for GAAP reporting and a failure to formally document this information. Accurate and timely preparation of the Department's financial information for GAAP reporting purposes is important due to the complexity of the Department and the impact adjustments have on the statewide financial statements. Due to the significance of the weaknesses identified, the auditors were unable to express an unqualified opinion in the Independent Auditor's Report on the Department's June 30, 2008 financial statements. (Finding Code No. 08-1)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation partially implemented. The Agency has devoted resources within the limitations of the current technology and budget constraints to complete the GAAP reporting as required.

08-2 FINDING: (Failure to provide requested engagement documentation in a timely manner or at all and lack of cooperation during audit)

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

As is necessary during a compliance examination and a financial audit, we made numerous requests of the Department during our fieldwork. 445 specific written requests for information were made to the Department for documentation to perform our testing. All of these requests were routed through one employee, as requested by the Department. This employee was assigned to be the audit liaison for all of the compliance and financial engagements of the Department (which includes all Correctional Centers and Correctional Industries) and was also involved in other management duties at the Department as well as operational duties with the Public Safety Shared Services Center. As a result of the Department's audit request protocol a number of the requested documents were not provided timely. Documents related to 208 requests were provided after the date they were requested as noted below:

Days Received After the Due Date of Request	Number of Items
1 to 30	130
31 to 60	33
61 to 90	17
90 to 120	13
Over 120	15
Total	208

The Department did not adequately respond to all our requests for information. Specifically they failed to provide us with all the requested documents. As a result, for those requests where documents were partially provided we could not complete the associated testing and considered the missing items to be exceptions. For example, the Department did not provide:

- 9 of 25 contract deliverables
- 2 of 25 contract monitoring process descriptions
- 17 of 25 license and insurance certifications
- 4 of 25 equipment deletion documentation requests
- 8 of 25 equipment cost documentation requests
- 22 of 25 personally assigned vehicle packets
- 1 of 65 grant agreements
- 1 of 60 lump sum vouchers
- 1 of 476 travel vouchers

The following requests for documentation were never provided by the Department and had to be considered exceptions during our testing. Many of these are included as part of other findings in this report.

- Listing of employees personally assigned a Department vehicle which is submitted annually to the Department of Central Management Services (DCMS)
- Three EDP equipment tag numbers and corresponding locations
- Fiscal year 2007 quarterly Agency Reports of State Property (C-15) and supporting detailed worksheets
- 2007 and 2008 reports for equipment over $500 submitted annually to DCMS
- Documentation for the asset value and lease classification the Department receives from the Illinois Office of the Comptroller
- Information regarding the transfer of property for credit of similar replacement property related to the State Property Control Act (30 ILCS 605/7(a))
- Explanation of postage expense allocation between the Department and the Department of Juvenile Justice for the postage meter at Concordia Court
- Ten W-4 employee signature cards for facility employees
- Explanation of controls over the TA-2 Reports for facility employees
- Explanation of the approval process for travel advances for facility employees
- Explanation for delinquency of the Report of Receipts and Disbursements for Locally Held Funds (C-17) filed with the Illinois Office of the Comptroller
- Reports to provide evidence of matching funds utilized in fiscal year 2007 for federal grants
- Specific questions regarding personal bank accounts and cash on hand at one Adult Transition Center
- June 30, 2008 bank reconciliation for the residents portion of the Resident's and Employee's Benefit Fund (Benefit Fund) and bank statements to support the receipts tested for fiscal years 2007 and 2008 for that fund
- June 30, 2007 and 2008 bank reconciliations or statements for the General Office's employee portion of the Benefit Fund
- Support for a sample of receipts and disbursements for the General Office's employee portion of the Benefit Fund
- Report of Receipts and Disbursements for Locally Held Funds (C-17) for fiscal year 2007 or the first three quarters of fiscal year 2008.

Finally, the Department did not provide us with detailed workpapers to support its fiscal year 2008 Generally Accepted Accounting Principles (GAAP) reporting packages submitted to the Comptroller's Office until February 19, 2009. GAAP reporting packages are generally due to the Comptroller's Office in September, and all documentation supporting the GAAP reporting packages should be contemporaneously maintained by the Department and immediately available to the auditors. Providing us with requested supporting documentation almost five months later significantly delays the audit and impacts the preparation of the statewide financial statements.

State agencies are required by State law to perform specific duties and responsibilities. Testing of items such as the above provides evidence of the Department's performance of those duties and feedback to the General Assembly regarding the Department's compliance with various statutory requirements.

The Illinois State Auditing Act (30 ILCS 5/3-12) states, "At the request of the Auditor General, each State agency shall, *without delay*, (emphasis added) make available to the Auditor General or his or her designated representative any record or information requested… ."

Department management stated they were unable to provide the requested information timely because of timing constraints and competing priorities.

In its response to the prior finding, the Department stated it will comply timely and accurately with all requests and be vigilant in the follow up to determine the auditor's questions and needs are met. As noted above, the Department has not complied timely and accurately with auditor requests for information.

Without being provided support for testing related to the above items, we were unable to determine if the Department was performing all of its required duties and responsibilities, as noted in numerous findings in this report. (Finding Code No. 08-2, 06-9)

RECOMMENDATION:

We recommend the Department reevaluate and restructure its process of providing an audit liaison function to the auditors to ensure requested engagement documentation is provided in a timely manner as required by the Illinois State Auditing Act.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency is in the process of reviewing its operations and will plan a restructuring of the audit liaison function in accordance with State statutes.

08-3 **<u>FINDING</u>:** (Improper calculation and reporting of liabilities at year end)

The Department of Corrections (Department) improperly calculated its liabilities at June 30, 2008 which led to errors in its financial reporting.

The Department did not utilize a comprehensive, consistent methodology to analyze and calculate its liabilities at year end, resulting in numerous errors in the Department's financial data as reported on their year end financial statements. We recommended, and the Department made, adjustments to correct the June 30, 2008 financial statements. During our testing of Department liabilities reported on the June 30, 2008 financial statements, we noted the following:

- The Department deemed all of its lapse period spending to be accounts payable, rather than consider whether or not the items or services purchased were received prior to June 30. As a result of this process, the Department overstated accounts payable and understated encumbrances by $557,000 at June 30, 2008.

- The Department did not include the amounts owed to the State revolving funds at June 30, 2007 or 2008 in its amounts due to other funds at year end (also see finding 08-4). This resulted in an understatement of liabilities totaling $13,120,000 at June 30, 2008 and a $10,844,000 restatement of beginning net assets as of July 1, 2007. When asked to provide us with documentation of the balances owed to the Department of Central Management Services (DCMS) at June 30, 2008, the Department incorrectly informed us the unreported liability totaled $10,939,105. Upon further inquiry with DCMS, we determined the liability should total $13,120,000.

- The Department incurred expenditures in fiscal year 2008 in excess of its appropriations at June 30, 2008. The vendors who were owed money were instructed to submit their requests for payment to the Court of Claims (see finding 08-5). The Department did not include these liabilities in its accounts payable at June 30, 2008. As a result, accounts payable were understated $10,443,000. The Department also settled a $2,655,000 claim in fiscal year 2008 pertaining to fiscal year 2007 through the Court of Claims. This $2,655,000 was not accrued at June 30, 2007.

The Comptroller's Statewide Accounting Management System (SAMS) procedure 27.20.49 defines accounts payable as "…a liability account reflecting open amounts on account that are owed to private persons or organizations for goods and services received…Accounts payable include liabilities for goods received or services performed before June 30, but for which payment vouchers have not been processed…Separate liability accounts record amounts due to other funds…These liability accounts represent transactions between…funds in which goods or services were received by June 30, but for which payment has not been made." SAMS allows agencies to determine accounts payable and accrued liabilities by using a reasonable estimate and SAMS defines the process by which agencies should conduct the reasonable estimate. Specific instructions are defined in SAMS to assist agencies in calculating these balances. The Department did not follow SAMS in calculating its liabilities.

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

Department management indicated the lack of reporting was due to oversight.

Because of the significance of the exceptions noted, we consider this to be a significant deficiency in the Department's internal control over financial and fiscal operations, material State noncompliance and a material weakness. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to comply with generally accepted accounting principles in its financial and fiscal operations and the Department's ability to comply in all material respects with applicable laws and regulations. A material weakness is a deficiency or a combination of significant deficiencies that result in a more than remote likelihood that material noncompliance will not be prevented or detected by the Department's internal control.

As a result, the Department originally understated its liabilities by a net of approximately $23 million at June 30, 2008. Establishment of appropriate internal controls over the determination of Department liabilities is important due to the impact adjustments have on Department and statewide financial statements. (Finding Code No. 08-3)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation implemented. The Agency has developed a consistent methodology for financial reporting.

08-4 **FINDING:** (Nonpayment of revolving fund invoices)

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

The Department purchases automobile, statistical, communications and facility management services from DCMS and is billed for the services provided through the DCMS' internal service funds. The Department owed DCMS the following amounts at June 30, 2008:

State Garage Revolving Fund	$ 3,337,189
Statistical Services Revolving Fund	6,531,176
Communications Revolving Fund	2,401,468
Facilities Management Revolving Fund	850,478
Total	$ 13,120,311

Of the liability owed to DCMS at June 30, 2008, $2,373,534 represents amounts still owed for services provided in fiscal years 2006 and 2007.

The previous audit cited the Department for transferring funds out of the line items used to pay the revolving fund billings to pay other bills. We noted the Department did not transfer funds out of the revolving fund line items during the audit period. Rather, the Department has built up such a large liability from previous years that the appropriations received during the audit period did not provide enough funding to pay the current charges or those owed from previous years. When asked to provide us with documentation of the balances owed to DCMS, the Department reported a liability of $10,939,105, which had not been recorded as a liability at June 30, 2008. Upon further inquiry with DCMS, the outstanding liability owed the revolving funds was determined to be $13,120,311. We also noted the Department did not record this liability for financial reporting purposes (see finding 08-1).

DCMS Administrative Rules (74 Ill. Adm. Code 1000.50) requires user agencies to process payments within 30 days after physical receipt of internal service fund bills and to make reasonable efforts to review, approve, and pay all internal service fund bills in the fiscal year in which the liability was incurred. User agencies are not to leave internal service fund bills unpaid in order to circumvent fiscal year budgetary controls.

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

Department management indicated there were not sufficient funds to pay the invoices due to DCMS.

Because of the significance of the exceptions noted, we consider this to be a significant deficiency in the Department's internal control over fiscal operations, material State noncompliance and a material weakness. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to comply with generally accepted accounting principles in its financial and fiscal operations and the Department's ability to comply in all material respects with applicable laws and regulations. A material weakness is a deficiency or a combination of significant deficiencies that result in a more than remote likelihood that material noncompliance will not be prevented or detected by the Department's internal control.

Failure to pay for the services provided to it by DCMS represents noncompliance with the Illinois Administrative Code, indebts the State without authorization (see finding 08-5), and prevents the Department from abiding by the appropriation authority given to it by the General Assembly. (Finding Code No. 08-4, 06-17)

RECOMMENDATION:

We recommend the Department work with the Governor's Office of Management and Budget to determine a method by which to become current with its balance due to DCMS and initiate reductions in other line items to ensure sufficient funds exist to pay for the services provided by DCMS. We also recommend the Department implement procedures to track the amount owed to DCMS.

DEPARTMENT RESPONSE:

Recommendation implemented. During FY09, the Agency paid the balances due to DCMS and remained current with open invoices to the other State agency for operation of automotive and telecommunications.

08-5 **<u>FINDING</u>:** (Department indebted the State without authorization)

The Department of Corrections (Department) indebted the State for approximately $10.6 million by procuring services and products for amounts that exceeded the funds appropriated without authorization.

The $10.6 million indebtedness is owed to two entities, $6.3 million to a medical services company and $4.3 million to a supplier of electric and gas utilities. In addition, the Department instructed the vendor/supplier to submit claims to the Court of Claims under the criteria that the appropriated funds to pay the vendor/supplier had lapsed when in fact the Department did not have remaining appropriation to pay the amounts billed as opposed to lapsing their appropriation. The Department also failed to promptly approve the vendor/supplier bills.

During fiscal year 2008 the Department entered into contracts with a medical services company (vendor) to provide medical services to certain Correctional Centers. The medical services contracts with this vendor after renewals and other adjustments for fiscal year 2008 amounted to approximately $91.5 million. The Department filed contract obligation documents (COD's) with the Office of the Comptroller to obligate that amount, $91.5 million, of the Department's appropriation to pay for the services during the fiscal year. At the beginning of June 2008 the Department filed amended COD's with the Office of the Comptroller to decrease the amount obligated for the medical services contract by approximately $5.2 million, freeing up that amount of appropriation to spend on other obligations. The reason provided on the amended COD's was only "decrease obligation".

The Department was in possession of the June invoices from the vendor before the COD's were amended to reduce the appropriation obligations, thereby knowing they were not going to be able to pay the vendor the final amounts owed of approximately $6.3 million at 25 Correctional Centers. The Department instructed the vendor after the lapse period had expired that they were unable to pay the charges as their appropriations have lapsed and referred the vendor to file a claim with the Court of Claims.

In addition, the Department did not pay for electrical and gas service for 19 Correctional Centers near the end of fiscal year 2008. Invoices for the electrical and gas service for the last month(s) of fiscal year 2008 were received either prior to the end of the fiscal year or during the lapse period. A total of $4.3 million worth of these invoices was not paid. Again, after the lapse period the supplier was instructed to file a claim with the Court of Claims as the Department indicated it was unable to pay the charges as their appropriations have lapsed.

The State Finance Act, 30 ILCS 105/30 states no department shall contract any indebtedness on behalf of the State, nor assume to bind the State in an amount in excess of the money appropriated, unless expressly authorized by law. In addition, the Illinois Administrative Code (74 Ill. Adm. Code 900.70) states an agency shall approve proper bills or deny bills with defects, in whole or in part within 30 days after receipt of the bill.

The Court of Claims Regulations, (74 Ill. Adm. Code 790.50) sets forth the provisions to be followed when claims for services or materials furnished to the State, of which payment has been denied solely because of a lapsed appropriation.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) (FCIAA) states, "All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: ...(2) obligations and costs are in compliance with applicable law."

Department management indicated there were not sufficient funds to pay the invoices due for these required services.

Because of the significance of the failure in the operations of the Department's internal control to prevent indebting the State without authorization, we consider this to be a significant deficiency in the Department's internal control over financial and fiscal operations, material State noncompliance and a material weakness. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to comply with generally accepted accounting principles in its financial and fiscal operations and the Department's ability to comply in all material respects with applicable laws and regulations. A material weakness is a deficiency or a combination of significant deficiencies that result in a more than remote likelihood that material noncompliance will not be prevented or detected by the Department's internal control.

By reducing the contracted obligation amounts for medical services at the beginning of June 2008 as well as not paying the supplier for electrical and gas utilities knowing that payments for the remainder of the year would be owed, the Department intentionally manipulated the appropriation/budgetary process and violated the State Finance Act. As a result the Department has increased the State's indebtedness without authorization.

In addition, the Department provided incorrect information by instructing the medical services provider and supplier of electric and gas utilities to file a lapsed appropriation claim with the Court of Claims. The reason the outstanding bills were not paid was because the Department overspent their appropriation, not because the appropriation lapsed. The Department has also put the State into a position of being liable for additional costs through interest accruing on the unpaid balances. (Finding Code No. 08-5)

RECOMMENDATION:

We recommend the Department only enter into contracts for which they have available appropriation and consult with the Governor's Office of Management and Budget when situations arise where it appears amounts appropriated will not be sufficient to meet the Department's obligations.

DEPARTMENT RESPONSE:

Recommendation accepted. The goods and services indicated are required by mandate and by law. The Agency had requested to transfer funds to pay for these services, but was not granted. At that point, the Department had to make difficult choices regarding expenditures. The Agency will continue to work within the appropriations given and seek additional funds as needed for mandated services.

08-6 FINDING: (Weaknesses in the financial accounting for, and reporting of capital assets)

The Department of Corrections (Department) did not accurately record all capital asset information in their financial records. As a result of not including all the capital asset information, the Department presented inaccurate information on the Capital Asset Summary (SCO-538) submitted to the Illinois Office of the Comptroller and in their financial statements for fiscal year 2008.

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

- The Department improperly recorded transfers from the Capital Development Board (CDB). The precise inaccuracy could not be determined, but we estimate the Department's capital assets could be understated by as much as $30,000,000. There would be an effect on beginning capital assets and related accumulated depreciation at June 30, 2007, as well as at June 30, 2008 as errors in recording CDB transfers appear to have started several years ago. Due to the inadequacy of Department property records, we cannot determine the amount of unrecorded transfers. This also resulted in a qualification of our Independent Auditor's Report on the Department's financial statements for the year ended June 30, 2008.

- The Department's Automated Property Control System (APCS) does not allow for testing of depreciation by asset. For example, a specific facility may have thirty buildings in APCS with varying dates placed in service. APCS reports provide a total cost of all buildings combined, along with total depreciation combined at the end of each quarter. However, according to Department personnel, APCS does not allow for a break down of each capitalized asset's depreciation. Once the new asset is entered into APCS, it becomes a portion of the grand total, and the depreciation is theoretically calculated from that date, but a report by asset cannot be generated. Through analytical review and other audit procedures we determined the ending accumulated depreciation was misstated by $5,768,000. We recommended, and the Department made, adjustments to correct the misstatement in the June 30, 2008 financial statements.

- The Department could not provide sufficient support for the additions, deletions, and net transfers as originally reported on the SCO-538. For example, there are no additions (depreciation) reported for all capital assets for the year, with the exception of capital leases. In addition, the Department could not provide support for deletions of $6,632,000 and net transfers of ($17,868,000) for the year in the depreciation section of the SCO-538.

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

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

Department management attributed these exceptions and weaknesses to the inherent limitations of the Department's APCS and miscommunication between facilities and the General Office.

Because of the significance of the exceptions noted, we consider this to be a significant deficiency in the Department's internal control over financial and fiscal operations, material State noncompliance and a material weakness. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to comply with generally accepted accounting principles in its financial and fiscal operations and the Department's ability to comply in all material respects with applicable laws and regulations. A material weakness is a deficiency or a combination of significant deficiencies that result in a more than remote likelihood that material noncompliance will not be prevented or detected by the Department's internal control.

Inadequate control over maintaining accurate capital assets records prevents the Department from preparing financial information in accordance with GAAP and results in inaccurate, incomplete and untimely preparation of financial information. Good internal control also dictates that supporting documentation be maintained in order to provide sufficient, appropriate evidence for additions, deletions, and transfers, including the documentation supporting the cost and other charges included in the capitalized value. (Finding code No. 08-6)

RECOMMENDATION:

We recommend the Department:

- Devote sufficient resources to its financial accounting function such that the capital asset information is properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Office of the Comptroller.

- Research what capital asset systems other State Agencies are utilizing to see if any can produce the type of data necessary for the Department to prepare detailed capital asset information and if any system would be available for Department use.

- Perform an analysis of CDB versus Department transfers, document this analysis, and make appropriate adjustments to its financial records and the information reported to the Office of the Comptroller.

DEPARTMENT RESPONSE:

Recommendation partially implemented. Within the limitations of the antiquated property control system, the recommendations have been implemented. All CDB turnovers that were applicable have been reported as of June 30, 2009. Procedures are in place to ensure timely and accurate reporting to the best of the ability of the Agency within the existing property control system. As resources do not exist to replace the system, several manual processes are required to be maintained, which are subject to human error. The Agency has implemented tracking mechanisms to ensure that appropriate capital asset transactions are captured and reported.

08-7 FINDING: (Inaccurate and inadequate property / fixed asset recordkeeping)

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

We tested a sample of 65 equipment items from 3 Department divisions (General Office, Adult Education, and Field Services) for fiscal years 2007 and 2008 to determine whether the equipment was in the correct location and/or was properly recorded in the Department's Automated Property Control System (APCS). As a result of our testing, we noted the following exceptions:

- Five (8%) items tested were not recorded on the APCS property listings.

- One (2%) item could not be located at the location listed on the APCS report.

- Twenty-five (38%) items tested were purchased during the audit period, but could not be traced to supporting purchase information due to inadequacies with APCS, 18 because the Department could not identify the voucher utilized to purchase the item and 7 because the Department did not provide us with any supporting documentation for the asset purchase.

- Three (5%) items were deleted from APCS without adequate supporting documentation.

As we performed the above testing, we noted the Department listed 76 laptop computers totaling $102,448 and 24 printers totaling $19,296 as "duplicate – delete" in the APCS February 2008 monthly transaction report. The assets had been purchased in May through July 2007. We requested information supporting the deletion of 20 of the 76 laptops deleted (26%) and 5 of the 24 printers deleted (21%) to justify the deletion of equipment purchased less than one year earlier. Department personnel stated these assets were entered into APCS twice due to employee error, and the deletion represented a correction of this error. However, the Department, after numerous requests, could not provide documentation to support their explanation. This lack of support and inadequate accounting records forced us to perform numerous alternative procedures to corroborate these were in fact errors, and not a misappropriation of assets.

We also noted a bookcase with a value of $200 was listed in the APCS records at a value of $426,011,000 in March 2008, which we believe actually represented the location code. Because the item was incorrectly recorded, the asset was included on the annual report submitted to DCMS for all items over $500. Department accounting personnel adjusted the Report of State Property (C-15) reports and annual Generally Accepted Accounting Principles (GAAP) reports submitted to the Illinois Office of the Comptroller for the error, but did not correct the error on their property records (APCS) until March 2009, one year later.

We also identified the following inadequacies in the Department's property / fixed asset recordkeeping process:

- The Department utilizes a summary worksheet to prepare its quarterly Agency Report of State Property Form (C-15) for submission to the Comptroller's Office. This worksheet contains summarized activity by division and category (land, site improvements, buildings and improvements, equipment, and capital leases). The worksheet does not provide individual transaction detail to support the summarized totals. Because the Department was unable to provide us with detailed information, we were unable to test the composition of the transactions reported on the Form C-15s in fiscal year 2008. The Department did not provide us with the summary worksheets for any of the quarterly fiscal year 2007 Form C-15 submissions.

- Due to the lack of transaction detail noted above, a reconciliation of Department's Form C-15 submissions for fiscal year 2008 to the property listings generated by the Department's Automated Property Control System (APCS) at the end of each month could not be performed.

- The Department indicated its APCS generates reports which detail the property transactions for the month. These reports are not cumulative. The Department could not provide us with these reports for several months throughout the audit period. Due to missing reports and the lack of detail on the Department's summary worksheets, the Department could not support the activity reported on its quarterly Form C-15 submissions to the Comptroller.

- The Department did not adequately document the date 7 of the 8 required quarterly Form C-15s were prepared and submitted to the Office of the Comptroller. The Form C-15 reports filed for fiscal year 2008 were revised and submitted subsequent to year end.

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

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

Department management indicated that the limitations inherent in a property control system in excess of 30 years old create difficulties in the recordkeeping related to the property items. This inherent problem causes the Department to have to maintain several manual spreadsheets and files.

Because of the significance of the failure in the operations of the Department's internal control to maintain accurate and adequate property / fixed asset records, we consider this to be a significant deficiency in the Department's internal control over financial and fiscal operations, material State noncompliance and a material weakness. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to comply with generally accepted accounting principles in its financial and fiscal operations and the Department's ability to comply in all material respects with applicable laws and regulations. A material weakness is a deficiency or a combination of significant deficiencies that result in a more than remote likelihood that material noncompliance will not be prevented or detected by the Department's internal control.

The Department had property and equipment totaling approximately $1.7 billion at June 30, 2008 decentralized throughout the State. Failure to maintain adequate fixed asset records is noncompliance with the State Property Control Act, FCIAA and SAMS and increases the risk of equipment theft or loss occurring without detection, and has resulted in inaccurate property / fixed asset reporting. (Finding Code No. 08-7)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation partially implemented. Within the limitations of the antiquated property control system, the recommendation has been implemented. Procedures are in place to ensure timely and accurate reporting to the best of the ability of the Agency within the existing property control system. As resources do not exist to replace the system, several manual processes are required to be maintained, which are subject to human error. The Agency has implemented tracking mechanisms to ensure that appropriate equipment transactions are captured and reported. This process goes in hand with finding 08-6.

08-8 FINDING: (Inadequate administration and accounting of locally held funds)

During our testing we identified numerous exceptions related to the administration, accounting and financial reporting of the Department of Corrections (Department) locally held (bank accounts) funds.

During the audit period, the Department's locally held funds were managed independently at each individual Correctional Center, Adult Transitional Center (ATC), or the General Office, with the exception of the residents portion of the DOC Resident's and Employee's Benefit Fund. During fiscal year 2006 the resident benefit fund bank accounts at the individual facilities in the DOC Resident's and Employee's Benefit Fund, were consolidated into one bank account that is now managed at the Department's General Office. The individual facilities provide financial information related to each of their other individually managed locally held funds and bank accounts to the Department's General Office for consolidation and financial reporting for the Department as a whole.

The following weaknesses were noted during the testing of the Department's locally held funds for the two years ended June 30, 2008:

- The Department failed to provide the June 30, 2008 bank reconciliation of the consolidated bank account for the residents portion of the Resident's and Employee's Benefit Fund (Benefit Fund), and as such, the auditors were unable to test the cash balance. The cash balance of the resident's portion of the Benefit Fund reported by the Department totaled approximated $4.7 million of a total cash balance of approximately $5.0 million (94%) at June 30, 2008. The inability to be able to perform audit procedures to the cash balance led to a qualification of the opinion in the Independent Auditor's Report.

- The Department maintains the adult facility resident portion and the juvenile facility resident portion, which belongs to the Department of Juvenile Justice, of the Benefit Fund within one consolidated general ledger in its Fund Accounting and Commissary Trading System (FACTS). The Department provided numerous reports from FACTS, but it was not possible to select a sample of receipts and disbursements for testing without the use of data extraction software which took additional time to process. In addition, the Department could not provide a detailed general ledger specific to the Department's portion of the Benefit Fund's activity.

- The Department maintains the adult facility resident portion and the juvenile facility resident portion, which belongs to the Department of Juvenile Justice, of the Benefit Fund in one umbrella bank account at a local financial institution. Within the umbrella account, sub-accounts exist for the individual facilities. All disbursements are made from one operating sub-account. At any point in time, funds from an adult facility and a juvenile facility could be swept into this operating sub-account for disbursement. Additionally, a higher yielding sweep account is part of this umbrella account. Funds from the Department and Department of Juvenile Justice are comingled at different times during this sweep process. It was not possible to determine how often this occurred. The Department and the Department of Juvenile Justice are two separate and distinct agencies whose funds should not be commingled, especially without adequate accounting records and adequate supporting documentation.

- Since the General Office has assumed responsibility for the administration of the bank account of the resident's portion of the Benefit Fund, several problems were identified through testing performed at the facilities. The following concerns were identified as a result of testing performed at the facilities and ATCs:

    - The sub-account from which disbursements are made includes transactions from all of the facilities (adult, juvenile, and ATC). The level of detail provided online makes it difficult to determine to whom the transaction belonged. As a result, very few facilities perform a reconciliation of their activity to that which is recorded in the bank account. A few have begun to maintain manual journals, but they cannot include the calculation of interest as they do not understand how interest is allocated to their facility's sub-account. Those facilities also commented that transactions occur that they do not have record of in their manual ledgers or they do not know the timing of when the transactions are recorded. One correctional facility has begun contacting vendors directly in order to determine when and if a transaction was processed by the General Office. Other facilities contact the General Office frequently to request the facility's balance because the employees cannot determine the balance from the online banking site.

    - During testing at the facilities it was found that 12 of the 28 (43%) adult faculties and 2 of 8 (25%) juvenile facilities could not access the online banking website. For those facilities that could access the online banking website several had to request new passwords from the General Office during our fieldwork because their previously assigned passwords had expired.

- Testing was unable to be performed on receipts in the resident's portion of the Benefit Fund. Receipts could not be traced to source documentation, as the source documents are not maintained by the Department's General Office. In addition, receipts could not be traced into the bank statements because the Department did not provide the requested bank statements.

- The Department did not provide the June 30, 2007 and 2008 bank reconciliations or statements for the General Office's employee portion of the Benefit Fund. Additionally, a sample of receipts and disbursements was selected for testing from the General Office's employee portion of the Benefit Fund but, testing could not be completed because the Department did not provide the documentation to perform the testing. As a result of not receiving the requested documentation, no compliance testing was performed for this portion of the locally held fund, with cash totaling $11,233 at June 30, 2008.

- The Department failed to provide requested copies of the Report of Receipts and Disbursements for Locally Held Funds (C-17) for fiscal year 2007 or the first three quarters of fiscal year 2008. As such, testing could not be performed to determine if those reports were filed on a timely basis. The C-17s for the fourth quarter 2008, which were due on July 31, 2008, were filed timely for the DOC Resident's and Employee's Benefit Fund, DOC Resident's Trust Fund, and DOC Commissary Funds Fund.

Department management indicated the exceptions noted were directly related to the timing of the creation of a new agency, the Department of Juvenile Justice. The funds were not entirely split at that time.

The State Officers and Employees Money Disposition Act (30 ILCS 230) states "Every …department…shall keep in proper books a detailed itemized account of all moneys received for or on behalf of the State of Illinois… ." The Department's Administrative Directives (A.D.) 02.40.104 outlines Department guidelines for bank reconciliations to be performed of its locally held funds.

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

The State Comptroller Act (15 ILCS 405/16) allows the Comptroller, by rule, to prescribe the form and require the filing of quarterly fiscal reports by each State agency. The Comptroller's Statewide Accounting Management System (SAMS) procedures 33.13.10 and 33.13.20 sets forth the Agency requirements for reporting locally held fund financial information. The Department's A.D. 20.40.105 requires the Department to submit the C-17 to the Comptroller's Office in a timely manner.

Because of the significance of the exceptions noted, we consider this to be a significant deficiency in the Department's internal control over locally held funds and a material weakness. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to comply with generally accepted accounting principles in its financial and fiscal operations. A material weakness is a deficiency or a combination of significant deficiencies that result in a more than remote likelihood that material noncompliance will not be prevented or detected by the Department's internal control.

Inadequate control over maintaining financial records prevents the Department from preparing and submitting required financial information and results in inaccurate, incomplete and untimely preparation of financial statements. It is important to properly administer and timely report locally held funds' financial information to the Office of the Comptroller as locally held funds are not subject to appropriation and are held outside the

State Treasury. In addition, failure to adequately administer its locally held funds could lead to fraud, theft, or the use of unavailable monies in the funds causing overdraft charges. Inadequate administration also represents noncompliance with statute, SAMS procedures, and the Department's A.D.'s. (Finding Code No. 08-8)

RECOMMENDATION:

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

- The Department should provide requested documentation to the auditors in a timely fashion. Please refer to finding 08-2 for additional discussion of this matter.

- The adult facility resident portion and the juvenile facility resident portion of the Benefit Fund should be separated into two separate general ledgers within FACTS and into two separate bank accounts. The funds of two agencies should not be comingled in such a way that the Department can not readily provide user friendly documentation of the activity.

- The General Office should work with the facility personnel to ensure current and relevant financial information is available to them via the online banking site and within FACTS so that each facility is aware of the running balance of its subaccount of the Benefit Fund. If necessary, Department-wide training seminars should be performed to ensure the understanding and the communication of guidance related to the Benefit Fund records.

- Sufficient source documentation should be maintained to support the receipts deposited. Handwritten notes are not sufficient.

- Accurate and timely C-17 reports should be submitted to the Comptroller's Office as required by SAMS.

DEPARTMENT RESPONSE:

Recommendation implemented. In FY09, the funds of the two agencies were split, thus eliminating the confusion regarding the expenditures and receipts. Facilities were given copies of banking statements on a monthly basis and access via the accounting system to track their transactions.

08-9 **<u>FINDING</u>:** (Inadequate controls over inventory)

The Department of Corrections (Department) failed to adequately establish controls over its inventory.

During testing of Department inventory balances at June 30, 2008, numerous errors were noted with inventory balances at Correctional Centers. The errors were so pervasive that auditors at five Centers (Stateville, Big Muddy, Dixon, Graham and Jacksonville) could not report on inventory balances at these Centers. Inventory balances at these five Centers totaled $5.2 million of $22.1 million (24%) total inventory reported by the Department at June 30, 2008.

These errors included, but were not limited to:

- Physical inventory counts did not agree to accounting records;

- Inventory purchases were not recorded in the proper fiscal year; and

- Inventory counts were not reconciled to The Inventory Management System (TIMS).

We also noted the General Office made errors totaling $1.6 million compiling inventory balances from the Centers for financial statement reporting.

Center personnel attributed the weaknesses noted in the Department's inventory controls to the lack of training provided to employees on the use of the Department's new automated inventory system, The Inventory Management System (TIMS). TIMS is an on-line, real time system which replaced the Automated Inventory Management System (AIMS). TIMS was fully operational at all Centers by the end of fiscal year 2008. During the testing by auditors at 14 of the Department's Correctional Centers, the auditors noted personnel at 10 (71%) did not consider the training provided on TIMS sufficient to provide them with the knowledge needed to properly utilize the application.

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

Because of the significance of the exceptions noted, we consider this to be a significant deficiency in the Department's internal control over financial and fiscal operations, material State noncompliance and a material weakness. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to comply with generally accepted accounting principles in its financial and fiscal operations and the Department's ability to comply in all material respects with applicable laws and regulations. A material weakness is a deficiency or a combination of significant deficiencies that result in a more than remote likelihood that material noncompliance will not be prevented or detected by the Department's internal control.

Due to the significance of the weaknesses identified at the Centers and the overall lack of inventory controls, we were unable to express an opinion on the Department's inventory balance at June 30, 2008 in our Independent Auditor's Report of the Department's financial statements. (Finding Code No. 08-9)

RECOMMENDATION:

We recommend the Department improve its centralized oversight function related to inventory and ensure the Center personnel are adequately trained on the use of TIMS. Additionally, the Department should ensure that the inventory balances reported to the Comptroller's Office during the GAAP reporting process are reconciled adequately with those maintained at the Centers.

DEPARTMENT RESPONSE

Recommendation implemented. During FY09, mandatory training was given on TIMS with documentation of those attending. Facilities were instructed to maintain timely and accurate information on TIMS of inventory for use in financial reporting.

08-10 **FINDING:** (Inadequate controls over grant reporting)

The Department of Corrections (Department) failed to implement adequate controls over grant reporting to the Illinois Office of the Comptroller.

The Department is required to report financial information for grants as part of its annual submissions to the Illinois Office of the Comptroller for preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP) (GAAP package submissions). We noted the Department reported activity on its Interfund Activity-Grantee Agency (SCO-567) form for which it was not the grantee. The Department of Juvenile Justice (DJJ) was the grantee from the Illinois State Board of Education for the following federal programs:

- Title I Program for Neglected and Delinquent Children (CFDA No. 84.013)
- Safe and Drug-Free Schools and Communities – State Grants (CFDA No. 84.186)
- State Grants for Innovative Programs (CFDA No. 84.298)
- Improving Teacher Quality State Grants (CFDA No. 84.367)

When DJJ received the funds from the ISBE, DJJ deposited the funds in Fund 0523 – Department of Corrections Reimbursement Fund, which is a fund shared by the Department and DJJ. DJJ then made book transfers of these funds to correspond with the Department's use of the grants. By reporting these grants in this manner, the net effect was the Department overstated receivables due from ISBE by $492,000 and overstated expenditures for fiscal year 2008 by $32,000, resulting in adjustments to the financial statements for these amounts.

According to the Comptroller's Statewide Accounting Management System (SAMS) procedure 27.20.67, the SCO-567 is utilized by the Office of the Comptroller "to provide receivable and liability adjustments related to transactions with other State funds, to provide mandatory transfer documentation, and to determine entries necessary to the GAAP Trial Balance Forms…also assists in the preparation of the Schedule of Expenditures of Federal Awards (SEFA) for the primary government portion of the State of Illinois' Reporting Entity…this form is to be completed annually and sent to the Comptroller's Office as part of the year-end reporting package."

Failure to properly report grant activity results in noncompliance with SAMS and causes federal expenditure and receivable/payable balances to be incorrect. (Finding Code No. 08-10)

RECOMMENDATION:

We recommend the Department establish procedures to report grant activity to the Illinois Office of the Comptroller for only those programs that relate to the Department and properly segregate Department and DJJ programs.

<u>DEPARTMENT RESPONSE</u>:

Recommendation accepted. The Agency is in the process of separating grants by agency, as opposed to by function. The exceptions noted were related to the timing of the creation of a new agency, the Department of Juvenile Justice. The grants were not split by the grantors at that time.

08-11 FINDING: (Failure to expend personal service appropriations in compliance with Legislative intent)

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

Public Act 94-798 authorized the Department to expend $11,750,000 from the General Revenue Fund for expenses related to hiring front line staff in fiscal year 2007. The transcripts from the House of Representatives and Senate on the debate of Senate Bill 1520, which later was signed into law as Public Act 94-798, references using the $11,750,000 to be appropriated for the hiring of 231 front line staff at the Department.

During the first 9 months of fiscal year 2007, the monthly expenditures paid from the appropriation to hire new front line staff averaged approximately $469,000. During April and May of 2007 the average monthly expenditures from the appropriation was approximately $3,500,000. During April and May of 2007 the Department paid all of certain Correctional Center payrolls from the appropriation. Taylorville Correctional Center's payroll was paid 3 times, Robinson Correctional Center 2 times, Logan Correctional Center 2 times and Jacksonville Correctional Center 2 times.

During testing performed at the Department's 28 Correctional Centers, information was gathered on the number of new front line staff added at the Correctional Centers during the audit period. Based on the information provided, the Correctional Centers reported 154 new front line staff were added during fiscal year 2007.

Public Act 95-0348 authorized the Department to expend $12,000,000 from the General Revenue Fund for hiring 500 additional front line staff in fiscal year 2008. The Department spent $0 from that appropriation. Based on the information provided by the Correctional Centers there were 6 new front line staff added during fiscal year 2008.

During testing performed at the Department's 28 Correctional Centers information was gathered on the number of front line staff that have left employment with the Department during the audit period. Based on the information provided, the Correctional Centers reported 324 and 455 front line staff left employment with the Department during fiscal years 2007 and 2008.

Department management stated the use of the hiring frontline staff appropriation to cover personal services costs incurred in fiscal year 2007 was necessary because the Department's personal services appropriations were not sufficient and the Department could not transfer funds between the personal services lines of its various divisions. Department officials stated the additional personal services costs were incurred due to the mandatory overtime and inadequate staffing levels. Department management stated it was not allowed, at the direction of the Office of the Governor, to hire any front line staff during fiscal year 2008.

Expending the fiscal year 2007 appropriation designated for new front line staff for costs of existing staff violated legislative intent and resulted in the Department having to utilize existing staff to cover the needs of staffing the Correctional Centers. The lack of utilizing the amount appropriated by the legislature in fiscal year 2008 for new front line staff added to the short staffing at the Correctional Centers.

Required and volunteer overtime and compensatory time is being used to cover staffing shortages. The use of overtime and compensatory time has short and long-term effects on the Department's employees. The short-term consequences are employee burnout and the potential for increased risk of employee safety incidents as employees work extended or additional shifts. The long-term consequences include employees increasing their final average salaries, if they are close to retirement, and receiving increased pension benefits in the future which exceed those expected based upon their authorized salary rates. Effective oversight and security will be negatively impacted if the Department continues to mandate overtime and compensatory time to supplement its staffing levels.

We identified 126 employees working at various Correctional Centers that worked so many required and voluntary overtime and compensatory hours during fiscal year 2008 that their year to date gross compensation exceeded $100,000. The employees' normal salary rate per their position classification without overtime and compensatory time would be in the range of $40,000-75,000 annually.

The groups of employees identified with gross compensation exceeding $100,000 were:

81 - Correctional Lieutenants	2 - Correctional Transportation Supervisors
11 - Correctional Officers	2 - Correctional Food Service Supervisors
10 - Correctional Sergeants	2 - Carpenters
10 - Corrections Nurses	2 - Plumbers
6 – Stationary Engineers / Firemen	

The State Constitution states the General Assembly by law shall make appropriations for all expenditures of public funds of the State. (Article VIII, Section 2(b)). The appropriation law for fiscal years 2007 and 2008 clearly provided appropriations for the hiring of frontline staff to alleviate the staffing shortfalls encountered by the Department.

The inappropriate use of appropriation authority results in noncompliance with State statute and violates the intent of the General Assembly for the hiring of additional frontline staff to alleviate the staffing concerns and the significant use of overtime and compensatory time at the Department's Correctional Centers. (Finding Code No. 08-11)

RECOMMENDATION:

We recommend the Department make payments in accordance with its appropriation authority. Furthermore, the Department should take steps necessary to meet the intent of the General Assembly when utilizing its appropriation authority.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will work within the limitations and guidelines of appropriations language as passed by the legislature.

08-12 FINDING: (Inappropriate payment of another agency's personnel costs)

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

During the audit period, an employee who had previously worked for the Department was transferred to a position within GOMB. The Department continued to pay for her personnel costs on its payroll vouchers. Department personnel explained that this individual was working on behalf of the Department as the Deputy Director Project Manager for the Public Safety Shared Services Center (PSSSC). The Department's explanation was inconsistent with the fact the employee was at the same time listed on the GOMB organization chart as the Deputy Director of Financial Reporting and was responsible for the oversight of other GOMB employees. While the employee in question might have had some type of indirect involvement with the PSSSC, that does not appear to be her primary responsibility. Another individual was listed on the GOMB organization chart as the GOMB Project Manager over PSSSC and the Department and GOMB entered into an interagency agreement concerning his responsibilities.

The State Finance Act (Act) (30 ILCS 105/9.03) requires the Chief Executive Officer of the department from whose appropriation personal services payment will be made to make a specific certification that includes certification that the payment is for employees who work for that agency and should be charged to that appropriation. The Act (30 ILCS 105/9.06) further states a knowingly and intentionally false certification under the before mentioned section is to result in removal from office if performed by an officer or dismissal if performed by an employee.

The payment of personnel costs of another agency results in noncompliance with State statute. This is particularly egregious considering the employee would be accruing retirement benefits under the alternative formula when the position as being performed would not qualify for that benefit. (Finding Code No. 08-12)

RECOMMENDATION:

We recommend the Department pay the personnel costs of only its employees, not those of other agencies, and ensure all payment certifications are accurate.

DEPARTMENT RESPONSE:

Recommendation implemented. The employee indicated transferred to another State agency.

08-13 <u>FINDING</u>: (Inmate commissary goods marked up more than allowed by statute)

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

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

	Fiscal Years Ending June 30		
	2006	2007	2008
Dollars collected as a result of the 3%-7% charge	$ 1,266,911	$ 2,259,760	$ 2,339,244

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

Department management stated the 3%, and later 7%, charge was to help cover the costs associated with those of State employees who work in the inmate commissary, inmate labor for the commissary and utilities to operate the commissary. Items included in State employee costs were payroll, benefits and mandated uniforms. A cost of utilities per square foot was determined and applied to the area of the commissaries. Inmate labor included only inmate payroll. The Department indicated the amounts were compiled based on fiscal year 2005 actual information and have not been updated. In addition, Department management indicated they felt the definition of cost of goods in the Department's enabling legislation allowed the items to be marked up as indicated.

We previously recommended the Department revise its methodology for computing cost of goods to ensure included costs are not duplicative and comply with the statute and only mark-up the goods for resale in the inmate commissary the allowable amounts. The Department responded to the previous finding that it intended to work with the other authoritative State agencies regarding a more refined interpretation of cost of goods. During the April 1, 2008 Legislative Audit Commission hearing on the Department's June 30, 2006 audit it was stated by Department staff that they had worked with the Comptroller's Office on changing the definition for cost of goods sold at the commissaries to be in line with generally accepted accounting principles and the Department's new definition which includes salaries of commissary workers and cost of uniforms. Per inquiry with the Office of the Comptroller they have not made any changes related to their policy regarding the definition of cost of the inventory to be sold.

In addition, we had also previously recommended the Department seek a formal written Attorney General opinion on this matter. Again, during the April 1, 2008 Legislative Audit Commission hearing on the Department's June 30, 2006 audit, it was stated by Department staff and the Director that they were waiting on the Attorney General's opinion before making any changes because the Department has to cover its commissary costs. During the current engagement we requested a copy of the letter sent to the Attorney General requesting an opinion on the matter, and the Department failed to provide any documentation that a formal opinion had ever been requested of the Attorney General on the matter. Department staff indicated that during the prior administration permission was not granted to seek an opinion from the Attorney General.

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

Based on information provided by the Department, the funds collected exceeded the computed 3%-7% charge by the amounts noted in the following table.

	Fiscal Years Ending June 30		
	2006	2007	2008
Computed amount collected in excess of the additional charge on the cost of goods sold.	$ 242,055	$ 451,888	$ 466,838

Since the statutorily allowed 25% -35% mark-up is to cover the cost of wages and benefits of commissary employees, portions of the 3%-7% charge are duplicative and exceed the statutorily allowed mark-up. The Department's methodology for determining the cost of goods to be resold in the commissaries should agree with SAMS and statutory provisions. In addition, the Department should compute their collection of the charge on the base for which the charge is computed in order to not collect excess amounts. (Finding Code No. 08-13, 06-14)

RECOMMENDATION:

We recommend the Department:

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

- Seek a formal written Attorney General opinion on this matter if the Department believes they are statutorily allowed to impose the additional charge.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will once again try to get permission to seek an opinion from the Attorney General. There is every expectation permission will be granted.

08-14 <u>FINDING</u>: (Administration of benefit funds at Correctional Centers)

We noted numerous exceptions regarding the administration and operation of the benefit funds at Department of Corrections (Department) Correctional Centers.

Each Correctional Center maintains an employee benefit fund and bank account from which expenditures are made for the benefit of the Correctional Center employees. Each Correctional Center also submits requests for purchases from the Correctional Center's inmate benefit fund that is administered from the Department's General Office. The request for items to be purchased from the inmate benefit fund should generally be for items each inmate will have a similar opportunity to benefit from. As a result of testing performed at the Correctional Centers the following exceptions were identified:

- One Correctional Center (East Moline) did not have an established inmate benefit fund committee. Department Administrative Directive (A.D.) 02.43.102 requires an inmate benefit fund committee be established to receive and approve request for purchases from the inmate benefit fund. The inmate benefit fund committee is required to be comprised of specifically designated Correctional Center staff.

- Six Correctional Centers (Big Muddy, Hill, Jacksonville, Menard, Shawnee and Stateville) were identified where the inmate benefit fund committee did not officially meet during the audit period. At another Correctional Center (Vandalia) the inmate benefit fund committee only officially met once during the audit period. All of the Centers noted expended funds from their respective inmate benefit fund accounts on a regular basis during the audit period. Department A.D. 02.43.102 requires an inmate benefit fund committee to meet and review requests for expenditures.

- Two Correctional Centers (Dixon and East Moline) were identified where the inmate benefit fund committee did not keep minutes of the actions taken when they met during the audit period. Department A.D. 02.43.102 requires an inmate benefit fund committee to keep minutes of their meetings and to distribute a copy of the minutes to each committee member.

- As a result of testing performed at four Correctional Centers (Graham, Pontiac, Stateville and Vienna) the auditors identified questionable uses and purchases from the inmate benefit funds. At Graham Correctional Center a printer was purchased for the Correctional Center print shop from the inmate benefit fund at a cost of $21,000. Pontiac Correctional Center purchased chairs for the Job Preparedness Class. Stateville and Vienna Correctional Centers made loans from their inmate benefit funds during the audit period to purchase postage for the Correctional Centers. Stateville loaned $19,500 while Vienna loaned $10,000. The purchases at Graham and Pontiac appear to be items that should be purchased as part of the normal course of the Correctional Center operations and not from the inmate benefit funds. Department A.D. 02.43.102 allows for the purchase of postage for resale through the inmate's commissary fund, but not for loans to the Correctional Centers to fund operations.

- Testing of the resident and employee benefit fund expenditures identified 3 Correctional Centers (Tamms, Vandalia and Lincoln) where store gift cards were used to make purchases as opposed to having the store bill the Correctional Center and process the payment through the normal expenditure process. The Correctional Centers had purchased and or replenished the amounts available on the purchase (gift) cards in excess of $2,500. The Department does not have a written administrative directive relating to the use, reporting, and safeguarding of purchasing (gift) cards.

The State Finance Act (Act) (30 ILCS 105/13.3 (b)) notes the Comptroller may provide by rule for the use of purchasing cards by State agencies to pay for purchases that otherwise may be paid out of the agency's petty cash fund and that the rules impose a single transaction limit not to exceed $500. The Office of the Comptroller issued rules at 44 Illinois Administrative Code 1130 outlining the guidelines for proper controls and use of purchasing cards, including single item transaction limits of $500, as well as internal auditing requirements.

Department management indicated the exceptions noted were due to staffing limitations at the correctional facilities and staff errors.

The lack of following the prescribed formal administrative directive can result in a breakdown of the authorization process and documentation of decisions and could lead to inappropriate expenditures not being prevented. The lack of an administrative directive outlining the proper use and control of purchasing cards increases the potential for unauthorized usage and unapproved spending of benefit funds. (Finding Code No. 08-14)

RECOMMENDATION:

We recommend the Department remind their Correctional Center staff of the requirements related to the inmate benefit fund administration as set forth in the administrative directives. In addition, we also recommend the Department should prepare a formal administrative directive in accordance with the Comptroller's rules to cover the overall purchasing (gift) card process.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure compliance.

08-15 FINDING: (Noncompliance with the Illinois Procurement Code)

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

The Department maintains numerous commissary operations at Correctional Centers for inmates and employees. Purchases are made from vendors for commodities to be resold in the commissaries. Total purchases made from vendors for resale in the commissaries were approximately $31 million annually. The commissaries commodity purchases are made through non-appropriated locally held funds. As a result of testing performed during our compliance examination we noted the following items:

- Purchases were not made by competitive sealed bidding or competitive sealed proposals as required by the Code. The Correctional Centers receive catalogs from various vendors and select products from the catalogs for resale in the commissary. In addition, the commissaries contact multiple vendors by telephone and request bids.

- Terms and conditions for the purchases of goods from vendors for the commissaries were not documented in the form of a contract as required by the Code. Upon selection of a vendor an Order For Delivery (OFD) is prepared to document the purchase. OFD's are not utilized if the selected vendor uses pre-printed order forms or replenishes stock at the commissary on a regular basis.

- None of the required procurement notices were published in the Illinois Procurement Bulletin as required by the Code.

- The Department's Administrative Directive (A.D.) 02.85.102, which provides guidance to employees on commissary purchase does not include all the requirements as set forth in the Code. The A.D., effective November 1, 2000 notes that, "Whenever possible, bids shall be requested in writing or by telephone from a minimum of three vendors. The bids shall be documented and maintained on file in the commissary."

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

Department management indicated that they have requested from DCMS guidance and direction on the commissary purchasing. Due to security needs and specialized products, DCMS and the Department are working together to determine the proper way to complete the purchases.

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency is required to utilize DCMS for all procurement guidance and requirements. The Agency will once again ask DCMS for direction on the commissary purchasing.

08-16 FINDING: (Operation and maintenance of "cash box" imprest funds at Correctional Centers)

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

We noted numerous exceptions with the operation of the Department "cash box" imprest funds at the Correctional Centers. The 28 Correctional Centers have a total funded balance of their "cash boxes" of approximately $65,000. During our testing of the "cash box" imprest funds at the Correctional Centers we noted the following exceptions:

- The Department has never officially requested to establish the "cash box" imprest funds for the Correctional Centers with the Office of the Comptroller.

- The Correctional Centers are inappropriately using the Inmates' Trust Fund and Inmates' Benefit Fund to supply the "cash box" imprest funds pending reimbursement from the General Revenue Fund for gate and transportation money. In order for the Correctional Centers to have cash to provide gate and transportation money, the Correctional Centers write a check out of the locally held Inmates' Trust Fund bank account and obtain cash to use in the "cash box". The Inmates' Benefit Fund central bank account periodically reimburses the Inmates' Trust Fund via check for the amount "loaned" to the "cash box" imprest funds. The Correctional Centers forward the General Revenue Fund warrant or wire transfer the amount of vouchered inmate gate and travel money to reimburse the Inmates' Benefit Fund. For fiscal year 2008 the total appropriated amount expended from the General Revenue Fund at all Correctional Centers for travel allowances for committed, paroled and discharged prisoners (reimbursements for "cash box" disbursements) was approximately $580,000.

- One Correctional Center (Graham) was noted as having a "cash box" imprest fund, but their entire appropriation during fiscal year 2008, $12,500, to pay for travel allowances for committed, paroled and discharged prisoners was transferred. According to Center records, Graham Correctional Center disbursed $30,893 from their "cash box" during fiscal year 2008. Some of the amount expended may have been payouts upon release of inmates from their accounts in the Inmates' Trust Fund, but that breakout was not provided.

- We identified 3 out of 28 (11%) Correctional Centers (Lincoln, Sheridan and Vienna) in which the "cash box" was either not always counted by a person independent of the person assigned custody and/or the "cash box" was not counted or reconciled to supporting documents timely.

The Comptroller's Statewide Accounting Management System (SAMS) procedure 09.10.40 requires State agencies that are not required to deposit monies they receive with the State treasury must notify the Office of the Comptroller of the establishment of the locally held fund. Department Administrative Directive 02.42.105 requires all payments from the Inmates' Trust Fund other than payments to the Inmates' Commissary Fund and payments of restitution shall be authorized by the offender, or as the result of a court order. In addition, Department Administrative Directive 02.40.108 states loans may only be made to the Travel and Allowance Revolving Fund, "cash box" imprest fund, when an emergency exists from the Inmates' Benefit Fund and Inmates' Commissary Fund.

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

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

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation partially implemented and partially accepted. The Agency will work with the Comptroller regarding the classification of the funds; has reminded the facilities of the requirements of good internal controls; but must, by law, provide inmates being released with travel and allowance funds. These funds are reimbursed by the General Revenue Fund, but due to timing, must be ready upon the inmate's release, and not paid weeks later. The Agency will strengthen its controls over the cash boxes and document inspections and counts of the cash in an effort to meet a level of compensating controls.

08-17 <u>FINDING</u>: (New computers not utilized in inmate training programs at all Correctional Centers)

We noted instances where newly purchased computers were not being used at four of the Department of Corrections (Department) Correctional Centers.

The Department entered into a contract with a vendor to provide computers and software for intensive job preparedness training to inmates through coordination with community college instructors at Correctional Centers. Upon an inmate's parole or supervised release the vendor would continue to provide ongoing post release employment counseling and placement assistance services. The contract required a certain number of computers to be provided and installed at the Department's Correctional Centers to provide pre-release job preparedness training. As a result of testing at the Correctional Centers the following exceptions were noted:

- At Stateville Correctional Center the auditors identified 30 new computers in two separate computer labs that were not being used. The auditors observed the computers were covered to prevent damage and were told by Correctional Center staff the computers had not been used since they were installed in September 2007. The contract with the vendor set forth the Stateville Correctional Center would be provided 30 computers to be installed in classrooms.

- At Vandalia Correctional Center the auditors identified 25 new computers not being utilized. Eleven of the computers were still in their boxes while 14 had been unpacked. The auditors noted 32 other computers in two classrooms being utilized by inmates at the Correctional Center and Work Camp. The contract with the vendor set forth the Vandalia Correctional Center and Work Camp would be provided 56 computers to be installed in classrooms, housing units and the library.

- At Logan Correctional Center the auditors noted two classrooms with 15 computers in each. In one of the classrooms 4 of the computer monitors had been removed and were being used in other classrooms leaving only 11 computers operational. It was explained to the auditors that the classroom with the 11 operating computers was only used once or twice a month. The contract with the vendor set forth the Logan Correctional Center would be provided 30 computers to be installed in classrooms.

- At the East Moline Correctional Center the auditors observed 3 classrooms used for computer skills training. One classroom had 18 computers the other two classrooms had 15 computers each. The auditors were told by Correctional Center staff that the classroom with the 18 computers had not been used for 18 months. The contract with the vendor set forth the East Moline Correctional Center and Work Camp would be provided 45 computers to be installed in classrooms, 5 computers in housing units and 1 in the library.

Department management indicated that the program was in the start up phase during the audit and as such, some equipment was not yet utilized.

As a result of underutilizing the computer resources available, the Department is not providing the inmates the potential to acquire the skills that could help them gain employment upon release. In addition, as a result of the testing at the 4 Correctional Centers noted above the auditors identified 88 computers not being used. According to the contract with the vendor, each computer with associated software cost approximately $1,100 or a total of $96,800 for the 88 computers. The purchase of computers and not utilizing them appears to be an unnecessary expenditure and use of State funds. (Finding Code No. 08-17)

RECOMMENDATION:

We recommend the Department allocate the resources necessary to fully utilize the equipment purchased to provide the training to the inmates. We also recommend the Department assess the equipment needs for providing training to inmates to determine the necessary equipment needs based on the ability to provide the training and only purchase/ obtain the equipment needed.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure the equipment is used as needed.

08-18 FINDING: (Adult Transition Center records not properly maintained)

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

Testing of the eight ATCs for the two years ended June 30, 2008, produced the following exceptions:

- At 2 of the 8 ATCs, year end DOC Resident's Trust Fund (Trust Fund) cash balances were misstated due to outstanding checks not being removed from the listing in a timely manner. Department Administrative Directive (A.D.) 02.40.104 requires the issuance of a stop payment for checks that are outstanding for a period of 90 days or more unless the bank's stop payment charge is greater than 50 percent of the check amount. Otherwise, these checks shall remain open until the account reaches a dormant status (outstanding over 14 months). When considered dormant, expenses shall be reversed, the checking account balance in the Trust fund shall be increased, and a check shall be written from the Trust Fund to the General Revenue Fund.

- At 5 of the 8 ATCs, we noted deficiencies related to disbursements from the DOC Resident's Trust Fund (Trust Fund). Department A.D. 02.40.102 requires two authorized signatories on all Trust Fund disbursements. We noted multiple checks were signed by only one authorized signatory for disbursements from the Trust Fund. In addition, although a Department A.D. does not address this, the ATCs require the residents to reach particular levels in order to receive a certain preset maximum allowance. Upon completion of orientation, an inmate is considered a Level I resident. They progress from Level I through Level 4 based on the amount of time they have been at the facility. Five resident files indicated the resident received an allowance disbursement exceeding the maximum allowed for the resident's current level, as determined by the ATC.

- At 2 of the 8 ATCs, we noted errors in the calculation of Trust Fund maintenance fees. A.D. 02.42.115 states inmates who are employed full time or part time shall pay a maintenance fee totaling 20% of their net income up to a maximum of $100 per week. Maintenance fees collected exceeded the maximum allowed for 2 inmates and no maintenance fees were collected for 1 inmate.

- At 2 of the 8 ATCs, we noted that resident master files did not contain complete and adequate documentation. A.D. 02.42.110 requires, upon admission to the ATC, each resident is to sign a Trust Fund Signature and Authorization form, DOC 0006. In addition, A.D. 02.42.115 requires that inmates subject to maintenance payments sign a Maintenance Agreement, DCA 781, upon arrival at the ATC. One ATC was unable to provide 2 of the requested files. The Trust Fund Signature and Authorization form was not signed in 2 of the files and 1 file contained a Maintenance Agreement that was not signed. Although the A.D. does not specifically address this, ATC procedure requires the residents to sign a receipt and termination statement upon release and closure of a Trust Fund account. Five files did not contain a signed receipt or termination statement for released resident's account balances.

- At 2 of the 8 ATCs, documents related to resident loans were not properly supported. Although the A.D. does not specifically address this, ATC policy requires residents to sign a form for authorization to withdraw the loan and for this form to be maintained in the resident's file. A.D. 02.42.105 requires the resident to complete an Offender Budget Disbursement, DOC 0307, for disbursement of funds from the Trust Fund. Per A.D. 02.42.116, the total outstanding balance of all loans for each inmate should not exceed $150 unless otherwise approved by the Chief Administrative Officer. Additionally, A.D. 02.42.116 requires the resident to sign a Loan Agreement stipulating the repayment terms upon securing a loan from the Department. At one ATC, 1 file tested did not contain authorization to withdraw the loan, an Offender Budget Disbursement form was not maintained, the amount of the loan exceeded the maximum allowed without the proper approval, and the ATC failed to maintain a loan agreement. Another ATC failed to complete the "terms" section of the loan agreement in all 5 files tested.

- At 1 of the 8 ATCs, we noted deficiencies related to the personal property listings. A.D. 05.03.111C mandates that a personal property listing be kept on file for all residents. One file did not contain a personal property listing.

- At 2 of the 8 ATCs, we noted that inmates were depositing funds into and maintaining personal bank accounts at institutions outside of the ATC. A.D. 02.42.102 requires offenders to deposit their paychecks into the ATCs trust fund account. One ATC allowed all residents to maintain personal bank accounts during fiscal year 2007 through November 2007 (fiscal year 2008) due to inadequate access to their funds through the Trust Fund. Another ATC allowed 1 resident to maintain a personal bank account outside of the ATC.

- At 1 of the 8 ATCs, bank service charges were not reimbursed to the Trust Fund from the DOC Resident's and Employee's Benefit Fund.

- At 5 of the 8 ATCs, we noted inadequate controls over property and equipment. Four of the ATCs had obsolete or scrapped property that was still included on the property listing. One ATC made manual changes to their property listing but the General Office in Springfield had not updated the property list accordingly. One ATC had 2 items that were found in a different location than was indicated on the property listing, 9 items that were unable to be physically located, 2 items that had no location listed, and 2 items where the tag number physically located on the property could not be found on the property listing. A.D. 02.70.105 requires that tag numbers be affixed to the equipment as they are assigned. A.D. 02.70.101 mandates all adjustments to property records must be made within 30 days of the acquisition, change, or deletion of the equipment. In addition, the Department employee responsible for property control must safeguard all property at their designated location, in accordance with A.D. 02.70.101.

- We noted 2 of the 8 ATCs had maintenance and repair issues. At one of the ATCs, Department personnel indicated the electrical wiring within the building appeared to be potentially hazardous and unsafe and not in compliance with city code. Additionally, Department personnel stated asbestos is present within the floors of the ATC, which creates health and safety concerns. At another ATC, a significant leak had recently occurred in the second floor shower room which caused damage to the shower room and the first floor of the facility. We also noted the flooring within the facility was in need of repair as a result of missing tiles.

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

	Two Years Ending June 30,				
Description of Weaknesses	**2008**	**2006**	**2004**	**2002**	**2000**
Year end cash balances misstated	X	X	X	X	X
Deficiencies in Trust & Resident's funds disbursements	X	X	X	X	X
Errors in calculating resident maintenance fees	X		X	X	
Receipts not deposited timely			X	X	X
Financial transaction not posted timely			X	X	
Weaknesses in ATC internal controls	X	X	X	X	
Dormant resident accounts not processed timely			X		
Resident loan files not accurate	X	X	X		
Inadequate controls of property and equipment	X	X	X		
Financial reporting package inaccuracies				X	X
Resident financial files missing required documents	X	X		X	X
Deficiencies in personal property listing	X			X	X
Due to/from accounts not agreeing					X
Deposits in accounts outside of the ATC	X				
Notable maintenance and repair issues	X				

Department personnel stated on-going issues are the result of human errors, also noting that turnover in personnel occurred at several ATCs during the audit period. Department personnel also indicated that because many of the A.D.'s pertaining to the ATCs were out of date, several ATCs had adopted internal procedures which they followed in addition to the A.D.s. However, noncompliance was also noted with those procedures.

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

RECOMMENDATION:

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

- Accountants prepare year-end reconciliations using correct year-end balances, and that accurate cash balances are reported to the General Office.
- Disbursements are properly processed and authorized, and ATC personnel retain all supporting documentation.
- Resident trust fund maintenance fees should be properly calculated and collected.
- Loans to residents are properly documented and accurate.
- Property and equipment records are properly recorded and maintained.
- All required forms are included within the resident's file.
- Noted maintenance and repair issues should be reviewed and addressed.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency continues to work to ensure accurate and proper records are maintained.

08-19 **<u>FINDING</u>:** (Weaknesses in Adult Transition Center (ATC) food services contract)

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

During our testing at the Peoria ATC, we noted the Department has a contract with a vendor to provide approximately 646 meals per day (200 residents 3 meals per day plus 46 employees 1 meal per day). When attempting to review the meal count sheets for the engagement period, we noted many of the sheets were unreadable and varied in both methodology and detail. Based on available data, it appears the average meal consumption was 282 meals per day and the ATC was billed for an average of 585 meals per day, resulting in a 48% utilization. It appears the ATC is receiving fewer meals than they are being billed by the vendor. The cost per meal billed was approximately $1.21 to $1.24 during the engagement period.

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

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

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

<u>RECOMMENDATION</u>:

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

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

- Sufficient, but not excessive food is served at each meal;

- Establish controls to ensure the State pays only for the meals provided by the contractor, and does not pay for meals not provided.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will monitor the food service contract and program for compliance with the State contract.

08-20 <u>FINDING</u>: (Payroll timekeeping system not automated)

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

During the audit period, the Department's human resources responsibilities were consolidated with a number of other State agencies as part of the Public Safety Shared Services Center (PSSSC). The PSSSC was scheduled to create / implement an automated timekeeping system, but it was not created. As noted in previous audits, each Correctional Center continued to maintain a manual timekeeping system for several hundred employees. Correctional Center employees sign in and out, and sign-in sheets are sent to the timekeeping clerk. Other information, including notification of absence and call-in reports, are also forwarded to the timekeepers. No automation is involved except for the processing of payroll warrants.

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 officials indicated the automated payroll system project was delayed due to various issues that arose during the creation of the PSSSC. They stated a project began in August 2008, but ceased in January 2009 due to lack of funding.

The lack of an automated timekeeping system increases the risk of errors and reduces the control efficiencies for accurately tracking time. (Finding Code No. 08-20, 06-04, 04-07, 02-08, 00-09, 99-17, 98-17)

<u>RECOMMENDATION</u>:

We recommend the Department implement an automated timekeeping system.

<u>DEPARTMENT RESPONSE</u>:

Recommendation accepted. The Agency, at this time, does not have the resources to purchase a new timekeeping system. The Agency would participate in a new statewide system should one be purchased.

08-21 FINDING: (Employee performance evaluations not documented)

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

During our testing of a sample of 50 employee performance evaluations, 38 (76%) were not performed on a timely basis. 29 of 38 (76%) were performed 3 to 261 days late. 9 of 38 (24%) were never performed. In addition, other auditors performing testing at twelve of the Department's Correctional Centers and Illinois Correctional Industries (ICI) noted 141 evaluations were not performed timely. The evaluations were from 13 to 365 days late in being performed. The auditors also noted that 79 evaluations at two Correctional Centers and ICI that should have been performed were not performed at all.

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

According to Department officials, supervisors and managers are aware of the Directive. However, the late evaluations could be due to a number of factors, including current staffing constraints and lack of 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. Late evaluations can cause delays in communicating positive and negative qualities of the employee's work performance. (Finding Code No. 08-21, 06-05)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure compliance with evaluation requirements.

08-22 **<u>FINDING</u>:** (Timesheets not submitted in compliance with the State Officials and Employees Ethics Act)

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

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour."

During our testing of timesheets for 25 employees, we noted the following exceptions:

- 14 (56%) did not submit timesheets in accordance with the Act. We were provided with a roll call sheet for one employee to demonstrate the employee was present on the day tested and a Sign In/Out sheet for thirteen employees. Sign In/Out sheets and Roll Call sheets, which are utilized by most of the Department's approximately 11,000 employees, document the occurrence and reason for an employee's absence and are approved by the supervisor. The Sign In/Out sheets and Roll Call sheets do not document time spent to the nearest quarter hour on official State business.

- We were not provided with an attendance record for 3 (12%) employees and we were provided an attendance record for the incorrect time period for 3 (12%) other employees tested. Numerous requests were made of Department personnel to obtain the correct documentation, but it was not provided. As a result, we could not determine if a timesheet of any sort was properly submitted for those employees.

Additionally, we noted timesheets were not submitted in accordance with the Act by employees at the Department's Correctional Centers, nor was there certification that time worked at the Correctional Centers was for official State business.

Department management indicated that due to the decentralized nature based upon shifts by its security staff, the existing manual timekeeping system would not provide this information.

Failure to maintain timesheets documenting time spent each day on official State business to the nearest quarter hour results in noncompliance with the Act. (Finding Code No. 08-22, 06-15)

<u>RECOMMENDATION</u>:

We recommend the Department implement procedures to require employees to maintain timesheets in compliance with the Act.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency is limited in the implementation of the finding recommendation based upon resources and the existing manual timekeeping system. Upon implementation of an automated timekeeping system, this issue should be resolved.

08-23 FINDING: (Inadequate documentation of employee training and no designated training coordinators)

The Department of Corrections (Department) is not properly documenting that all employees complete their minimum required number of training hours. In addition, no training coordinators were designated.

During our review of Department training records for fiscal years 2007 and 2008, the Department was unable to provide training documentation for 2 of 25 (8%) employees tested. For the 23 employees for which the Department could provide training documentation, the Department was unable to document that 6 (26%) had met the mandatory training hour requirements. Five of these employees were from the General Office and 1 was from School District. We also noted the Department was unable to document there were training coordinators for the General Office, School District, and Field Services.

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

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

According to the Department's Administrative Directive (A.D.) 03.03.102, clerical and support staff (primarily those who have little or no inmate contact) are required to complete a minimum of 16 hours of training each year after their first year on the job. All other employees are required to complete a minimum of 40 hours each year. To ensure all employees receive training, the Directive further instructs that Training Coordinators shall be designated. The Training Coordinator shall maintain an "Employee Training Record," (Form DOC 0220) or a computer printout with the same information, for each employee that has been assigned to him or her. Since the Department failed to maintain the required documentation for 8 of the 25 employees, we were unable to determine if the Department was ensuring its employees met the minimum training requirements.

In response to this finding for the two years ending June 30, 2006, the Department indicated a training coordinator had been named for the General Office and related complex subsequent to June 30, 2006. The coordinator would be responsible to ensure the proper tracking of training received and work with the supervisors to ensure training records were maintained. However, the Department did not provide evidence to document that such a training coordinator had been designated.

Department management indicated the finding is related to limited resources to maintain the training documentation needed by the auditors. Department management stated the staff received numerous hours of training every year in order to perform their job duties.

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. In addition, the lack of designated Training Coordinators precludes the Department from ensuring that all employees receive the required training. (Finding Code No. 08-23, 06-03, 04-06, 02-07, 00-07)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure compliance with training requirements.

08-24 <u>FINDING</u>: (Standardized procedures for separated employees not being followed)

The Department of Corrections (Department) failed to follow the established standardized procedures when employees leave employment with the Department.

When an employee leaves the Department, the employee's supervisor is generally responsible for the completion of an Employee Transfer or Exit Checklist (DOC 0151) to ensure that all Department property has been returned. Administrative Directive (A.D.) 01.02.155, "Procedure for Transfer or Separation of an Employee" established a formal checklist to ensure all issues affecting separated employees had been addressed. We tested 25 employees who had separated during the audit period, noting the checklist was not completed for 15 (60%) employees and the Business Administrator did not sign and date the checklist, as required by the A.D., for 2 (8%) employees. During fiscal years 2007 and 2008, 45 and 55 employees, respectively, left employment with the Department at the General Office.

A.D. 01.02.155 states, "All employees shall be advised of and provided access to this directive to ensure appropriate actions are completed when an employee is separating from the Department or transferring within the Department for any reason. Upon notification of separation or transfer, the appropriate Supervisor shall notify the Unit Manager who shall notify the Personnel Office. The Personnel Office shall: a) Notify the Business Administrator; b) Ensure all personnel paperwork is processed; and c) Initiate and forward the Employee Transfer or Exit Checklist, form DOC 0151, to the Unit Manager."

Department management indicated the exceptions noted were due to oversights.

Not following established standardized procedures at the time of employee separation exposes the Department to the potential for State property not being returned and issues related to their separation not being addressed. Ensuring these procedures are followed is especially important as the Department employed approximately 11,000 employees during the audit period. (Finding Code No. 08-24, 06-20, 04-05)

<u>RECOMMENDATION</u>:

We recommend the Department remind employees to follow the established Administrative Directive to ensure all State property is returned and other issues affecting separated employees are addressed.

<u>DEPARTMENT RESPONSE</u>:

Recommendation accepted. The Agency will make every effort to ensure compliance with procedures.

08-25 **<u>FINDING</u>:** (Inadequate controls over processing lump sum payments for separated employees)

The Department of Corrections (Department) failed to implement adequate controls over processing lump sum payments for separated employees.

We tested 25 (25%) of the 100 employees that separated from the Department during the audit period. The Department could not provide the supporting timesheet for 4 (16%) of these 25 employees and could not provide the lump sum calculation worksheet for 1 (4%) of these employees. Without this documentation to support the number of days included in the calculation of the lump sum distribution, we could not determine if the calculation for lump sum payments totaling $81,704 was performed accurately. Additionally, the Department inaccurately calculated the number of days to include in the final salary payment for another employee, which resulted in an overpayment of $282. As of our fieldwork, the Department had not sought reimbursement for the error.

The State Finance Act (30 ILCS 105/14a) requires the payment of unused vacation time to an employee upon resignation. The final lump sum payment to employees should include the unused vacation time plus payment for the number of days worked during the last pay period. 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 controls to provide assurance expenditures applicable to operations are properly recorded and accounted for to maintain accountability over the State's resources. Should an overpayment occur, the Comptroller's Statewide Accounting Management System (SAMS) procedure 23.20.65 states the "salary refund forms…should be processed within 60 days of the issue date on the erroneous salary warrant."

Department management stated the timesheets and lump sum calculation worksheet could not be located due to the documents being misfiled. Additionally, the Department attributed the overpayment to employee oversight.

The lack of adequate documentation to support the amounts paid prevents the computations from being reviewed and a determination of whether the amounts paid were proper. (Finding Code No. 08-25)

<u>RECOMMENDATION</u>:

We recommend the Department maintain adequate documentation to support lump sum payments and that reimbursement be sought for any incorrect payments made.

<u>DEPARTMENT RESPONSE</u>:

Recommendation accepted. The Agency will make every effort to ensure compliance with lump sum payment requirements.

08-26 FINDING: (Failure to maintain adequate payroll documentation)

The Department of Corrections (Department) failed to adequately maintain documentation for payroll deductions authorized by its employees.

Our testing of the payroll records for 55 employees noted the following weaknesses in the Department's maintenance of employee payroll deduction documentation.

- The Department was unable to provide signed payroll deduction authorization cards for 16 (29%) employees tested.
- The deduction authorized on the Form W-4 for 1 of 55 (2%) employee did not agree to the deduction listed on the payroll voucher.
- The Department could not provide insurance benefit election forms for 3 of 55 (5%) employees.

The State Salary and Annuity Withholding Act (5 ILCS 365/4) permits an employee to authorize a portion of his salary for payment of premiums for life or health insurance, credit union, contribution to an institution of higher education, charitable contribution, and for payment of optional contributions to a retirement plan. The Comptroller's Statewide Accounting Management System (SAMS) procedure 23.20.30 directs the employee to complete a Payroll Deduction Authorization Card for these types of deductions and SAMS procedure 23.20.05 requires State agencies to maintain on file a properly completed Federal and Illinois W-4. The Department's Administrative Directive 02.10.101 requires that all insurance related documents be maintained in the individual employee's insurance file.

Department management provided several explanations for inadequately maintaining payroll documentation, including misfiling documents, transfers to other agencies, missing files from previous years, and elections being made prior to 1995 and possibly being located at the Department's storage facility.

The inadequate record retention on behalf of the Department concerning the employee's authorized payroll deductions is in noncompliance with SAMS and the Department's Administrative Directives. Not adequately maintaining appropriate documentation increases the risk of inaccurate deductions being made from employee salaries. (Finding Code No. 08-26)

RECOMMENDATION:

We recommend the Department review its record filing and retention process to ensure all necessary payroll documentation is maintained in an accurate manner.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure documentation is maintained.

08-27 FINDING: (Failure to maintain required personnel documentation)

The Department of Corrections (Department) failed to maintain all required documentation in the employee's personnel file.

During our testing of a sample of 50 employees' personnel files, 7 of 50 (14%) employees' personnel files were not properly maintained. The following weaknesses were noted:

- One of 50 (2%) did not contain an Application Form (CMS-100).

- One of 50 (2%) included a paycode on the Personnel/Position Action Form (CMS-2) in the file that did not agree to the paycode from which the employee was paid on the payroll voucher.

- Five of 50 (10%) employees' personnel files did not contain the most recent Personnel/Position Action Form (CMS-2). Therefore, the base salary being paid per the payroll records did not correspond to the base salary to be paid on the CMS-2 in the personnel files. New CMS-2s were completed in January 2007 but were not included in the employees' personnel file. The salary paid did agree to the applicable pay step in the Department of Central Management Services (DCMS) Alphabetic Index of Position Titles.

Department Administrative Directive 03.02.107 states each employee shall have a personnel file that contains all official documents that trace the employee's work record. The file should include the Application Form (CMS-100) as well as other items, such as Personnel/Position Action forms (CMS-2); Performance Evaluation forms (CMS-201 MC or CMS-201 R); Merit Increase Certification forms (CMS 301A); and, as applicable, documents of any disciplinary action, commendation, or any other official documents which specifically pertain to the employee's work record.

Department management stated the personnel division is not always notified of a paycode change until after it has been made. Sometimes, once they are notified, the employee has been changed to another paycode or returned to the original code. The personnel division does not attempt to retroactively maintain the documentation for these changes. The Department attributed the remaining exceptions to human error.

The lack of documentation in employee personnel files is noncompliance with the Department's regulations, and could result in potential liability in the event personnel issues are litigated. (Finding Code No. 08-27)

RECOMMENDATION:

We recommend the Department ensure all required documentation is maintained in employee personnel files in compliance with Department Administrative Directives.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure documentation is maintained.

08-28 <u>FINDING</u>: (Inadequate monitoring of memorandums of understanding)

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

During the audit period, the Department had 19 fiscal year 2007 and 15 fiscal year 2008 contractual agreements which originated from General Assembly member initiatives and were considered by the Department to be "memorandums of understanding". The Department believed developing contractual agreements from those member initiatives was a better practice than utilizing a traditional memorandum of understanding agreement because the Department did not have statutory authority to make grants. Contractual agreements were thought to protect the Department against concerns that the funds were not remitted to the specified parties. The Department's Placement Resource Unit was responsible for coordinating the contractual agreements that were considered to be memorandums of understanding.

The Department expended $1,225,278 to the recipients of the memorandum of understanding contractual agreements during the audit period. During our testing of these 34 agreements, we noted the following:

- One contractual agreement permitted the prepayment of $25,000 for the creation of a program at a not-for-profit organization that was formed with the intended purpose of providing rehabilitation services to parolees in an effort to prepare participants to become contributors in society while eliminating the reoccurrence of criminal activities. The organization failed to implement the program. The Department did not request or receive a refund of the funds expended.

- The Department did not perform any monitoring procedures on the recipients of funds through these agreements. Once the funds were expended, no follow-up evaluation was performed by Department personnel.

Department personnel stated the Placement Resource Unit was not instructed to monitor the services provided under the contractual agreements which originated from the memorandums of understanding. Department personnel also affirmed that no action was taken by the Department to seek a refund of the $25,000 expended for which no services were received.

A system of good internal control would dictate that the Department perform monitoring of services procured under all contractual arrangements to ensure State resources are being used for their intended purpose, regardless of whether the agreements originated with a memorandum of understanding. 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 controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Additionally, the Department's Administrative Directive (A.D.) 02.20.182 states, "The Department shall monitor all contracts except major construction contracts awarded by the Capital Development Board." The A.D. requires monitoring procedures to be developed and implemented within 30 calendar days following the date of the Director's signature. Specific guidelines for the monitoring are outlined in the A.D.

Failure to properly monitor services procured by the Department increases the risk of paying for services which are not provided, as occurred during the audit period, or for those failing to meet the criteria outlined in the contractual agreements. (Finding Code No. 08-28)

RECOMMENDATION:

We recommend the Department remind employees of the requirements to monitor contractual agreements and that the Department develop a comprehensive monitoring program which includes documenting the monitoring efforts. Additionally, the Department should seek reimbursement of the $25,000 expended to the entity that did not create the contracted program.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure compliance with monitoring requirements.

08-29 **<u>FINDING</u>:** (Weaknesses in administration of lump sum appropriation accounts)

We noted several weaknesses in the Department of Corrections' (Department) administration of its lump sum appropriation accounts.

The Department expended $70,833,242 and $55,165,242 in fiscal years 2007 and 2008, respectively, from lump sump appropriations. Lump sum appropriations, as defined in the Comptroller's Statewide Accounting Management System (SAMS) procedure 11.10.20, cover expenditures for two or more standard common object codes. Lump sum appropriations are utilized for activities where a breakdown into standard common object codes would be unfeasible or detrimental, either because of the nature of the activity or the lack of historical data in the area.

We tested 60 vouchers totaling $19,129,103 from these lump sum appropriations and noted the following weaknesses:

- Nine (15%) vouchers totaling $1,574,408 were not paid in accordance with the payment schedule outlined in the contractual agreements. In 7 of these instances, the contract required two advance payments for specific amounts. The Department made one payment at a date later than the first scheduled payment, for an amount that was less than the two scheduled payments, but more than what was to be paid at that time. In two other instances, the contract required four quarterly payments of $75,000, but the Department made two payments of $150,000 each. The Department did not pay more than the contracted amounts, but did not comply with the payment schedule outlined in the contract.

- Three (5%) vouchers totaling $504,700 did not contain accompanying vendor invoices. We could not determine if the payment was for the correct amount based on the documentation provided by the Department.

- Two (3%) vouchers totaling $400,000 were not supported with the evaluation reports required by the contract to demonstrate the vendor had provided the contracted services. The Department failed to provide documentation after numerous requests.

- One (2%) voucher totaling $555,657 contained an overpayment of $1,418 because the Department paid for another agency's portion of the bill in addition to its own.

We also noted the Department's fiscal year 2007 appropriation bill, Public Act 94-798 authorized the Department to spend $1,500,000 from the General Revenue Fund through a lump sum appropriation in fiscal year 2007 for a juvenile methamphetamine pilot program at the Franklin County Juvenile Detection Center. The Department spent $1,800,000 on this program, $994,000 from the General Revenue Fund and $806,000 from the DOC Reimbursement Fund. The contract amendment provided to us authorized a maximum of $1,500,000 for this program, which agreed to the legislative intent of the appropriation bill. The Department did not have specific authority to exceed the overall $1,500,000 maximum established by the General Assembly in the fiscal year 2007 appropriation bill or their maximum contract of $1,500,000.

Department management indicated the exceptions noted were due to staff oversight regarding the varied program requirements.

By definition, lump sum appropriations do not require a breakdown of the spending by specific object code. As a result, there is a greater risk that expenditures will differ from the purpose of the appropriation. Good internal control procedures dictate the Department ensure adequate safeguards are in place over such expenditures. Weaknesses in the administration of lump sum appropriations could result in expenditures made outside of the intent of the General Assembly. (Finding Code No. 08-29)

RECOMMENDATION:

We recommend the Department:

- Review its contractual agreements to ensure the payment schedules outlined are feasible considering the availability of the necessary funds. Modifications to the contractual agreements should be made as necessary.

- Maintain the necessary documentation to justify payments made to vendors, as well as carefully review vouchers to verify that payments are only for the liabilities of the Department.

- Fund its programs specific to the intent outlined in the appropriation bills.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure compliance with documentation and monitoring requirements.

08-30 **FINDING:** (Lack of documentation for interagency agreements)

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

The Office of the Governor entered into a contract for actuarial services to assist in analyzing various aspects of the retirement systems of the State including pension system assets, projected actuarial liabilities, and various funding options and alternatives. The Department, along with four other agencies, entered into three interagency agreements with the Office of the Governor for payment of an allocable share of the actuarial services incurred during the audit period. The Department's allocable share per the agreements was 22% for the agreement applicable to July 1 through December 31, 2006, and 21% for the remainder of the audit period. However, there was no supporting documentation detailing the methodology used for determining the percent allocation to be paid. The Department, pursuant to communication received from the Office of the Governor, usually via e-mail to the four agencies, was then instructed to remit $74,821 during the audit period pursuant to these interagency agreements.

The Office of the Governor entered into three contracts for legal services to provide advice, counsel, and, if appropriate, legal representation to the Office of the Governor, the Agency, and officers and employees of the State of Illinois, and perform such other legal services as requested. The Department’s allocable share per the agreements was 14% for the contract effective September 19, 2005 through June 30, 2008; 14% for the contract effective September 28, 2005 through June 30, 2007; and, 22% for the contract effective January 17, 2007 through December 31, 2007. However, there was no supporting documentation detailing the methodology used for determining the percent allocation to be paid. The Department, pursuant to communication received from the Office of the Governor, usually via e-mail to the agencies, was then instructed to remit $392,863 during the audit period pursuant to these interagency agreements.

The Comptroller’s Statewide Accounting Management System (SAMS) procedure 02.50.10 requires adequate documentation supporting the ordering and receipt of materials or services. Good internal control requires the Department to have adequate supporting documentation, including allocation methodology, prior to entering into an Interagency Agreement.

Department management stated additional documentation was not provided to the Department to support the specific allocable percentage in the Interagency Agreement or the amounts paid.

Failure to require and maintain supporting documentation for expenditures does not allow for a determination as to whether the expenditures were reasonable and necessary. In addition, insufficient documentation increases the risk that payments could be made for services not provided. (Finding Code No. 08-30)

RECOMMENDATION:

We recommend the Department require and maintain sufficient documentation to ensure contracted services have been provided and that the expenditures are reasonable and necessary.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to obtain and document support for agreements between agencies.

08-31 **FINDING:** (Weaknesses in contract administration)

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

During our testing of 25 contractual agreements at the General Office, we noted the following weaknesses:

- One contract (4%) totaling $1,268,911 did not contain the signatures of the chief legal counsel and chief fiscal officer of the Department. The State Finance Act (30 ILCS 105/9.02(a)(1)) states, "Any new contract or contract renewal in the amount of $250,000 or more in a fiscal year, or any order against a master contract in the amount of $250,000 or more in a fiscal year, or any contract amendment or change to an existing contract that increases the value of the contract to or by $250,000 or more in a fiscal year, shall be signed or approved in writing by the chief executive officer of the agency, and shall also be signed or approved in writing by the agency's chief legal counsel and chief fiscal officer."

- One construction contract (4%) totaling $49,850 was not signed by the Director. The Comptroller's Statewide Accounting Management System (SAMS) procedure 15.20.35 regarding construction contracts requires that both the contractor and the authorized agency representative sign the contract.

During our testing of the Department's Memorandums of Understanding, which were converted into contractual agreements, we noted 1 of 34 contracts (3%) totaling $12,270 was not approved prior to the contractor providing services to the Department. The date of the final signature on the contractual agreement was June 26, 2008; however, the services were performed by the vendor from July 1 to October 31, 2007.

Additionally, auditors at Correctional Centers identified exceptions with contracts at 7 of 28 (25%) Correctional Centers. For the 7 Centers, they noted 18 of the 72 (25%) contract agreements tested were not signed by all parties prior to the beginning date as set forth in the contract agreements. The average length of time between the beginning date of the contract agreements and their final required signature was 41 days, with a range of 5 days to 96 days. The contract agreements were for a variety of goods and services ranging from office equipment to waste removal. The total of the contract exceptions identified was approximately $5.5 million.

Good internal controls dictate that a properly signed two party agreement be executed prior to the commencement of services. Oversight and public accountability is compromised when contract agreements are not signed in a timely manner.

We also noted 1 of 25 contracts tested (4%) totaling $18,368 did not include one or more required disclosures of financial interest. The Illinois Procurement Code (30 ILCS 500/50-35) states, "All offers from responsive bidders or offerors with an annual value of $10,000 shall be accompanied by disclosure of financial interests of the contractor, bidder, or proposer. The financial disclosure of each successful bidder or offeror shall become part of the publicly available contract or procurement file maintained by the appropriate chief procurement officer."

Department management indicated that the exceptions noted were due to errors and oversights.

Failure to properly administer contractual agreements to ensure compliance with all applicable statutes and procedures could potentially compromise public accountability and oversight. (Finding Code No. 08-31, 06-19)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation partially implemented. The Agency has implemented controls to ensure contracts are processed timely and accurately.

08-32 **<u>FINDING</u>:** (Inadequate controls over travel)

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

During our testing of travel vouchers we noted the following weaknesses:

- Sixteen travel vouchers for two employees claimed mileage reimbursement for travel on official State business with a personal vehicle in excess of the standard mileage for the destinations listed. The mileage claimed on the travel vouchers exceeded the actual mileage by 2,505 miles. The travel vouchers did not contain explanations of travel within the destination, road construction, difficulties with directions, or any other possible reasons for incurring the additional miles. The employees were reimbursed an additional $1,115 above the expected mileage reimbursement according to our recalculations.

- Four travel vouchers reimbursed lodging in excess of the approved State rate by $257. The travel vouchers did not contain, nor could the Department provide, explanations as to whether this was the lowest rate available or why rates higher than those approved by the State were paid.

- We also identified where the Department made duplicate payments for lodging to a hotel totaling $497.

- Employees failed to comply with the Department's AD regarding the timely submission of their travel vouchers. We noted 53 travel vouchers which were submitted 2 to 270 days after the month end following the date of the employees' travel, which is past the timeframe allowed by the Department's AD.

Reimbursement for travel expenses are governed by the State Finance Act (30 ILCS 105/12) and regulations issued by the Governor's Travel Control Board. Section 2800.200 of the rules promulgated by the Governor's Travel Control Board (80 Ill. Adm. Code) state, "Each agency shall develop a system to ensure compliance with this Part, provide for prior authorization and control of travel sufficient to prevent obligation of funds exceeding appropriation and allotment limitations and to hold travel to the minimum required for the efficient and economical conduct of the State's business. Agency documentation must be sufficiently detailed to support any decision or request made under this part." Section 2800.240 specifies the manner in which travel vouchers should be prepared, specifically requiring "(a) The purpose of the travel shall be indicated on the travel vouchers…(d) When a privately owned vehicle is used, the travel voucher shall show, at minimum, commuting mileage (if applicable), the dates, points of travel and mileage. If the distance traveled between any given points is greater than the usual route between these points shown on a road map, the reason for the greater distance shall be explained and detailed separately…(e) Travel vouchers shall be supported by receipts in all instances…in excess, individually of $10.00 except for meals." Section 2800.600 further states, "If receipts required…are not available, a typed statement signed by the traveler certifying the amounts paid will be accepted."

In addition, the Department's Administrative Directive 02.37.110 instructs employees to submit travel expenses monthly on one travel voucher (C-10). More frequent submission is permitted should the accumulated expenses become significant and the employee received permission to do so from the Travel Coordinator. According to the A.D., "At the end of the month the traveler shall attach all receipts to the original copy of the C-10 and submit the C-10 to the facility Business Office."

Department management indicated that the issues noted are inherent in a large agency where manual travel vouchers are completed. The staff are continually reminded to submit the vouchers timely. However, the vouchers must be paid according to statutes and failure to submit timely does not equate nonpayment.

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

The Department expended $498,257 and $491,043 for the Department's General Office travel in fiscal years 2007 and 2008, respectively. Failure to ensure an adequate system of internal control is followed in reviewing travel costs incurred by employees results in noncompliance with State statute and improper expenditure of State funds. In addition, the failure of employees to timely submit travel vouchers results in noncompliance with the Department's Administrative Directive and hinders the timely review of travel expenditures by the Department. (Finding Code No. 08-32)

RECOMMENDATION:

We recommend the Department:

- Remind employees reviewing travel vouchers of the need to perform stringent reviews and of their responsibility to enforce the regulations issued by the Governor's Travel Control Board.

- Collect any overpayments previously made to employees or vendors.

- Develop a mechanism to enforce the requirement of having employees submit travel vouchers in a timely manner in compliance with the Department's Administrative Directives.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure compliance with travel guidelines.

08-33 FINDING: (Inadequate procedures regarding State vehicles)

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

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

- During our review of 34 reported accidents involving State owned vehicles, we noted 14 (41%) instances in which accidents had not been reported to the Department of Central Management Services (DCMS) on a timely basis. We noted reports were submitted from 1 to 146 days late. An analysis of this issue from the last five audits is summarized in the following table:

Two Years Ending	Number of Exceptions	Sample Size	% of Exceptions	Range of Days Late
June 30, 2000	9	25	36%	10 to 49
June 30, 2002	11	25	44%	1 to 63
June 30, 2004	13	25	52%	2 to 279
June 30, 2006	14	25	56%	1 to 49
June 30, 2008	14	34	41%	1 to 146

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

- During fiscal year 2008, we examined maintenance records for 25 vehicles and noted that 15 (60%) vehicles did not receive required annual maintenance in the fiscal year tested. We also noted 23 of the 25 (92%) did not have regular tire rotations performed in accordance with Department policies. Additionally, 15 vehicles did not have oil changes on a regular basis in accordance with Department policies. In total, 23 of 25 vehicles tested (92%) received inadequate maintenance. Supporting documents that contained the mileage associated with each oil change could not be provided. An analysis of the inadequate oil change issue for the last five audits is summarized in the following table:

Two Years Ending	Number of Exceptions	Sample Size	% of Exceptions	Range of Miles Oil Change Past Due
June 30, 2000	5	25	20%	793 to 8,160
June 30, 2002	11	25	44%	615 to 28,783
June 30, 2004	5	25	20%	1,227 to 7,514
June 30, 2006	21	25	84%	Unavailable
June 30, 2008	15	25	60%	Unavailable

Additionally we noted that 438 of the Department's 1,030 (43%) vehicles, which included 110 utilized by the Department of Juvenile Justice, were listed as being in poor, very poor, or inoperable condition during fiscal year 2007. The fiscal year 2008 report included only those vehicles belonging to the Department. Of the 1,018 vehicles listed, 451 (44%) were listed as being in poor, very poor, or inoperable condition. The auditors at Correctional Centers noted that facility personnel consider an additional 85 of the 1,018 (8%) vehicles to be inoperable.

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

- The Department has adopted the U.S. Department of the Treasury Rule and developed Form DC 352, Determination of Value of Personal Use of State Vehicle, to report the value of "personal use" of a State vehicle as a fringe benefit. During our testing of employees who were allowed the "personal use" of a State vehicle, the Department could not provide us with documentation for 22 of 35 (63%) employees tested. We were either provided with incomplete or inadequate information which we could not test or documentation for a different year than we requested. Therefore, we were unable to test the fringe benefits related to those 22 employees' assigned personal use of State vehicles. Additionally, the amount reported in the payroll system as other compensation subject to withholding for 4 of 35 (11%) employees did not agree to the value of the fringe benefits reported on Form DC 352. The Department further failed to record the fringe benefits into the payroll system for 2 of 35 (6%) employees. Weaknesses were also noted in this area in the audits for the years ended June 30, 2000, 2004, and 2006.

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

- The Department could not provide documentation for license and insurance certifications for 17 of 25 (68%) employees tested that were assigned a Department vehicle. Of the 8 license and insurance certifications received and tested, 1 (13%) was not filed by the July 31st deadline. The certification was 51 days late. Weaknesses were also noted in this area in the audit for the year ended June 30, 2006.

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

Department management indicated that the vehicles were routinely maintained, but due to the laborious nature of the existing fleet management system, document input was delayed. Other errors noted were due to oversights. (Finding Code No. 08-33, 06-01, 04-03, 02-04, 00-03)

RECOMMENDATION:

We recommend the Department:

- Send a formal notice to those employees whose jobs involve travel to remind them of the requirement and importance of filing accident reports in a timely manner. The Department should consider disciplinary action for those employees who do not file reports in a timely manner.

- Monitor the submission of accident reports to ensure the requirements are being met as required by the Department's Administrative Directive.

- Enforce vehicle maintenance schedules to reduce future year expenditures for repairs and to extend the useful lives of vehicles.

- Establish controls to ensure compliance with the Treasury Rule.

- Establish a procedure to receive the DC 352 Form from each employee allowed the "personal use' of a State vehicle to ensure proper records for the reporting of fringe benefits.

- Review procedures over timely filing of the required annual certification of license and liability insurance.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency is in the process of seeking a replacement fleet management system from another State agency. Drivers will be reminded of the importance of timely notifications and documentation.

08-34 **FINDING:** (Failure to document reconciliations were performed in a timely manner)

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

During our testing of 12 division reconciliations (three from four different months during the audit period) of the Department's AIS reports to the Comptroller's Monthly Appropriation Status Report (SB01), we noted there were no date stamps or sign offs to indicate when the reconciliations were performed. As a result, it was not possible for the Department to demonstrate when the reconciliations were performed and whether they were performed in a timely manner.

SAMS procedure 11.40.20 states, "Each month, the Comptroller's Office distributes the Monthly Appropriation Status Report to the agencies. The Monthly Appropriation Status Report should be reconciled on a timely basis to ensure the early detection and correction of errors." Agencies are to notify the Comptroller's Office of any irreconcilable differences. Performing timely reconciliations helps ensure necessary corrective action can be taken to locate errors or differences between Agency and Comptroller records.

Department personnel stated the reconciliations were performed each month, but agreed they could not document this because no dates were recorded on the reconciliation worksheets.

Failure to document when reconciliations were performed prevents the Department from adequately monitoring their internal controls over timely completion of reconciliations as well as determining compliance with the SAMS procedures. (Finding Code No. 08-34)

RECOMMENDATION:

We recommend the Department personnel preparing the reconciliations sign and date them when completed so the Department can demonstrate timely reconciliations were performed.

DEPARTMENT RESPONSE:

Recommendation implemented. Effective with FY09, the reconciliations are dated and signed to prove to the auditors they were done timely.

08-35 **<u>FINDING</u>:** (Inadequate control of voucher processing at Correctional Centers)

The Department of Corrections (Department) did not have adequate controls over voucher processing for Correctional Centers.

During our testing of vouchers, we noted:

- Thirty-nine of 210 (19%) vouchers tested which totaled $279,846 were not approved within 30 days after receipt of the vendor invoice. The vouchers were approved from 1 to 80 days late. The Illinois Administrative Code (74 Ill. Adm. Code 900.70) requires an agency to review an invoice and either deny the invoice in whole or in part, ask for more information necessary to review the invoice, or approve the invoice in whole or in part, within 30 days after physical receipt.

During our testing of travel vouchers (Form C-10), we noted:

- Five of 50 (10%) vouchers tested totaling $1,500 were not submitted on a timely basis for reimbursement by the employee. According to Administrative Directive 02.37.110 all expenditures should be submitted by the end of the month for travel completed during the month.

- One of 50 (2%) vouchers tested reimbursed lodging in excess of the rates allowed by the Governor's Travel Control Board Travel Guide. Lodging was paid for employee travel at a rate of $90 per night for three nights, but the approved rate for the travel destination of travel was $80 per night. Approval to pay over the State rate was not documented on the travel voucher. As a result, lodging was overpaid by $30.

- One of 50 (2%) vouchers tested reimbursed the traveler for meals in excess of amounts allowed by the Department's Administrative Directives (A.D.s). The traveler received a dinner meal reimbursement in the amount of $17, but this traveler was not on travel status during a time period which would permit this reimbursement. According to A.D. 02.37.101, "For travelers to receive reimbursement for dinner, they must be on travel status and return to their headquarters or residence at least 2 hours after the end of their normal work shift. For employees commencing travel after the close of business, but less than 12 hours after the end of their normal work shift, dinner reimbursement shall be allowed, if travelers are not eligible for per diem." The Directive further states that per diem is given in lieu of a meal allowance and is only available when the travel period is 18 or more continuous hours or includes overnight lodging.

During our testing of printing vouchers, we noted:

- One of 30 (3%) vouchers tested totaling $3,999 was not supported by an approved purchase order. According to Administrative Directive 02.20.106, "All paper orders, regardless of dollar amount…shall be processed through CMS… ." Without a purchase order, we were unable to determine if this purchase was processed through CMS as required by the Department's A.D.

During our testing of operation of automotive equipment vouchers, we noted:

- Two of 50 (4%) vouchers tested totaling $31,112 did not remit required prompt payment interest to vendors. The interest accrued on the two vouchers totaled $874. The State Prompt Payment Act (30 ILCS 540/3.2(1)) states, "Any bill approved for payment…must be paid or the payment issued to the payee within 60 days of receipt of a proper bill or invoice. If payment is not issued to the payee within this 60 day period, an interest penalty of 1.0% of any amount approved and unpaid shall be added for each month or fraction thereof after the end of this 60 day period, until final payment is made."

- One of 50 (2%) voucher tested totaling $6,558 contained information which did not agree to the supporting purchase order.

Department management indicated the exceptions noted were due to staff oversights and timing errors.

Processing and paying vouchers in a timely manner is important especially as the Department paid interest to vendors in accordance with the Prompt Payment Act totaling $102,137 during the audit period. Failure to maintain adequate internal controls over expenditures could lead to inappropriate use or misuse of State funds. (Finding Code No. 08-35)

RECOMMENDATION:

We recommend the Department comply with the laws, regulations and rules to ensure adequate controls over voucher processing.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure vouchers are processed timely and accurately.

08-36 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 receipts testing we noted the following exceptions:

- Ten of 35 (29%) General Office receipts tested totaling $506,431 were not deposited into the State treasury within the 15 day deposit extension. The receipts were deposited between 2 and 174 days late.

- Four of 25 (16%) Correctional Center receipts tested totaling $2,929 were not deposited into the State treasury within the 15 day deposit extension. The receipts were deposited between 4 and 162 days late.

During our refund testing we noted the following exceptions:

- Five of 25 (20%) General Office refunds tested totaling $6,538 were not deposited into the State treasury within the 15 day deposit extension. The refunds were deposited between 4 and 25 days late.

- Twelve of 25 General Office refunds tested were salary refunds. 4 (33%) totaling $7,819 of the 12 salary refunds were processed 3 to 179 days late.

- Thirteen of 25 (52%) Correctional Center refunds totaling $69,914 were not deposited into the State treasury within the 15 day deposit extension. The refunds were deposited between 6 and 175 days late.

- Six of 25 Correctional Center refunds tested were salary refunds. 1 (17%) totaling $7,787 of the 6 salary refunds was processed 39 days late.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) states, "Every officer,…unless a different time of payment is expressly provided by law or by rules or regulations promulgated under subsection (b) of this Section, shall pay into the State treasury the gross amount of money so received on the day of actual physical receipt with respect to any single item of receipt exceeding $10,000, within 24 hours of actual physical receipt with respect to an accumulation of receipts exceeding $10,000 or more, or within 48 hours of actual physical receipt with respect to an accumulation of receipts exceeding $500 but less than $10,000…" The Act further allows the State Treasurer and State Comptroller to grant time extensions for the deposit of public funds. The most recent deposit extension approved for this purpose was a 15 day extension for the period December 6, 2007 through December 6, 2009. Even with the approved deposit extension, the Department did not deposit receipts and refunds in a timely manner. Additionally, the Comptroller's Statewide Accounting Management System (SAMS) procedure 23.20.65 states that salary refunds are to be processed within 60 days of the original issue date.

Department management indicated the errors noted were due to staff errors and transitions of vacancies.

Failure to deposit receipts in a timely manner results in noncompliance with the State Officers and Employees Money Disposition Act and SAMS and improperly withholds funds from the State treasury. (Finding Code No. 08-36)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to ensure receipts and refunds are processed timely and accurately.

08-37 **<u>FINDING</u>:** (Lack of required admission documents)

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

In testing two of the Department's four receiving stations we found they did not receive all the required admission information. We noted the following exceptions:

- One of 25 (4%) inmate files tested did not contain a State's Attorney Statement of Facts.

- Four of 25 (16%) inmate files tested did not contain a report of the inmate's behavior while in custody.

- Eighteen of 25 (72%) inmate files tested did not contain the inmate's medical records. Of those 18, Department management stated it did not receive the medical information from the county at intake for 1 of the files; the Department cited HIPAA regulations as to the reason it would not provide the medical information for 10 of the files; and, the Department did not provide a response to us as to why medical information was not included for 7 of the files.

The Unified Code of Corrections (730 ILCS 5/3-8-1) and 20 Ill. Adm. Code 107.20 list several documents required at the time custody is transferred. These documents include the mittimus or judgment order, inmate's credit for time served, record of the inmate's time and his or her behavior while in custody, State's Attorney's Statement of Facts, medical records or summaries, any pre-sentence reports, any statement by the court of the basis for imposing the sentence, the name of the municipality where the arrest occurred, and all additional matters which the court directs the clerk to transmit.

Department management indicated that the documents come from the admitting counties and many times are not received.

Failure to receive or document the lack of receipt of the required information is noncompliance with a required State statute and the Illinois Administrative Code. In addition, it also hinders the Department's efficiency in processing the new admissions by not having all the required documents. (Finding Code No. 08-37, 06-08)

<u>RECOMMENDATION</u>:

We recommend the Department obtain all required admission documents before acceptance of the person. If the documents are not available, a written statement should be prepared indicating why the required documents were not received.

<u>DEPARTMENT RESPONSE</u>:

Recommendation accepted. The Agency will make every effort to obtain or document the lack of receipt of admitting documents.

08-38 **FINDING:** (Written notice of correspondence restrictions not provided)

The Department of Corrections (Department) did not provide sufficient documentation to indicate they provided inmates with written notice of outgoing mail restrictions or prohibitions.

We selected a total of 25 inmates from 3 Correctional Centers to test if the Department was providing notices to inmates informing them they were no longer to contact a victim or member of the victim's family by mail. During our testing, we noted the Department did not provide sufficient documentation for 3 of the 25 (12%) inmates selected to determine if written notification had been provided. The remaining 22 inmates selected did not have any communication restrictions and, therefore, no written notice was necessary.

The Unified Code of Corrections (730 ILCS 5/3-8-7.5) states, "The Department shall notify the inmate that the victim or members of the victim's family have provided notice to the Department that the persons do not wish correspondence from that inmate during the incarceration." In addition, 20 Ill. Adm. Code 525.130(j) states, "If an offender is prohibited from sending a letter or portions thereof, the offender shall be informed in writing of the decision."

Department management indicated that the documents would only be applicable to inmates with mail restrictions. Department management stated the inmates in question either did not have a restriction or did not acknowledge the restriction in writing.

Failure to provide written notification to an inmate of restrictions of their correspondence with a victim or a member of a victim's family is noncompliance with a required State statute and the Illinois Administrative Code. (Finding Code No. 08-38, 06-10)

RECOMMENDATION:

We recommend the Department provide written notice of all correspondence restrictions or prohibitions to inmates. In addition, a copy of this written notice should be kept in an inmate's file.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to obtain the documents or determine the underlying reason the document did not exist.

08-39 **FINDING:** (Failure to properly document and/or send required notification to Public Housing Agencies)

The Department of Corrections (Department) could not provide documentation that the required notification was sent to the appropriate Public Housing Agencies addressing where individuals reside or resided.

We selected a sample of 25 inmates who were in the custody of the Department or on parole or mandatory supervised release to determine if proper notification was sent for those residing in public housing. For 2 of the 25 (8%) inmates tested that lived in public housing, the Department did not provide documentation to show that proper notification was sent to the appropriate Public Housing Agencies. Of the remaining 23 inmates, 20 inmates tested did not reside in public housing and 3 had proper documentation to show that public housing agencies were notified.

The Unified Code of Corrections (730 ILCS 5/3-14-1(c)) states that if a person convicted of a felony who is in the custody of the Department of Corrections or on parole or mandatory supervised release informs the Department that he or she has resided, resides or will reside at an address that is a housing facility owned, managed, operated or leased by a public housing agency, the Department must send written notification of that information to the public housing agency that owns, manages, operates or leases the housing facility.

Department management indicated the exceptions noted were oversights.

Failure to send written notification to the appropriate Public Housing Agency of where offenders reside or resided is noncompliance with State statute. (Finding Code No. 08-39, 06-13, 04-18)

RECOMMENDATION:

We recommend the Department provide written notification to the appropriate Public Housing Agency that a felon in the custody of the Department of Corrections on parole or mandatory release resided, resides or will reside there as required by State statute.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to make the required notifications and retain documentation of such notifications.

08-40 **FINDING:** (Failure to report required bilingual employee needs information)

The Department of Corrections (Department) failed to submit the Bilingual Needs and Pay Survey for fiscal year 2007 to the Department of Central Management Services (DCMS) which was necessary for DCMS to accurately prepare the State's 2008 Hispanic Employment Plan.

DCMS requested receipt of the Department's Bilingual Needs and Bilingual Pay Survey by December 7, 2007. The Department failed to comply with the request. As a result, the Department's bilingual employee needs were not included in the State of Illinois 2008 Hispanic Employment Plan (2008 Plan), which was submitted to the Illinois General Assembly on February 1, 2008. The Department's failure to comply with DCMS' request was cited in the 2008 Plan.

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

Department management indicated the exception was due to resource limitations and competing priorities.

According to the State's 2008 Plan, the Department employed 299 (15%) of the 2,007 total Hispanic employees statewide in coded positions. The 2008 Plan identified 1,185 of the 2,007 Hispanic employees as those who received bilingual pay. The Department employed 41 (3%) of those 1,185 employees. The Department's failure to comply with the DCMS Bilingual Needs and Bilingual Pay Survey request represented a disregard for the reporting process. Noncompliance also prevented the Department's potential need for more or less bilingual employees from consideration in the 2008 Plan. (Finding Code No. 08-40)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to file the report information as required.

08-41 **<u>FINDING</u>:** (Failure to prepare and submit required reports to the Governor and/or the General Assembly as required by State statute)

The Department of Corrections (Department) either did not submit or did not submit timely certain required reports to the Governor and/or the General Assembly. The first four bullets below were also identified as exceptions in the report for the two years ended June 30, 2006. We identified the following exceptions:

- The requirements of the Unified Code of Corrections (730 ILCS 5/3-5-3(a) & (b)) are addressed in the Department's Annual Report. 730 ILCS 5/3-5-3(a) requires the Director to submit a report concerning the state and condition of all persons committed to the Department, its institutions, facilities and programs, of all money expended and received, and on what accounts expended and received. 730 ILCS 5/3-5-3(b) requires the Director to submit a report to the Governor and State Legislature on any inadequacies in the institutions, facilities or programs of the Department and also such amendments to the laws of the State which in the Director's judgment are necessary in order to best advance the purposes of the Unified Code of Corrections. This report is to be submitted on an annual basis to the Governor and State Legislature. The Department did not prepare a 2008 annual report.

- The Unified Code of Corrections (730 ILCS 5/3-5-3(d)) requires the Department to submit to the Governor and the General Assembly a 5-year long-range planning document for adult female offenders under the Department's supervision. The document shall detail how the Department plans to meet the housing, educational/ training, Correctional Industries and programming needs of the escalating adult female offender population by January 1 every two years after January 1, 1991 to the Governor and General Assembly. The 5-year Female Plan was not submitted during the audit period.

- The Unified Code of Corrections (730 ILCS 5/3-6-3a (4)) requires the Department to submit to the Governor and General Assembly a report on the results of evaluations on educational, vocational, substance abuse and correctional industry programs under which good conduct credit may be increased by September 30th of each year. The Early Release Credit Report was not submitted during the audit period.

- The Unified Code of Corrections (730 ILCS 5/5-8-1.3(m)) requires the Department to provide to the Governor and the General Assembly a report on the pilot residential and treatment program for women. The report should include the composition of the program by offenders, sentence, age, offense and race before September 30th of each year. The Pilot Women Program Report was not submitted during the audit period.

- The Interstate Sex Offender Task Force Act (20 ILCS 4024) (Act) creates the Interstate Sex Offender Task Force and assigns the staff and administrative support services to the Department. The Act requires the Interstate Sex Offender Task Force to report its findings and recommendations to the Governor, Attorney General, and the General Assembly no later than January 1, 2007 (20 ILCS 4024/10(g). This report was not submitted during the audit period.

- The State Employment Records Act (5 ILCS 410/1 et seq.) requires State agencies to annually report to the Office of the Secretary of State and the Governor's Office the number of minorities, women, and physically disabled persons along with the related salary and statistical information to provide State officials and administrators with the information to help guide efforts to achieve a more diversified workforce. The report is to be filed by January 1 of each year. The Department failed to submit its fiscal year 2007 "Agency Workforce Report" to the Governor's Office. Department management stated they believed the "Agency Workforce Report" was filed as required during the audit period. However, the Governor's Office stated it was never received and the Department could not provide evidence of the filing.

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

The Department did comply with submitting a comprehensive plan in compliance with the Illinois Welfare and Rehabilitation Services Planning Act and reporting on the pilot program for pupillometer technology as recommend in the previous audit.

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to file the report information as required.

08-42 FINDING: (Failure to timely prepare and submit required reports to mandated entities)

The Department of Corrections (Department) failed to timely prepare and submit required reports as follows:

- The Department did not make available on a timely basis a report to trial and appellate court judges for their use in imposing or reviewing sentences. The Unified Code of Corrections (730 ILCS 5/5-5-4.3) states the Department shall publish the report on an annual basis no later than April 30. The Department did not prepare and publish the report during the audit period.

- The Department did not complete the final submission of information for the Service Efforts and Accomplishments (SEA) Report as required by the Office of the State Comptroller for the year ended June 30, 2007. The SEA Report for the year ended June 30, 2008 was not filed until November 19, 2008, 35 days late. The Comptroller's Statewide Accounting Management System (SAMS) procedure 33.20.20 states the form is to be completed annually and sent to the Comptroller's Office as part of the year-end agency Generally Accepted Accounting Principles (GAAP) reporting process and is due to the Comptroller's Office by October 15th.

- The Department did not file the annual Real Property Utilization Report in a timely manner in compliance with the State Property Control Act. During the audit period, the Department filed a combined report with the Department of Juvenile Justice (DJJ) on December 5, 2007, for fiscal year 2007, and filed a Department-only report on December 12, 2008, for fiscal year 2008. These filings were 35 and 42 days late, respectively. The report submitted for fiscal year 2007 was inaccurate because it contained data combined with DJJ, which is a separate State agency. The State Property Control Act (30 ILCS 7.1(b)) requires agencies to file the Annual Real Property Utilization Report with the Department of Central Management Services (DCMS) by October 30 of each year.

- The Department did not file its Travel Headquarter Reports (TA-2 Report) with the Legislative Audit Commission in a timely manner. The TA-2 Report due January 15, 2007 was filed 16 days late and the TA-2 Report due January 15, 2008 was filed 2 days late. We also noted 1 of 14 (7%) employee travel vouchers tested listed a headquarter on the travel voucher that was different than the employee's headquarter as listed on the TA-2 Report. Further investigation noted the TA-2 Report was incorrect. The State Finance Act (30 ILCS 105/12-3) requires State agencies to file Travel Headquarter Reports with the Legislative Audit Commission for all individuals where official headquarters are located other than where their official duties require them to spend the largest part of their working time. The reports shall be filed no later than July 15 for the period from January 1 through June 30 of that year and no later than January 15 for the period July 1 through December 31 of the preceding year.

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

Failure to timely prepare and submit required reports prevents the intended entities from receiving relevant feedback and monitoring and can have an effect on future decisions since information was not provided. In addition, failure to timely prepare and submit the required reports results in noncompliance with State statute and SAMS. (Finding Code No. 08-42, 06-12, 04-16)

RECOMMENDATION:

We recommend the Department prepare and submit required reports in accordance with the established requirements.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will make every effort to file the report information as required.

08-43 **FINDING:** (Noncompliance with Uniform Disposition of Unclaimed Property Act)

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

Department Administrative Directive 02.40.14 requires that after checks written from a locally held bank account have been open (outstanding) for a period of 14 months they be voided and the payable related to the check deleted.

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

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

Department management indicated they were not aware the Uniform Disposition of Unclaimed Property Act applied to checks written from the locally held fund accounts.

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department is currently consulting with the Chief Legal Counsel at the Treasurer's Office concerning this finding.

08-44 <u>FINDING</u>: (Failure to update Administrative Directives)

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

Prior to July 1, 2006, the Department of Juvenile Justice (DJJ) was a division within the Department. When DJJ was created, the Department assumed administrative duties related to accounting and information systems support. These duties are presently not addressed in the Department's Administrative Directives.

Additionally, during our testing of the Adult Transition Centers (ATCs), we noted several instances where the ATC had an internal policy concerning operations which either was not addressed or differed from the Administrative Directives. Examples of these instances include:

- When residents were released and paroled from the ATC, the DOC Resident's Trust Fund (trust fund) account is closed and a check is issued to the resident for the balance. ATC procedure detailed that a Termination Statement and a signed receipt must be completed to acknowledge the resident's receipt of the remaining account balance. Department A.D. 02.42.106 does not require that the termination statement be completed and maintained on file.

- ATC procedures varied in terms of the level of allowance permitted to a resident based upon employment status and time served at the ATC. Any amounts requested and disbursed from the resident's trust fund in excess of the approved allowance was to be supported by additional explanation and approval. One ATC requires the resident to provide receipts once the additional funds requested are expended to support the purchases. A.D. 02.42.105 addresses disbursements from the trust fund, but it does not address the resident's maximum allowance or disbursements exceeding this amount. It also does not address documentation to be provided by residents when additional funds are requested.

- ATC policy requires a resident to sign an authorization to withdraw the loan form and to maintain this form in the resident's file. However, this is not specifically addressed in an A.D.

- ATC guidelines require a resident's signature on the personal property listings maintained by the ATC. However, A.D. 05.03.111C does not specifically address the requirement of a resident signature.

Finally, the General Office took over the administration of the locally held bank account of the resident portion of the DOC Resident's and Employee's Benefit Fund during the previous audit period. This change has not been addressed in the A.D.'s.

Department management stated competing priorities and the level of effort to achieve consensus in the drafting of A.D.'s prohibited it from maintaining current A.D.s during the audit period.

As defined in A.D. 01.01.101, an Administrative Directive is "an internal management policy and procedure adopted by the Department." As such, the A.D.s should be updated as concurrently as possible when significant changes occur in the Department, no less often than annually. Although the above variations noted at the ATCs did not result in less stringent procedures, it represents the potential for the breakdown in the standardization of procedures throughout the Department, which is the intent of the A.D.s. (Finding Code No. 08-44)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency has prepared a plan to update the fiscal directives over the next reporting period.

08-45 **FINDING:** (Noncompliance with applicable portions of the Arsonist Registration Act)

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

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

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

The Department provided a list of 965 adult offenders that were released from July 1, 2006 through June 30, 2008, our audit period, that had an offense which would require registry under the Act. The list was comprehensive across the entire Department and not limited to those who intend to reside, are employed, or attend school within the City of Chicago. The Department identifies these individuals and offenses at release in the Chicago Police Department daily data transfer file; however, no formal registration process has been established by ISP for the Department's use in notification of offenders.

In response to this finding in 2006, Department management stated the City of Chicago had not specified any requirements for the registration process. The Department explained it sent out an automated file daily to the Chicago Police Department which outlines the information regarding all persons being released in the City of Chicago. During our 2008 fieldwork, Department management stated the Department continued to send the Chicago Police Department a computer file on a daily basis during the audit period to notify the Chicago Police Department of all releases and admissions. Department management stated an automated form was not created to inform the individuals being released of their requirement to potentially register with the City of the Chicago because the Department is waiting for the ISP to formalize and direct this process. Department management stated that the Offender Notification is only a small piece of a larger complex problem and cannot be expected to exist isolated from the other critical components of the program.

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency is limited in its ability to implement the mandate as DOC is required to wait for the Illinois State Police (ISP) to formalize and direct this process. DOC will fully comply with any direction as issued from the ISP.

08-46 FINDING: (Subcommittee on Women Offenders to the Adult Advisory Board not created)

The Department of Corrections (Department) did not establish a subcommittee on Women Offenders to the Adult Advisory Board.

The subcommittee is to advise the Adult Advisory Board and the Director on all policy matters and programs of the Department with regard to the custody, care, study, discipline, training and treatment of women in the State correctional institutions and for the care and supervision of women released on parole.

The Unified Code of Corrections (730 ILCS 5/3-2-6) requires a subcommittee on Women Offenders to the Adult Advisory Board be created. The Subcommittee shall be composed of 3 members of the Advisory Board appointed by the Chairman who shall designate one member as the chairman of the Subcommittee. The Subcommittee shall meet no less often than quarterly and at other times at the call of its chairman.

In response to this finding from the previous audit, Department management stated the Adult Advisory Board had met to make recommendations on members to sit on the Women Offenders subcommittee. The recommendations were reviewed by the Chairperson and the potential members notified. Department management stated it was waiting for responses.

Department management indicated the committee members had not accepted the board position during the reporting period.

Failure to establish the required subcommittee is noncompliance with a required State statute. (Finding Code No. 08-46, 06-07)

RECOMMENDATION:

We recommend the Department establish the subcommittee on Women Offenders and hold the required quarterly meetings as set forth in the statute.

DEPARTMENT RESPONSE:

Recommendation accepted. The Agency will again pursue the creation of the subcommittee.

08-47 <u>FINDING</u>: (Failure to actively serve on Illinois Public Safety Agency Network Board)

The Department of Corrections (Department) failed to provide the Illinois Public Safety Agency Network (ISPAN) Board with an active representative during the audit period.

The Department's Director was listed as a board member in 2008 and a designee was assigned to attend in place of the Director. However, the board minutes for 2008 indicated that the designee was not present for any of the board meetings.

The Illinois Public Safety Agency Network Act (Act) (50 ILCS 752/20) requires the Director of the Department or his designee to serve as non-voting ex officio members on the Illinois Public Safety Agency Network Board.

Department management indicated the meetings were not attended due to conflicts in scheduling.

The Act states the ISPAN was created by the General Assembly in recognition of the importance to promote intergovernmental cooperation between units of local government. Failure of the Director or his designee to actively serve on the Board results in noncompliance with State statute and does not promote the intergovernmental cooperation desired by the General Assembly. (Finding Code No. 08-47)

<u>RECOMMENDATION</u>:

We recommend the Director or his appointee be an active representative to the Illinois Public Agency Network Board.

<u>DEPARTMENT RESPONSE</u>:

Recommendation accepted. The Agency will make every effort to ensure a participation in ISPAN.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

PRIOR FINDINGS NOT REPEATED

A. Prior Finding (Efficiency initiative payments)

The prior audit noted the Department made payments for efficiency initiative billings without adequate documentation to support how the amounts were calculated or determined.

The Department accepted the recommendation to work with the Department of Central Management Services to determine appropriate expenditure information and benefits to be derived from the payments. The Department did not make any efficiency initiative payments during the current audit period. (Finding Code No. 06-6, 04-1)

B. Prior Finding (Untimely submission of the Statements of Economic Interest)

The prior audit noted 7 of 73 Statements of Economic Interest examined were filed and received by the Secretary of State Index Department 1 to 14 days late. In addition, 4 of 73 employees were not notified they were required to file a Statement of Economic Interest in fiscal year 2005, thus did not file for that fiscal year.

The Department accepted the recommendation to remind employees of their responsibility to timely submit Statements of Economic Interest and review and update the list of those employees who are in positions required to file Statements of Economic Interest to ensure an accurate and complete listing is submitted to the Secretary of State. In the current audit the Department improved its compliance with the Illinois Governmental Ethics Act (5 ILCS 420/4A-105) and only 4 of 50 Statements of Economic Interest were not filed timely, ranging from 2 to 9 days late. The noncompliance noted in the current audit was considered immaterial. (Finding Code No. 06-18)

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

In August 2007, the Office of the Auditor General (OAG) released its report of the Program Audit of Funding Provided by or Through the State of Illinois to the Chicago Project for Violence Prevention for the CeaseFire Program. The audit included three recommendations (recommendations #2, #7 and #9) for improvement specific to the Department of Corrections (Department). We followed up on these recommendations during the audit for the two years ended June 30, 2008.

We noted the Department made progress in implementing the recommendations during the audit period as follows:

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

  This recommendation has been partially implemented. The first payment for fiscal year 2007 was made in January 2007. The OAG did not issue the report until August 2007. Therefore, the Department was not aware of the OAG's recommendations specific to documentation when the first payment was made. The documentation provided by the University of Illinois at Chicago (UIC) detailed how the first payment was utilized to support the mission of the CeaseFire program. The Department withheld the second payment until UIC submitted adequate documentation as described in the OAG's recommendation. This payment was made through the Court of Claims in January 2008, after the close of fiscal year 2007.

The Department did not provide funding for the CeaseFire program in fiscal year 2008. Funding resumed in fiscal year 2009, which began during our audit fieldwork. The Department received an appropriation of $6,250,000 for fiscal year 2009 for the CeaseFire Program. We obtained a copy of the updated agreement between the Department and UIC. This new agreement contained wording which more accurately clarified funding details and discretionary use of funding by the Chicago Project. The agreement was silent on an administrative fee, but the budget allowed for specific personnel and non-personnel costs such as supplies, telephones, travel, etc.

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

  This recommendation has been partially implemented. As stated above, the Department did not have an agreement related to CeaseFire during fiscal year 2008, but the program resumed in fiscal year 2009, which began during our audit fieldwork. The fiscal year 2009 agreement identified the following statistics to be provided by UIC to the Department.

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

  Subcriteria with these statistics appear to meet the requirements of the recommendation. The fiscal year 2009 agreement also specified the selection of criteria to be utilized by UIC.

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

  This recommendation has been partially implemented. CeaseFire was not funded by the Department in fiscal year 2008. Funding resumed in fiscal year 2009. We obtained a copy of the fiscal year 2009 agreement between the Department and UIC, which contained wording which more accurately clarified funding details and discretionary use of funding by the Chicago Project.

Because the Department did not provide funding in fiscal year 2008, which was during our audit period, we could not fully test the Department's compliance with the OAG's recommendations. We determined that the Department had taken sufficient steps towards compliance with its fiscal year 2009 funding of the CeaseFire program. The Department's compliance with these recommendations will be reviewed once more during the next audit. At this point, we conclude the Department has partially implemented the recommendations made by the OAG during their Program Audit of the CeaseFire Program.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Corrections was performed by Sikich LLP.

Based on their audit, the auditors were unable to form an opinion regarding the amounts at which inventory balances are recorded, they were not able to audit the financial activity of the DOC Residents' and Employees' Benefit Fund because of the inadequacy of the accounting records, and noted the Department has excluded from capital assets being depreciated certain property transferred from another State agency, the amount which is not reasonably determinable.

Certified Public Accountants & Advisors

Sikich™
1000 Churchill Road • Springfield, IL 62702

Members of American Institute of
Certified Public Accountants &
Illinois CPA Society

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Corrections (the Department), as of and for the year ended June 30, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Working Capital Revolving Fund (Correctional Industries), which represents 100 percent of the assets and revenues of the Proprietary Fund and 1.9 percent and 3.0 percent, respectively, of the net assets and changes in net assets of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Correctional Industries, is based on the report of the other auditors.

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

Because of the inadequacy of accounting records, we were unable to form an opinion regarding the amounts at which inventory balances are recorded in the accompanying balance sheets for the major fund and aggregate remaining fund information (stated at $9,774 and $1,813, in thousands, respectively).

In addition, because of the inadequacy of the accounting records we have not audited the financial activity of the DOC Residents' and Employees' Benefit Fund. The DOC Residents' and Employees' Benefit Fund is included in the Department's basic financial statements as part of the nonmajor funds and represents 3.9 percent, 77.8 percent and 2.2 percent of the assets, net assets, and revenues, respectively, of the Department's aggregate remaining fund information.

Further, the Department has excluded from capital assets being depreciated certain property transferred from another State agency. In our opinion, property transfers should be included to conform to accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities is not reasonably determinable.

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the inventory balances in the major fund and the aggregate remaining fund information and the financial activity of the DOC Residents' and Employees' Benefit fund in the aggregate remaining fund information, and except for the effects of not including certain property transfers in capital assets, as discussed above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Department, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 20, 2009 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been necessary had we been able to examine evidence regarding the inventory balances and the DOC Residents' and Employees' Benefit fund, as explained above, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Sikich LLP

Springfield, Illinois
July 20, 2009

State of Illinois
Department of Corrections

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

		Governmental Activities
ASSETS		
Unexpended appropriations	$	75,950
Cash equity with State Treasurer		3,233
Cash and cash equivalents		9,258
Receivables, net:		
Intergovernmental		813
Other		498
Due from other State funds		2,363
Due from State of Illinois component units		29
Inventories		22,102
Prepaid expenses		6
Capital assets not being depreciated		67,596
Capital assets being depreciated, net		956,288
Total assets		1,138,136
LIABILITIES		
Accounts payable and accrued liabilities		82,884
Due to Department fiduciary funds		1,426
Due to other State funds		16,728
Due to State of Illinois component units		4,260
Long term obligations:		
Due within one year		4,155
Due subsequent to one year		76,300
Total liabilities		185,753
NET ASSETS		
Invested in capital assets, net of related debt		1,023,704
Unrestricted net assets		(71,321)
Total net assets	$	952,383

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

State of Illinois

Department of Corrections

Statement of Activities

For the Year Ended June 30, 2008 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
Governmental activities				
Public protection and justice	$ 1,334,301	$ 55,582	$ 12,220	$ (1,266,499)
Interest	18	-	-	(18)
Total governmental activities	$ 1,334,319	$ 55,582	$ 12,220	(1,266,517)
General revenues				
Appropriations from State Resources				1,301,282
Lapsed appropriations				(51,866)
Receipts collected and transmitted to State Treasury				(46,422)
Interest and investment income				178
Other revenues				12,967
Amount of SAMS transfers-in				(1,500)
Capital transfers from other State agencies				13,765
Transfers-in				1,500
Transfers-out				(3,289)
Total general revenues and transfers				1,226,615
Change in net assets				(39,902)
Net assets, July 1, 2007				992,285
Net assets, June 30, 2008				$ 952,383

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

State of Illinois
Department of Corrections

Balance Sheet - Governmental Funds

June 30, 2008 (Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	$ 69,875	$ 6,075	$ 75,950
Cash and cash equivalents	-	9,258	9,258
Intergovernmental receivables, net	-	813	813
Other receivables, net	-	55	55
Due from other Department funds	-	6,815	6,815
Due from other State funds	-	908	908
Inventories	9,774	1,813	11,587
Total assets	$ 79,649	$ 25,737	$ 105,386
LIABILITIES			
Accounts payable and accrued liabilities	$ 72,703	$ 7,318	$ 80,021
Due to Department fiduciary funds	1,334	92	1,426
Due to other Department funds	3,313	6,675	9,988
Due to other State funds	13,409	2,960	16,369
Due to State of Illinois component units	4,250	-	4,250
Unavailable revenue	-	813	813
Total liabilities	95,009	17,858	112,867
FUND BALANCES (DEFICITS)			
Reserved for:			
Encumbrances	201	357	558
Inventories	9,774	1,813	11,587
Unreserved, undesignated			
General fund	(25,335)	-	(25,335)
Special revenue funds	-	5,709	5,709
Total fund balances (deficits)	(15,360)	7,879	(7,481)
Total liabilities and fund balances (deficits)	$ 79,649	$ 25,737	$ 105,386

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

State of Illinois
Department of Corrections
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2008
(Expressed in Thousands)

Total fund balances-governmental funds		$ (7,481)
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,020,370
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		813
Internal service funds are used to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported as governmental activities in the Statement of Net Assets.		17,640
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These activities consist of:		
Capital lease obligations	$ (151)	
Compensated absences	(78,808)	
		(78,959)
Net assets of governmental activities		$ 952,383

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Fund	Nonmajor funds	Total Governmental Funds
REVENUES			
Federal government	$ -	$ 12,116	$ 12,116
Interest and other investment income	-	178	178
Other	2	12,965	12,967
Other charges for services	65	40,512	40,577
Total revenues	67	65,771	65,838
EXPENDITURES			
Public protection and justice	1,214,983	68,018	1,283,001
Debt service - principal	97	-	97
Debt service - interest	16	-	16
Capital outlays	341	-	341
Total expenditures	1,215,437	68,018	1,283,455
(Deficiency) of revenues (under) expenditures	(1,215,370)	(2,247)	(1,217,617)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	1,236,282	65,000	1,301,282
Lapsed appropriations	(27,808)	(24,058)	(51,866)
Receipts collected and transmitted to State Treasury	(143)	(46,279)	(46,422)
Amount of SAMS Transfers-in	-	(1,500)	(1,500)
Transfers-in	-	11,367	11,367
Transfers-out	(3,289)	(9,867)	(13,156)
Proceeds from capital lease financing	110	-	110
Net other sources (uses) of financial resources	1,205,152	(5,337)	1,199,815
Net change in fund balances	(10,218)	(7,584)	(17,802)
Fund balances (deficits), July 1, 2007	(2,696)	15,146	12,450
Increase (decrease) for changes in inventories	(2,446)	317	(2,129)
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (15,360)	$ 7,879	$ (7,481)

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

State of Illinois
Department of Corrections
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2008
(Expressed in Thousands)

Net change in fund balances	$	(17,802)
Change in inventories		(2,129)
		(19,931)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outalys in the current period exceeded depreciation.		(29,977)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		97
Some capital additions were financed through other financing arrangements. In governmental funds these other financing arrangements are considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.		(110)
Some capital assets were transferred in from other State agencies and therefore, were received as no cost.		13,765
Internal service funds are used to charge to costs of certain activities to individual funds. The net revenue of the internal service funds is reported as governmental activities in the Statement of Activities.		1,223
Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, the book value of capital assets which are sold or scrapped are also reported. This is the book value of capital assets which were sold or scrapped.		(1,878)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		104
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities.		
Increase in compensated absences obligation		(3,195)
Change in net assets of governmental activities	$	(39,902)

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

State of Illinois
Department of Corrections

Statement of Net Assets - Proprietary Fund

June 30, 2008 (Expressed in Thousands)

		Governmental Activities - Internal Service Fund
		Working Capital Revolving Fund
ASSETS		
Cash equity with State Treasurer	$	3,233
Other Receivables, net		443
Due from other Department funds		3,173
Due from other State funds		1,455
Due from State of Illinois component units		29
Inventories		10,515
Prepaid expenses		6
Total current assets		18,854
Capital assets being depreciated, net		3,514
Total assets		22,368
LIABILITIES		
Accounts payable and accrued liabilities		2,863
Due to other State funds		359
Due to State of Illinois component units		10
Current portion of long-term obligations		129
Total current liabilities		3,361
Noncurrent portion of long-term obligations		1,367
Total liabilities		4,728
NET ASSETS		
Invested in capital assets, net of related debt		3,485
Unrestricted		14,155
Total net assets	$	17,640

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

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Governmental Activities - Internal Service Fund: Working Capital Revolving Fund
OPERATING REVENUES	
Charges for sales and services	$ 40,800
Other	2,153
Total operating revenues	42,953
OPERATING EXPENSES	
Cost of sales and services	24,880
General and administrative	15,543
Depreciation	1,305
Total operating expenses	41,728
Operating income	1,225
NONOPERATING REVENUES (EXPENSES)	
Interest expense	(2)
Net income	1,223
Net assets, July 1, 2007	16,417
NET ASSETS, JUNE 30, 2008	$ 17,640

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

Statement of Cash Flows - Proprietary Fund

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Governmental Activities - Internal Service Fund
	Working Capital Revolving Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales and services to third parties	$ 12,436
Cash received from sales and services to other State funds	29,737
Cash payments to suppliers for goods and services	(25,425)
Cash payments to employees for services	(14,576)
Cash receipts from other operating activities	348
Net cash provided by operating activities	2,520
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(187)
Principal paid on capital debt	(23)
Interest paid on capital debt	(2)
Net cash used by capital and related financing activities	(212)
Net increase in cash and cash equivalents	2,308
Cash equity with State Treasurer, July 1, 2007	925
CASH EQUITY WITH STATE TREASURER, JUNE 30, 2008	$ 3,233
Reconciliation of operating income to net cash provided by operating activities:	
OPERATING INCOME	$ 1,225
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,305
Changes in assets and liabilities:	
Decrease in intergovernmental receivables	14
Increase in other receivable	(133)
Increase in due from other State funds	(286)
Increase in due from component units	(27)
Decrease in inventory	80
Decrease in prepaid expenses	10
Increase in accounts payable and accrued liabilities	49
Increase in due to other State funds	352
Increase in due to State of Illinois component units	10
Decrease in other liabilities	(79)
Total adjustments	1,295
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,520
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Capital asset acquistions financed by capital leases	$ 52

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

State of Illinois
Department of Corrections

Statement of Fiduciary Net Assets

June 30, 2008 (Expressed in Thousands)

	Agency Fund DOC Resident's Trust
ASSETS	
Cash and cash equivalents	$ 3,580
Other receivables	155
Due from other Department funds	1,426
Total assets	$ 5,161
LIABILITIES	
Other liabilities	$ 5,161
Total liabilities	$ 5,161

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

(1) Organization

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

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

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

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

unit will provide a financial benefit to or impose a financial burden on the primary government; or

2) Fiscal dependency on the primary government.

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

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Corrections, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2008, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Fund Financial Statements. The fund financial statements provide information about the Department's funds, including the Department's fiduciary fund. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis on fund financial statements is on the major governmental fund displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Department administers the following major governmental fund (or portions thereof in the case of shared funds – see note 2(d)) of the State:

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the Department and accounted for in the general fund include, among others, public protection and justice. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

Additionally, the Department administers the following fund types:

Governmental Fund Types:

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

Proprietary Fund Types:

Internal Service – This fund accounts for revenues and expenses derived from goods or services produced by factories, farms, and service programs charged to State agencies and other entities.

Fiduciary Fund Types:

Agency – This fund accounts for monies deposited by and on behalf of individual residents for the personal use of the individual resident while they are in the care and custody of the Department.

(c) Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include intergovernmental grants. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

(d) Shared Fund Presentation

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

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

Unexpended Appropriations

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

Appropriations from State Resources

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

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

This "other financing use" account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions to the corresponding fund during the fiscal year per SAMS records in which the Department did not make a deposit into the State Treasury.

(e) Eliminations

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

(f) Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents also include cash on hand and cash in banks for locally held funds.

(g) Inventories

Inventories, consisting primarily of raw materials, work in process, finished goods, and operating supplies are valued at cost, principally on the first-in, first-out (FIFO) method. For governmental funds, the Department recognizes the costs of material inventories as assets when purchased. For proprietary funds, inventories are recorded as expenditures when consumed rather than when purchased.

(h) Interfund Transactions

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

Services provided and used—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

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

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

(i) Capital Assets

Capital assets, which includes property, plant, and equipment are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Land	$100,000	N/A
Land Improvements	25,000	N/A
Site Improvements	25,000	20
Buildings	100,000	50
Building Improvements	25,000	20
Equipment	5,000	3-10

(j) Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated vacation and sick leave balances for Department Employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and Medicare tax) .

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

(k) Fund Balances

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

(l) Net Assets

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

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

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

(m) Use of Estimates

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

(n) Future Adoption of GASB Statements

Effective for the year ending June 30, 2009 the Department will adopt GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* which establishes standards for accounting and financial reporting for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Department has not yet determined the impact of the Department's financial statements as a result of adopting this statement.

(3) Deposits

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

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11).

Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due from other Department and State of Illinois funds.

	Due from		
Fund	Other Department Funds	Other State Funds	Description/Purpose
Nonmajor governmental funds	$ 6,815	$ 908	Due from other Department funds for excess fund balances and other State funds for unreimbursed grant expenditures.
Internal service fund	3,173	1,455	Due from other Department and other State funds for purchases of services.
Fiduciary Fund	1,426	-	Due from other Department funds for reimbursement of expenditures and accrued inmate payroll.
	$ 11,414	$ 2,363	

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

Notes to Financial Statements

June 30, 2008

The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due to other Department and State of Illinois funds.

	Due to			
Fund	Other Department Funds	Other State Funds	Department Fiduciary Funds	Description/Purpose
General	$ 3,313	$ 13,409	$ 1,334	Due to Working Capital Revolving Fund for purchases, to other State funds for services provided, and to Department fiduciary funds for reimbursements of expenditures and accrued inmate payroll.
Nonmajor governmental funds	6,675	2,960	92	Due to Department nonmajor governmental funds for excess fund balances, other State funds for unspent grant proceeds, and other Department fiduciary funds for reimbursements of expenditures.
Internal service fund	-	359	-	Due to State internal service funds for operating expense reimbursements.
	$ 9,988	$ 16,728	$ 1,426	

(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2008, were as follows:

Fund	Transfers in from: Other Department Funds	Transfers in from: Other State Funds	Description/Purpose
Nonmajor governmental funds	$ 9,867	$ 1,500	Transfers from other Department funds pursuant to statute of excess fund balances and from other State funds pursuant to statute.
	$ 9,867	$ 1,500	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2008, were as follows:

Fund	Transfers out to: Other Department Funds	Transfers out to: Other State Funds	Description/Purpose
General	$ -	$ 3,289	Transfers to other State funds for debt service payments.
Nonmajor governmental funds	9,867	-	Transfers to other Department funds pursuant to statute of excess fund balances.
	$ 9,867	$ 3,289	

(c) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due from State of Illinois Component Units for reimbursements for expenses incurred.

Due from	Internal Service Fund
Eastern Illinois University	$ 27
Southern Illinois University	2
	$ 29

The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due to State of Illinois Component Units for reimbursements for expenses incurred.

Due to	General Fund	Internal Service Fund
Toll Highway Authority	$ -	$ 2
University of Illinois	4,250	8
	$ 4,250	$ 10

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

Notes to Financial Statements

June 30, 2008

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Net Tranfers	Balance June 30, 2008
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	$ 67,596	$ -	$ -	$ -	$ 67,596
Construction in progress	2,073	-	1,878	(195)	-
Total capital assets not being depreciated	69,669	-	1,878	(195)	67,596
Capital assets being depreciated:					
Site improvements	84,977	-	350	388	85,015
Building and building improvements	1,450,989	-	88	9,045	1,459,946
Equipment	85,975	580	1,626	825	85,754
Total capital assets being depreciated	1,621,941	580	2,064	10,258	1,630,715
Less accumulated depreciation:					
Site improvements	51,156	976	350	-	51,782
Building and building improvements	518,641	27,935	88	(3,626)	542,862
Equipment	78,773	2,712	1,626	(76)	79,783
Total accumulated depreciation	648,570	31,623	2,064	(3,702)	674,427
Total capital assets being depreciated, net	973,371	(31,043)	-	13,960	956,288
Governmental activity capital assets, net	$ 1,043,040	$ (31,043)	$ 1,878	$ 13,765	$ 1,023,884

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2008 was charged as follows:

Public protection and justice	$ 31,623

(6) Long-Term Obligations

(a) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2008 were a follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 77,159	$ 63,212	$ 60,096	$80,275	$ 4,052
Capital lease obligations	138	162	120	180	103
Total	$ 77,297	$ 63,374	$ 60,216	$80,455	$ 4,155

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

(b) Capital lease obligations

The Department leases equipment with a historical cost and accumulated depreciation of $331 and $158 thousand, respectively, under capital lease arrangements. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting. Future minimum lease payments (amounts expressed in thousands) at June 30, 2008 are as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 103	$ 13	$ 116
2010	66	4	70
2011	11	1	12
	$ 180	$ 18	$ 198

(7) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2008 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

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

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2008, the employer contribution rate was 16.561%.

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. Active TRS members are required to contribute 9.4 percent of their creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all members pay a 4/5 of 1 percent contribution to the Teachers Health Insurance Security Fund, a separate fund in the State Treasury that is not a part of this retirement plan.

The State of Illinois makes contributions directly to TRS on behalf of the district's TRS-covered employees.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and state funding requirements can be found in the TRS Comprehensive Annual Financial Report for the year ended June 30, 2008. The report may be obtained by writing to the Teachers' retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253.

(8) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to

January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

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

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

(9) Fund Deficits

The General Fund had a fund deficit $15.360 million at June 30, 2008. This deficit results from liabilities recognized at June 30, 2008 which will be paid from future year appropriations. The deficit is expected to be eliminated through reduction of current expenditures in future year appropriations.

(10) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks.

(11) Commitments and Contingencies

(a) Operating leases

The Department leases certain office facilities and equipment, under the terms of noncancelable operating lease agreements that requires the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases (amount expressed in thousands) was $14,194 for the year ended June 30, 2008.

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

Year Ending June 30	Amount
2009	$ 2,169
2010	1,053
2011	861
2012	838
2013	701
2014-2018	2,506
	$ 8,128

(b) Federal Funding

The Department receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2008, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Department believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

(c) Litigation

The Department is routinely involved in a number of legal proceedings and claims that cover a wide range of matters. In the opinion of management, the outcome of these matters is not expected to have any material adverse effect on the financial position or results of operations of the Department.

State of Illinois
Department of Corrections

Combining Balance Sheet - Non-major Governmental Funds

June 30, 2008 (Expressed in Thousands)

	Special Revenue			
	Department of Corrections Reimbursement	DOC Commissary	DOC Residents' and Employees' Benefit	Total
ASSETS				
Unexpended appropriations	$ 6,075	$ -	$ -	$ 6,075
Cash and cash equivalents	-	4,284	4,974	9,258
Receivables, net:				
Intergovernmental	813	-	-	813
Other	-	32	23	55
Due from other Department funds	1,836	36	4,943	6,815
Due from other State funds	908	-	-	908
Inventories	-	1,813	-	1,813
Total assets	$ 9,632	$ 6,165	$ 9,940	$ 25,737
LIABILITIES				
Accounts payable and accrued liabilities	$ 5,714	$ 1,014	$ 590	$ 7,318
Due to other Department fiduciary funds	-	-	92	92
Due to other Department funds	-	5,151	1,524	6,675
Due to other State funds	2,960	-	-	2,960
Unavailable revenue	813	-	-	813
Total liabilities	9,487	6,165	2,206	17,858
FUND BALANCES (DEFICITS)				
Reserved for:				
Encumbrances	357	-	-	357
Inventories	-	1,813	-	1,813
Unreserved, unrestricted	(212)	(1,813)	7,734	5,709
Total fund balances (deficits)	145	-	7,734	7,879
Total liabilities and fund balances (deficits)	$ 9,632	$ 6,165	$ 9,940	$ 25,737

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

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue			
	Department of Corrections Reimbursement	DOC Commissary	DOC Residents' and Employees' Benefit	Total
REVENUES				
Federal government	$ 12,116	$ -	$ -	$ 12,116
Interest and other investment income	-	26	152	178
Other revenues	11,688	-	1,277	12,965
Other charges for services	2,775	37,737	-	40,512
Total revenues	26,579	37,763	1,429	65,771
EXPENDITURES				
Public protection and justice	30,332	31,804	5,882	68,018
Total expenditures	30,332	31,804	5,882	68,018
Excess (deficiency) of revenues over (under) expenditures	(3,753)	5,959	(4,453)	(2,247)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	65,000	-	-	65,000
Lapsed appropriations	(24,058)	-	-	(24,058)
Receipts collected and transmitted to State Treasury	(46,279)	-	-	(46,279)
Amount of SAMS Transfers-in	(1,500)	-	-	(1,500)
Transfers-in	3,000	34	8,333	11,367
Transfers-out	-	(9,833)	(34)	(9,867)
Net other sources (uses) of financial resources	(3,837)	(9,799)	8,299	(5,337)
Net change in fund balances	(7,590)	(3,840)	3,846	(7,584)
Fund balances, July 1, 2007	7,735	3,523	3,888	15,146
Increase for changes in inventories	-	317	-	317
FUND BALANCES, JUNE 30, 2008	$ 145	$ -	$ 7,734	$ 7,879

State of Illinois

Department of Corrections

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
DOC Resident's Trust				
ASSETS				
Cash and cash equivalents	$ 3,856	$ 15,836	$ 16,112	$ 3,580
Due from other Department funds	1,090	8,958	8,622	1,426
Other receivables	175	155	175	155
Total assets	$ 5,121	$ 24,949	$ 24,909	$ 5,161
LIABILITIES				
Other liabilities	$ 5,121	$ 16,578	$ 16,538	$ 5,161
Total liabilities	$ 5,121	$ 16,578	$ 16,538	$ 5,161

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:
  - Schedule of Expenditures of Federal Awards
    - Year Ended June 30, 2008
    - Year Ended June 30, 2007
  - Notes to the Schedules of Expenditures of Federal Awards
  - Schedule of Appropriations, Expenditures and Lapsed Balances
    - Fiscal Year 2008
    - Fiscal Year 2007
  - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  - Schedule of Changes in State Property (Unaudited)
  - Comparative Schedule of Cash Receipts
  - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
  - Analysis of Significant Variations in Expenditures
  - Analysis of Significant Variations in Receipts
  - Analysis of Significant Lapse Period Spending
  - Analysis of Accounts Receivable
  - State Housing Benefits
  - Publications

- Analysis of Operations:
  - Agency Functions and Planning Program
  - Average Number of Employees
  - Public Safety Shared Services Center (PSSSC)
  - Analysis of Employee Overtime (Unaudited)
  - Annual Cost Statistics and Notes (Unaudited)
  - Participating Educational Institutions
  - Emergency Purchases
  - Memorandums of Understanding (Unaudited)
  - Hurricane Katrina and Rita Cost Reporting (Unaudited)
  - Inmate Assaults on Staff at Adult Correctional Centers (Unaudited)
  - Service Efforts and Accomplishments (Unaudited)

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008
(Expressed in Thousands)

Federal Grantor/Pass-Through Grantor /Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice		
Direct Programs:		
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	$ 116
State Criminal Alien Assistance Program	16.606	7,948
Passed Through the Illinois Criminal Justice Information Authority:		
Crime Victim Assistance	16.575	58
Edward Byrne Memorial Formula Grant Program	16.579	11
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	15,898
Violence Against Women Formula Grants	16.588	72
Residential Substance Abuse Treatment for State Prisoners	16.593	683
Community Prosecution and Project Safe Neighborhoods	16.609	24
Edward Bryne Memorial Justice Assistance Grant Program	16.738	184
Anti-Gang Initiative	16.744	22
Passed through the Illinois Department of Human Services:		
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	194
Total U.S. Department of Justice		25,210
U.S. Department of Education		
Direct Programs:		
Grants to States for Incarcerated Youth Offenders	84.331	613
Passed Through the Illinois Community College Board:		
Adult Education - Basic Grants to States	84.002	377
Career and Technical Education - Basic Grants to States	84.048	256
Total U.S. Department of Education		1,246

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008
(Expressed in Thousands)

Federal Grantor/Pass-Through Grantor /Program Title	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Passed Through the Illinois Department of Healthcare and Family Services:		
Medical Assistance Program	93.778	$ 123
Total Expenditures of Federal Awards		$ 26,579

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2007
(Expressed in Thousands)

Federal Grantor/Pass-Through Grantor /Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice		
Direct Programs:		
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	$ 31
State Criminal Alien Assistance Program	16.606	6,575
Passed Through the Illinois Criminal Justice Information Authority:		
Juvenile Accountability Block Grants	16.523	2
Crime Victim Assistance	16.575	56
Edward Byrne Memorial Formula Grant Program	16.579	256
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	19,184
Violence Against Women Formula Grants	16.588	96
Residential Substance Abuse Treatment for State Prisoners	16.593	917
Community Prosecution and Project Safe Neighborhoods	16.609	75
Passed through the Illinois Department of Human Services:		
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	138
Total U.S. Department of Justice		27,330
U.S. Department of Education		
Direct Programs:		
Grants to States for Incarcerated Youth Offenders	84.331	855
Passed Through the Illinois Community College Board:		
Adult Education - Basic Grants to States	84.002	361
Career and Technical Education - Basic Grants to States	84.048	255
Passed Through the Illinois State Board of Education		
Special Education - Grants to States	84.027	22
Total U.S. Department of Education		1,493

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2007
(Expressed in Thousands)

Federal Grantor/Pass-Through Grantor /Program Title	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Passed Through the Illinois Department of Healthcare and Family Services:		
Medical Assistance Program	93.778	$ 291
U.S. Department of Homeland Security		
Passed Through the Illinois Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	192
Total Expenditures of Federal Awards		$ 29,306

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

For the Years Ended June 30, 2008 and 2007

1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards present the federal award programs of the Department of Corrections (Department). The Schedules of Expenditures of Federal Awards include the expenditures of all federal awards received by the Department.

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

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards for the year ended June 30, 2008 has been prepared on a cash basis of accounting. The Schedule of Expenditures of Federal Awards for the year ended June 30, 2007 has been prepared on the modified accrual basis of accounting as prescribed in pronouncements issued by the Governmental Accounting Standards Board.

3. DESCRIPTION OF GRANT PROGRAMS

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

U.S. Department of Justice

A. State Criminal Alien Assistance Program – CFDA 16.606 – The State Criminal Alien Assistance Program is a payment program designed to provide assistance to states that incur costs for incarcerating undocumented criminal aliens who are being held as a result of state charges or convictions.

B. Violent Offender Incarceration and Truth in Sentencing Incentive Grants – CFDA No. 16.586 – Violent Offender Incarceration and Truth in Sentencing Incentive grants assist in providing funds to individual states to build or expand 1) correctional facilities to increase the bed capacity for confinement of violent offenders; 2) temporary or permanent correctional facilities including facilities on military bases, prison barges and boot camps for the confinement of nonviolent offenders for the purpose of freeing prison space for violent offenders; 3) jails.

3. DESCRIPTION OF GRANT PROGRAMS – Continued

U.S. Department of Justice – Continued

C. Residential Substance Abuse Treatments for State Prisoners – CFDA No. 16.593 – The Residential Substance Abuse Treatment program develops and implements residential substance abuse treatment programs within state correctional facilities in which prisoners are incarcerated for a period of time sufficient to permit substance abuse treatment.

U.S. Department of Education

D. Grants to States for Incarcerated Youth Offenders – CFDA No. 84.331 – The Incarcerated Youth Offenders program assists and encourages incarcerated youths to acquire functional literacy, life, and job skills through the pursuit of postsecondary education certificates, associate in arts degrees, and bachelor of arts degrees.

4. AMOUNTS PAID TO SUBRECIPIENTS

The Department did not provide federal awards to subrecipients during the years ended June 30, 2008 and 2007.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Fourteen Months Ended August 31, 2008

Public Act 95-0348	Appropriations (Net After Transfers)	Expenditures Through June 30, 2008	Lapse Period Expenditures July 1, 2008 to August 31, 2008	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND - 0001					
General Office:					
Personal services	$ 12,809,000	$ 12,168,637	$ 640,263	$ 12,808,900	$ 100
State contributions to state employees' retirement system	2,124,200	2,018,068	106,087	2,124,155	45
State contributions to social security	957,000	908,741	48,239	956,980	20
Contractual services	7,821,300	5,998,058	1,790,758	7,788,816	32,484
Travel	266,600	207,289	31,675	238,964	27,636
Commodities	134,900	110,313	18,168	128,481	6,419
Printing	1,500	1,084	399	1,483	17
Equipment	1,700	1,671	-	1,671	29
Electronic data processing	3,987,700	3,121,360	866,340	3,987,700	-
Telecommunications services	1,428,000	1,399,065	28,787	1,427,852	148
Operation of automotive equipment	257,000	239,256	17,684	256,940	60
Tort claims	1,177,000	458,313	718,564	1,176,877	123
Cook County Juvenile Detention Center	7,500,000	7,500,000	-	7,500,000	-
Cook County Boot Camp Center	1,500,000	1,500,000	-	1,500,000	-
Statewide hospitalization services	7,454,700	7,160,578	-	7,160,578	294,122
Sheriffs' fees for conveying prisoners	337,400	337,400	-	337,400	-
State's share of Assistant State's Attorneys' salaries reimbursement to counties pursuant to Chapter 53 of the Illinois Compiled Statutes	376,400	246,856	29,975	276,831	99,569
Repairs, maintenance and other capital improvements	1,087,300	393,200	437,696	830,896	256,404
Hiring of 500 additional frontline staff	12,000,000	-	-	-	12,000,000
	61,221,700	43,769,889	4,734,635	48,504,524	12,717,176
Adult Education:					
Personal services	13,797,400	11,769,125	533,000	12,302,125	1,495,275
Student, member and inmate compensation	13,200	12,586	468	13,054	146

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Fourteen Months Ended August 31, 2008

Public Act 95-0348	Appropriations (Net After Transfers)	Expenditures Through June 30, 2008	Lapse Period Expenditures July 1, 2008 to August 31, 2008	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND - 0001 (Continued)					
Adult Education (Continued):					
State contributions to state employees' retirement system	$ 2,290,400	$ 1,861,785	$ 85,158	$ 1,946,943	$ 343,457
State contributions to state teachers' retirement system	4,500	3,080	126	3,206	1,294
State contributions to social security	799,200	763,941	35,205	799,146	54
Contractual services	3,513,600	3,509,053	-	3,509,053	4,547
Travel	4,400	3,443	782	4,225	175
Commodities	204,900	144,010	57,016	201,026	3,874
Printing	45,900	26,969	14,699	41,668	4,232
Telecommunications services	30,000	29,956	-	29,956	44
Operation of automotive equipment	14,400	13,491	909	14,400	-
	20,717,900	18,137,439	727,363	18,864,802	1,853,098
Field Services:					
Personal services	53,241,800	50,834,935	2,406,800	53,241,735	65
Student, member and inmate compensation	83,800	78,520	5,253	83,773	27
State contributions to state employees' retirement system	8,829,200	8,423,319	399,778	8,823,097	6,103
State contributions to social security	3,985,400	3,804,179	181,178	3,985,357	43
Contractual services	32,899,600	30,190,845	2,708,535	32,899,380	220
Travel	250,600	214,293	33,561	247,854	2,746
Travel and allowance	35,700	30,495	5,111	35,606	94
Commodities	351,400	312,134	37,840	349,974	1,426
Printing	16,300	11,155	3,145	14,300	2,000
Equipment	25,800	22,639	-	22,639	3,161
Telecommunications services	6,762,300	6,491,246	270,994	6,762,240	60
Operation of automotive equipment	2,853,800	2,567,853	285,847	2,853,700	100

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Fourteen Months Ended August 31, 2008

Public Act 95-0348	Appropriations (Net After Transfers)	Expenditures Through June 30, 2008	Lapse Period Expenditures July 1, 2008 to August 31, 2008	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND - 0001 (Continued)					
Field Services (Continued):					
Franklin County Juvenile Detention Center	$ 1,500,000	$ 1,500,000	$ -	$ 1,500,000	$ -
Re-entry, transitional and related services	790,000	247,189	152,282	399,471	390,529
Chaplain services provided to inmates at correctional facilities	250,000	139,799	37,514	177,313	72,687
	111,875,700	104,868,601	6,527,838	111,396,439	479,261
Public Safety Shared Services					
Support of shared services center	5,004,300	4,579,056	406,792	4,985,848	18,452
Total General Revenue Fund	198,819,600	171,354,985	12,396,628	183,751,613	15,067,987
DEPARTMENT OF CORRECTIONS REIMBURSEMENT FUND - 0523					
General Office:					
School district programs	15,000,000	3,645,089	2,977,446	6,622,535	8,377,465
Federal programs	28,000,000	14,425,647	92,878	14,518,525	13,481,475
Miscellaneous programs	22,000,000	16,796,587	3,004,385	19,800,972	2,199,028
Total Department of Corrections Reimbursement Fund	65,000,000	34,867,323	6,074,709	40,942,032	24,057,968
TOTAL APPROPRIATED FUNDS	$ 263,819,600	$ 206,222,308	$ 18,471,337	$ 224,693,645	$ 39,125,955

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Fourteen Months Ended August 31, 2007

Public Act 94-798; 95-144	Appropriations (Net After Transfers)	Expenditures Through June 30, 2007	Lapse Period Expenditures July 1, 2007 to August 31, 2007	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND - 0001					
General Office:					
Personal services	$ 12,348,900	$ 11,763,551	$ 580,244	$ 12,343,795	$ 5,105
State contributions to state employees' retirement system	1,423,100	1,355,570	67,479	1,423,049	51
State contributions to social security	933,563	889,093	44,396	933,489	74
Contractual services	6,997,973	5,550,404	1,425,537	6,975,941	22,032
Travel	224,300	188,289	35,653	223,942	358
Commodities	105,300	83,361	21,855	105,216	84
Printing	2,300	1,269	1,020	2,289	11
Equipment	15,700	15,663	-	15,663	37
Electronic data processing	5,396,900	3,844,913	1,501,149	5,346,062	50,838
Telecommunications services	2,136,000	1,439,822	696,055	2,135,877	123
Operation of automotive equipment	227,900	214,759	13,097	227,856	44
Tort claims	1,009,639	458,370	551,268	1,009,638	1
Statewide hospitalization services	5,454,700	5,390,288	-	5,390,288	64,412
Administrative shared services	7,372,900	6,282,686	330,631	6,613,317	759,583
Sheriffs' fees for conveying prisoners	374,900	374,899	-	374,899	1
State's share of Assistant State's Attorneys' salaries reimbursement to counties pursuant to Chapter 53 of the Illinois Compiled Statutes	418,200	254,257	34,470	288,727	129,473
Repairs, maintenance and other capital improvements	1,087,300	451,298	398,270	849,568	237,732
	45,529,575	38,558,492	5,701,124	44,259,616	1,269,959
Adult Education:					
Personal services	11,948,500	11,423,729	524,769	11,948,498	2
Student, member and inmate compensation	15,400	12,747	2,554	15,301	99
State contributions to state employees' retirement system	1,313,100	1,251,260	57,831	1,309,091	4,009
State contributions to state teachers' retirement system	4,500	3,312	134	3,446	1,054
State contributions to social security	768,300	733,808	34,397	768,205	95
Contractual services	2,105,457	1,710,695	387,180	2,097,875	7,582
Travel	12,700	9,518	402	9,920	2,780

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Fourteen Months Ended August 31, 2007

Public Act 94-798; 95-144	Appropriations (Net After Transfers)	Expenditures Through June 30, 2007	Lapse Period Expenditures July 1, 2007 to August 31, 2007	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND - 0001 (Continued)					
Adult Education (Continued):					
Commodities	$ 215,400	$ 169,082	$ 45,010	$ 214,092	$ 1,308
Printing	45,700	28,483	16,433	44,916	784
Telecommunications services	12,800	12,766	34	12,800	-
Operation of automotive equipment	12,300	8,937	3,363	12,300	-
	16,454,157	15,364,337	1,072,107	16,436,444	17,713
Field Services:					
Personal services	50,568,400	48,353,846	2,214,492	50,568,338	62
Student, member and inmate compensation	85,500	78,592	6,857	85,449	51
State contributions to state employees' retirement system	5,831,900	5,576,408	255,401	5,831,809	91
State contributions to social security	3,792,223	3,626,158	166,039	3,792,197	26
Contractual services	25,027,200	23,009,566	2,017,280	25,026,846	354
Travel	266,800	229,322	35,073	264,395	2,405
Travel and allowance for prisoners	37,500	32,426	3,532	35,958	1,542
Commodities	400,000	364,169	33,288	397,457	2,543
Printing	28,500	17,245	10,024	27,269	1,231
Equipment	26,000	22,426	739	23,165	2,835
Telecommunications services	7,032,500	6,645,479	387,021	7,032,500	-
Operation of automotive equipment	3,039,300	2,133,990	905,297	3,039,287	13
St. Clair County Detention Center - Halfway Back Program	300,000	300,000	-	300,000	-
Chaplain services provided to inmates at correctional facilities	250,000	150,199	23,682	173,881	76,119
Hiring frontline staff	11,750,000	11,514,811	182,054	11,696,865	53,135
Re-entry, transitional and related services	790,000	546,718	150,762	697,480	92,520
Juvenile methamphetamine pilot program - Franklin County Juvenile Detention Center	1,500,000	700,000	-	700,000	800,000
Staff and administrative support for the Long-Term Prisoners Study Committee	150,000	150,000	-	150,000	-
Matching funds for job preparation program expansion	200,000	-	-	-	200,000

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Fourteen Months Ended August 31, 2007

Public Act 94-798; 95-144	Appropriations (Net After Transfers)	Expenditures Through June 30, 2007	Lapse Period Expenditures July 1, 2007 to August 31, 2007	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND - 0001 (Continued)					
Field Services (Continued):					
Matching funds for transitional jobs program	$ 240,000	$ -	$ -	$ -	$ 240,000
Grant - Operation Ceasefire	6,250,000	3,000,000	-	3,000,000	3,250,000
South Suburban Disproportionate Minority Confinement Foundation study of disproportionate minority confinement	50,000	50,000	-	50,000	-
Women's Justice Services grant to Cook County	500,000	-	-	-	500,000
Cook County Juvenile Detention Center	7,500,000	7,500,000	-	7,500,000	-
Cook County Boot Camp Center	1,500,000	1,500,000	-	1,500,000	-
	127,115,823	115,501,355	6,391,541	121,892,896	5,222,927
Total General Revenue Fund	189,099,555	169,424,184	13,164,772	182,588,956	6,510,599
DEPARTMENT OF CORRECTIONS REIMBURSEMENT FUND - 0523					
General Office:					
School district programs	15,000,000	6,589,563	2,171,195	8,760,758	6,239,242
Federal programs	28,960,000	11,940,729	4,972,506	16,913,235	12,046,765
Miscellaneous programs	19,500,000	16,182,709	3,254,709	19,437,418	62,582
Total Department of Corrections Reimbursement Fund	63,460,000	34,713,001	10,398,410	45,111,411	18,348,589
TOTAL APPROPRIATED FUNDS	$ 252,559,555	$ 204,137,185	$ 23,563,182	$ 227,700,367	$ 24,859,188

Notes: All data in this schedule has been obtained from Comptroller records and reconciled to those of the Department. No balances were reappropriated as of July 1, 2007.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Years Ended June 30, 2008 and 2007

	Fiscal Year 2008	Fiscal Year 2007
	P.A. 95-0348	P.A. 94-798, 95-144
APPROPRIATED FUNDS		
General Revenue Fund - 0001		
General Office:		
Appropriations (net after transfers)	$ 61,221,700	$ 45,529,575
Expenditures		
Personal services	12,808,900	12,343,795
State contributions to state employees' retirement system	2,124,155	1,423,049
State contributions to social security	956,980	933,489
Contractual services	7,788,816	6,975,941
Travel	238,964	223,942
Commodities	128,481	105,216
Printing	1,483	2,289
Equipment	1,671	15,663
Electronic data processing	3,987,700	5,346,062
Telecommunications services	1,427,852	2,135,877
Operation of automotive equipment	256,940	227,856
Tort claims	1,176,877	1,009,638
Cook County Juvenile Detention Center	7,500,000	-
Cook County Boot Camp Center	1,500,000	-
Statewide hospitalization services	7,160,578	5,390,288
Administrative shared services	-	6,613,317
Sheriffs' fees for conveying prisoners	337,400	374,899
State's share of Assistant State's Attorneys' salaries reimbursement to counties pursuant to Chapter 53 of the Illinois Compiled Statutes	276,831	288,727
Repairs, maintenance and other capital improvements	830,896	849,568
Total expenditures	48,504,524	44,259,616
Lapsed balances	$ 12,717,176	$ 1,269,959
Adult Education:		
Appropriations (net after transfers)	$ 20,717,900	$ 16,454,157
Expenditures		
Personal services	12,302,125	11,948,498
Student, member and inmate compensation	13,054	15,301
State contributions to state employees' retirement system	1,946,943	1,309,091
State contributions to state teachers' retirement system	3,206	3,446
State contributions to social security	799,146	768,205
Contractual services	3,509,053	2,097,875
Travel	4,225	9,920
Commodities	201,026	214,092
Printing	41,668	44,916
Telecommunications services	29,956	12,800
Operation of automotive equipment	14,400	12,300
Total expenditures	18,864,802	16,436,444
Lapsed balances	$ 1,853,098	$ 17,713

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Years Ended June 30, 2008 and 2007

	Fiscal Year 2008	Fiscal Year 2007
	P.A. 95-0348	P.A. 94-798, 95-144
General Revenue Fund - 0001 (continued)		
Field Services:		
Appropriations (net after transfers)	$ 111,875,700	$ 127,115,823
Expenditures		
Personal services	53,241,735	50,568,338
Student, member and inmate compensation	83,773	85,449
State contributions to state employees' retirement system	8,823,097	5,831,809
State contributions to social security	3,985,357	3,792,197
Contractual services	32,899,380	25,026,846
Travel	247,854	264,395
Travel and allowance for prisoners	35,606	35,958
Commodities	349,974	397,457
Printing	14,300	27,269
Equipment	22,639	23,165
Telecommunications services	6,762,240	7,032,500
Operation of automotive equipment	2,853,700	3,039,287
St. Clair County Detention Center - Halfway Back Program	-	300,000
Chaplain services provided to inmates at correctional facilities	177,313	173,881
Hiring frontline staff	-	11,696,865
Re-entry, transitional and related services	399,471	697,480
Juvenile methamphetamine pilot program - Franklin County Juvenile Detention Center	1,500,000	700,000
Staff and administrative support for the Long-Term Prisoners Study Committee	-	150,000
Grant - Operation Ceasefire	-	3,000,000
South Suburban Disproportionate Minority Confinement Foundation - study of Disproportionate Minority Confinement	-	50,000
Cook County Juvenile Detention Center	-	7,500,000
Cook County Boot Camp Center	-	1,500,000
Total expenditures	111,396,439	121,892,896
Lapsed balances	$ 479,261	$ 5,222,927
Public Safety Shared Services:		
Appropriations (net after transfers)	$ 5,004,300	$ -
Expenditures		
Support of shared services center	4,985,848	-
Total expenditures	4,985,848	-
Lapsed balances	$ 18,452	$ -

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Years Ended June 30, 2008 and 2007

	Fiscal Year 2008	Fiscal Year 2007
	P.A. 95-0348	P.A. 94-798, 95-144
Department of Corrections Reimbursement Fund - 0523		
General Office:		
Appropriations (net after transfers)	$ 65,000,000	$ 63,460,000
Expenditures		
School district programs	6,622,535	8,760,758
Federal programs	14,518,525	16,913,235
Miscellaneous programs	19,800,972	19,437,418
Total expenditures	40,942,032	45,111,411
Lapsed balances	$ 24,057,968	$ 18,348,589
Total - All Appropriated Funds		
Appropriations (net after transfers)	$ 263,819,600	$ 252,559,555
Expenditures	224,693,645	227,700,367
Lapsed balances	$ 39,125,955	$ 24,859,188

Note: The comparative schedule of net appropriations, expenditures, and lapsed balances does not include State Officers' salaries paid by the Office of the Comptroller. For the years ended June 30, 2008 and 2007, State Officers' salaries were as follows:

	2008	2007
Director	$ 144,728	$ 133,960
Assistant Director	123,063	115,871
	$ 267,791	$ 249,831

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

SCHEDULE OF CHANGES IN STATE PROPERTY

For the Fiscal Years Ended June 30, 2008 and 2007

UNAUDITED

	Equipment	Land and Land Improvements	Buildings	Site Improvements	Capital Lease Equipment	Total
Balance at July 1, 2006	See Note below.					
Additions						
Deletions						
Net Transfers						
Balance at June 30, 2007	$ -	$ -	$ -	$ -	$ -	$ -
Balance at July 1, 2007	$ 47,500,620	$ (326,927)	$ (1,963,420)	$ 691,833	$ (62,071)	$ 45,840,035
Additions	1,365,431	726,927	-	-	-	2,092,358
Deletions	9,614,370	-	2,371,285	(691,833)	62,071	11,355,893
Net Transfers	(19,243,949)	-	-	-	-	(19,243,949)
Balance at June 30, 2008	$ 39,236,472	$ 400,000	$ 407,865	$ -	$ -	$ 40,044,337

Note: As indicated in Findings 08-2 and 08-7, the Department did not provide copies of the supporting documentation for the fiscal year 2007 Agency Report of State Property Forms (C-15). Due to this lack of documentation, the Department could not break out the activity to present this schedule for the divisions for which we performed our compliance testing. The Department could also not determine the reason for the negative balances at July 1, 2007. The C-15 detail provided to us for fiscal year 2008 included summarized totals by division. The Department could not provide us with individual transaction detail to support the summarized totals. As a result, we could not test the composition of the transactions reported on the C-15s for fiscal year 2008. Because of these weaknesses, this schedule is unaudited.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Fund 0001 - General Revenue Fund		
General Office:		
Jury duty	$ -	$ 107
Concession and vending revenue	3,543	5,281
Prior year refunds	77,976	52,923
Miscellaneous	5,719	13,274
	87,238	71,585
School District:		
Miscellaneous	-	30
Adult Field Services:		
Dormant trust accounts	77	-
Miscellaneous	1,015	3,783
	1,092	3,783
Correctional Centers:		
Jury duty	12,656	11,790
Reimbursement for damages	-	230
Dormant trust accounts	2,314	1,397
Copy fees and contraband	1,194	957
Rent, jury duty, phone calls, and recycling	718	4,202
Witness fees	7,497	510
Replacement badges	1,301	-
Miscellaneous	31,346	55,760
	57,026	74,846
Total - Fund 0001	145,356	150,244
Fund 0523 - Department of Corrections Reimbursement Fund		
General Office:		
Court ordered reimbursement	27,570	161,910
Inmate maintenance work release	1,794,702	1,783,260
Illinois Department of Public Health	161,003	118,732
Library reimbursement	62,798	78,274
Inmate reimbursement - miscellaneous	728,803	620,430
Recovered workers' compensation	24,368	66,795
U.S. Department of Justice	8,059,700	6,804,195
National Institute of Justice	950,625	938,130

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Fund 0523 - Department of Corrections Reimbursement Fund - continued		
Illinois Criminal Justice Information Authority	$ 16,797,525	$ 13,437,712
Illinois State Board of Education	-	251,974
Illinois Department of Human Services	3,162,256	1,621,200
Special education personnel reimbursement	-	138,287
Illinois Arts Council	-	3,000
Illinois Office of the Attorney General	-	12,088
Private organizations	162,012	158,118
College tuition reimbursement	22,906	25,951
U.S. Social Security Administration	296,800	349,200
Illinois Community College Board	2,261,941	2,062,279
Medicaid receipts	111,342	227,463
Telephone commissions	5,299,992	5,299,992
Illinois Emergency Management Agency	16,879	260,840
Inmate commissary sales profit	6,063,120	5,276,436
U.S. Department of Labor	-	126,256
Illinois Department of Commerce and Economic Opportunity	873	-
Prior year refunds	274,978	25,790
Total - Fund 0523	46,280,193	39,848,312
Total Funds 0001 and 0523	$ 46,425,549	$ 39,998,556
Total Both Funds		
Jury duty	$ 12,656	$ 11,897
Concession and vending revenue	3,543	5,281
Miscellaneous	38,080	72,847
Reimbursement for damages	-	230
Dormant trust accounts	2,391	1,397
Copy fees and contraband	1,194	957
Rent, jury duty, phone calls, and recycling	718	4,202
Witness fees	7,497	510
Court ordered reimbursement	27,570	161,910
Inmate maintenance work release	1,794,702	1,783,260
Illinois Department of Public Health	161,003	118,732
Library reimbursement	62,798	78,274
Inmate reimbursement - miscellaneous	728,803	620,430
Recovered workers' compensation	24,368	66,795
U.S. Department of Justice	8,059,700	6,804,195
National Institute of Justice	950,625	938,130

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Total Both Funds - continued		
Illinois Criminal Justice Information Authority	$ 16,797,525	$ 13,437,712
Illinois State Board of Education	-	251,974
Illinois Department of Human Services	3,162,256	1,621,200
Special education personnel reimbursement	-	138,287
Illinois Arts Council	-	3,000
Illinois Office of the Attorney General	-	12,088
Private organizations	162,012	158,118
College tuition reimbursement	22,906	25,951
U.S. Social Security Administration	296,800	349,200
Illinois Community College Board	2,261,941	2,062,279
Medicaid receipts	111,342	227,463
Telephone commissions	5,299,992	5,299,992
Illinois Emergency Management Agency	16,879	260,840
Inmate commissary sales profit	6,063,120	5,276,436
U.S. Department of Labor	-	126,256
Replacement badges	1,301	-
Department of Commerce and Economic Opportunity	873	-
Prior year refunds	352,954	78,713
Total Funds 0001 and 0523	$ 46,425,549	$ 39,998,556

Note: This schedule is presented for both the General Office and Correctional Centers (but excluding Correctional Industries) as the Department is unable to present a reconciliation of Department receipts by fund to those deposited by the Illinois Office of the Comptroller segregated by General Office and Correctional Centers.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPLIANCE EXAMINATION - GENERAL OFFICE
(Including Adult Education, Field Services, and Public Safety Shared Services)

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

For the Fiscal Years Ended June 30, 2008 and 2007

	Fund 0001 General Revenue Fund	Fund 0523 Department of Corrections Reimbursement Fund	Total
Fiscal Year 2008			
Receipts per Department records	$ 145,356	$ 46,280,193	$ 46,425,549
Deposits in-transit to the State Comptroller:			
Beginning of year	-	-	-
End of year	(1,662)	-	(1,662)
Deposits recorded by the State Comptroller	$ 143,694	$ 46,280,193	$ 46,423,887
Fiscal Year 2007			
Receipts per Department records	$ 150,244	$ 39,848,312	$ 39,998,556
Deposits in-transit to the State Comptroller:			
Beginning of year	-	-	-
End of year	-	-	-
Deposits recorded by the State Comptroller	$ 150,244	$ 39,848,312	$ 39,998,556

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Fiscal Years Ended June 30, 2008 and 2007

The Department of Corrections' (Department) explanations for significant fluctuations in expenditures in excess of $250,000 and 25% between fiscal year 2007 and 2008 as presented in the Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances is detailed below. An analysis of the fluctuation in expenditures from fiscal year 2006 to 2007 was not performed due to the creation of the Illinois Department of Juvenile Justice on June 1, 2006. This new State agency was previously a division within the Department. The removal of an entire division of the Department did not lend for effective comparisons for the fiscal years involved.

General Revenue Fund – 0001

General Office

State contributions to state employees' retirement expenditures increased $701,106 or 49% in fiscal year 2008 due to an increase in the percentage the State is required to contribute. In fiscal year 2007, the State was required to contribute 11.525% for each employee. This amount was increased to a 16.561% contribution in fiscal year 2008.

Electronic data processing expenditures decreased $1,358,362 or 25% in fiscal year 2008 due to a reduction in available appropriations by $1,409,200 from fiscal year 2007. As noted in finding 08-4, the Department also did not pay all amounts owed to the Department of Central Management Services for electronic data processing during fiscal year 2008.

Telecommunications services expenditures decreased $708,025 or 33% in fiscal year 2008 due to a reduction in available appropriations by $708,000 from fiscal year 2007. As noted in finding 08-4, the Department also did not pay all amounts owed to the Department of Central Management Services for telecommunication services during fiscal year 2008.

In fiscal year 2008, Cook County Juvenile Detention Center had increased expenditures of $7,500,000 or 100% and Cook County Boot Camp Center had increased expenditures of $1,500,000 or 100%. Both increases in expenditures were due to these appropriation lines being changed from Field Services division to General Office division. A similar decrease in expenditures is noted in the Field Services division portion of this analysis. In total, the programs expended identical amounts in both fiscal years.

Statewide hospitalization services expenditures increased $1,770,290 or 33% during fiscal year 2008. The increased expenditures were due to a $2,000,000 increase in fiscal year 2008 appropriations from fiscal year 2007 to pay additional liabilities.

In fiscal year 2008, expenditures for administrative shared services decreased $6,613,317 or 100% because the function was moved out of the General Office division to the Public Safety Shared Services division.

Adult Education

State contributions to state employees' retirement system expenditures increased in fiscal year 2008 by $637,852 or 49% due to an increase in the overall State's rate from 11.525% to 16.561%.

Contractual services expenditures increased $1,411,178 or 67% in fiscal year 2008. Contractual services can be paid through the General Revenue Fund or the Department of Corrections Reimbursement Fund (0523). The Job Preparedness Program grant in the Department of Corrections Reimbursement Fund ended on September 29, 2007. The Department received additional contractual services appropriations in the General Revenue Fund to continue this program in fiscal year 2008. In addition, the Department provided community colleges it contracts with for vocational education services a 4% pay stipend in fiscal year 2008.

Field Services

State contributions to state employee's retirement system expenditures increased $2,991,288 or 51% in fiscal year 2008 due to an increase in the overall State's rate from 11.525% to 16.561%.

Contractual services expenditures increased $7,872,534 or 31% in fiscal year 2008. The Department had grant funded community-based programs that were being funded with Violent Offender Incarceration and Truth-in-Sentencing (VOITIS) grant funds. These grant dollars expired on September 29, 2007 and in order to maintain these programs, the General Revenue Fund had to pick up the costs for the remainder of fiscal year 2008. The Department's fiscal year 2008 General Revenue Fund budget appropriation reflected this increased liability on Field Services contractual services to maintain these community-based programs with General Revenue Fund dollars beyond the September 29, 2007 grant expiration. Field Services General Revenue Fund spending on these community-based programs went from $8.2 million in fiscal year 2007 to $15.5 million in fiscal year 2008. This increase was directly attributed to the expiration of the grant dollars a quarter of the way into fiscal year 2008.

St. Clair County Detention Center – Halfway Back Program expenditures decreased $300,000 or 100% from fiscal year 2007 because these funds were appropriated to the Department of Juvenile Justice in fiscal year 2008.

Hiring frontline staff expenditures decreased $11,696,865 or 100% in fiscal year 2008. The Department was not provided an appropriation to hire additional staff in the Field Services division during 2008. There was $12 million appropriated to the General Office division during 2008 to hire front line staff, but the Department could not hire new employees due to a hiring freeze.

Re-entry, transitional and related services expenditures decreased $298,009 or 43% in fiscal year 2008. In fiscal year 2007 the Department had memorandums of understanding (MOUs), which were executed using contractual agreements, which limited the flexibility of the Department to make payments regardless of the amount of services received. In fiscal year 2008, they did not have any MOUs and, therefore, only paid for services received.

The Juvenile Methamphetamine Pilot Program – Franklin County Juvenile Detention Center expenditures increased $800,000 or 114% in fiscal year 2008. In fiscal year 2007, funds for this program were split between this line and the School District Programs line in the Department of Corrections Reimbursement Fund. In fiscal year 2008, all expenditures came from this line.

Grant-Operation Ceasefire expenditures decreased $3,000,000 or 100% in fiscal year 2008 because it was a one year appropriation.

In fiscal year 2008, Cook County Juvenile Detention Center had decreased expenditures of $7,500,000 or 100% and Cook County Boot Camp Center had decreased expenditures of $1,500,000 or 100%. Both decreases in expenditures were due to these appropriation lines being changed from Field Services division to General Office division.

Public Safety Shared Services

Support of the Public Safety Shared Services Center increased $4,985,848 or 100% in fiscal year 2008 because the appropriation line was transferred from the General Office division into the Public Safety Shared Services division. In total, the Department expended $1,627,469 less in fiscal year 2008 than in fiscal year 2007 due to more Public Safety Shared Services Center start up costs incurred in fiscal year 2007 than in fiscal year 2008 when the center became operational.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Fiscal Years Ended June 30, 2008 and 2007

The Department of Corrections' (Department) explanations for significant fluctuations in receipts in excess of 25% and $250,000 between fiscal year 2007 and 2008 as presented in the Comparative Schedule of Cash Receipts is detailed below. An analysis of the fluctuation in receipts from fiscal year 2006 to 2007 was not performed due to the creation of the Illinois Department of Juvenile Justice on June 1, 2006. This new State agency was previously a division within the Department. The removal of an entire division of the Department did not lend for effective comparisons for the fiscal years involved.

Department of Corrections Reimbursement Fund – 0523

General Office

In fiscal year 2008, funding provided by the Illinois Criminal Justice Information Authority increased $3,359,813 or 25% from fiscal year 2007. Approximately 30 programs started in late fiscal year 2007 and the majority of the expenditures occurred during fiscal year 2008. Due to the fact that funds are received based upon expenditures, the Department received more funds during fiscal year 2008.

In fiscal year 2008, the Illinois State Board of Education provided the Department $251,974 or 100% less than in fiscal year 2007. When the funds were received in fiscal year 2007, a receipt account code for the Department of Juvenile Justice (DJJ) had not been established with the Comptroller's Office. Because the 0523 Fund is shared by the Department and DJJ, the funds were deposited into the fund using the Department's receipt code and identified as belonging to the Department. During fiscal year 2008, the funds were deposited using a DJJ receipt account code.

Receipts from the Illinois Department of Human Services (DHS) increased $1,541,056 or 95% in fiscal year 2008 from fiscal year 2007 due to the increase funding received through the Temporary Assistance for Needy Families (TANF) program. The distribution of TANF funds is determined by DHS and is affected by the number of inmates eligible for such funding.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Fiscal Years Ended June 30, 2008 and 2007

The Department of Corrections' (Department) explanations for significant lapse period expenditures in excess of 25% of total expenditures and $100,000 for fiscal years 2007 and 2008 presented in the Schedule of Appropriations, Expenditures and Lapsed Balances is detailed below.

Fiscal Year 2008

Fund, Fund Number, and Explanation	Total Expenditures	Lapse Period Expenditures	Percent
General Revenue Fund – 0001			
General Office			
Tort claims The timing of the claims received and processed resulted in significant payments made during the lapse period.	$ 1,176,877	$ 718,564	61%
Repairs, maintenance and other Capital improvements The Department's non-emergency repair and maintenance projects are scheduled around weather conditions. Outdoor projects must be completed when the weather is suitable, such as during March through June, which results in the majority of expenses related to these projects being paid during the lapse period.	$ 830,896	$ 437,696	53%
Field Services			
Re-entry, transitional and related services The timing of the final contractual payments to vendors results in a significant amount of payments during the lapse period. Final payment is based upon receipt of the final vendor reimbursement requests, which occurs after June 30.	$ 399,471	$ 152,282	38%

Fund, Fund Number, and Explanation	Total Expenditures	Lapse Period Expenditures	Percent
Fiscal Year 2008 - Continued			
Department of Corrections Reimbursement Fund – 0523			
General Office			
School district programs The timing of the final contractual payments to the colleges results in a significant amount of payments during the lapse period. Final payment is based upon receipt of the final quarterly expenditure report, which occurs after June 30.	$ 6,622,535	$ 2,977,446	45%
Fiscal Year 2007			
General Revenue Fund – 0001			
General Office			
Electronic data processing The Department pays outside vendors before it pays its bills from the Statistical Services Revolving Fund (SSRF). The General Office received its SSRF bill several months after the services were provided. Due to the significant delay in billing, the fourth quarter billings were not paid until the lapse period.	$ 5,346,062	$ 1,501,149	28%
Telecommunications services The General Office received its Communications Revolving Fund bill several months after the services were provided. Due to the significant delay in billing, the fourth quarter billings were not paid until the lapse period.	$ 2,135,877	$ 696,055	33%

Fund, Fund Number, and Explanation	Total Expenditures	Lapse Period Expenditures	Percent
Fiscal Year 2007 - Continued			
Tort claims A settlement payment was made during the lapse period due to the timing of the settlement agreement.	$ 1,009,638	$ 551,268	55%
Repairs, maintenance and other capital improvements The Department's non-emergency repair and maintenance projects are scheduled around weather conditions. Outdoor projects must be completed when the weather is suitable, such as during March through June, which results in the majority of expenses related to these projects being paid during the lapse period.	$ 849,568	$ 398,270	47%
Field Services			
Operation of automotive equipment Gasoline vendors do not bill the Department on a timely basis. Additionally, the General Office received its State Garage Revolving Fund bill several months after the services were provided. Due to the significant delay in billing, the fourth quarter billings were not paid until the lapse period.	$ 3,039,287	$ 905,297	30%

Fund, Fund Number, and Explanation	Total Expenditures	Lapse Period Expenditures	Percent
Fiscal Year 2007 – Continued			
Department of Corrections Reimbursement Fund – 0523			
General Office			
School district programs The timing of the final contractual payments to the colleges results in a significant amount of payments during the lapse period. Final payment is based upon receipt of the final quarterly expenditure report, which occurs after June 30.	$ 8,760,758	$ 2,171,195	25%
Federal programs Violent Offender Incarceration and Truth in Sentencing Incentive grant funds were drawn down toward the end of the fiscal year and paid out during the lapse period for previously incurred obligations.	$ 16,913,235	$ 4,972,506	29%

ANALYSIS OF ACCOUNTS RECEIVABLE

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

STATE HOUSING BENEFITS

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

PUBLICATIONS

The Department of Corrections published the following Reports:

- Fiscal Year 2008 Department of Corrections Annual Report
- Fiscal Year 2007 Department of Corrections Annual Report
- Inside Out Report – Community Safety and Reentry Commission Report (2008)
- Fiscal Year 2007 Illinois Correctional Industries Annual Report

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF OPERATIONS

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Fiscal Years Ended June 30, 2008 and 2007

Mission Statement

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

Organization

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

Roger E. Walker, Jr. was the Department Director until June 7, 2009. Michael P. Randle became director on June 8, 2009. The Director's office was at the Concordia Complex, 1301 Concordia Court, P.O. Box 19277, Springfield, Illinois 62794-9277.

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

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

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

Internal Organization

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

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

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

Strategic Planning and Priorities

The Department had five major programs:

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

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

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

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

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

AVERAGE NUMBER OF EMPLOYEES

For the Fiscal Years Ended June 30, 2008 and 2007

The following table, prepared from Department records, presents the average number of employee by the divisions on which we performed a compliance examination for the fiscal years ended June 30, 2008 and 2007. An analysis of the average number of employees for the fiscal year ended June 30, 2006 was not performed due to the creation of the Illinois Department of Juvenile Justice on June 1, 2006. This new State agency was previously a division within the Department. The removal of an entire division of the Department did not lend for effective comparisons for the fiscal years involved.

	Fiscal Year	
Division	2008	2007
General Office	188	182
Adult Education	190	196
Field Services	761	786
Public Safety Shared Services	60	69
Total average full-time employees	1,199	1,233

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

PUBLIC SAFETY SHARED SERVICES CENTER (PSSSC)
Located at the Department of Corrections

For the Fiscal Years Ended June 30, 2008 and 2007

Executive Order 2006-6, issued March 31, 2006, ordered the creation of a Division of Shared Services within the Department of Corrections to serve designated "public safety" agencies. The Shared Services Division at the Department of Corrections, called the Public Safety Shared Services Center (PSSSC), was created to combine certain functions of nine "public safety" agencies: the Department of Corrections (DOC), Department of Juvenile Justice (DOJJ), Department of Military Affairs (DMA), Department of State Police (DSP), Illinois Criminal Justice Information Authority (ICJIA), Illinois Emergency Management Agency (IEMA), Law Enforcement Training and Standards Board (LETSB), Office of the State Fire Marshal (OSFM), and Prisoner Review Board (PRB).

The stated purpose of the Division of Shared Services was to consolidate certain common administrative functions, such as human resources, personnel, payroll, timekeeping, procurement, and financial processes, currently being performed by individual agencies, to improve the ability of all State agencies to share management knowledge and capitalize on synergies and economies of scale.

The first function consolidated in the PSSSC was the human resources operations, which began in December 2007 with the signing of several interagency agreements between DOC and DSP, IEMA, OSFM, and ICJIA. Fiscal accounting personnel were transferred from the user agencies on May 1, 2008 and the functions were transferred on October 1, 2008 with the signing of an interagency agreement between DOC, DSP, OSFM, and IEMA.

As of June 30, 2008, several of the agencies classified as "public safety" agencies had experienced no changes in their operations due to PSSSC implementation. PRB and DOJJ had previously signed interagency agreements with DOC to perform certain human resources and fiscal functions on their behalf. LETSB and DMA did not sign any interagency agreements with DOC, did not begin receiving any services from the PSSSC, and continued to perform their human resources and fiscal operations independently.

In fiscal year 2007, seven agencies were appropriated $13.4 million for costs and expenses related to or in support of the PSSSC Shared Services Center; $11.1 million was appropriated in fiscal year 2008. DOJJ and PRB did not receive any appropriations for these purposes during fiscal years 2007 or 2008. Exhibit 1 summarizes the appropriations and expenditures for the seven agencies receiving appropriations for the PSSSC Shared Services Center in fiscal years 2007 and 2008.

Exhibit 1 PSSSC SHARED SERVICES APPROPRIATIONS AND EXPENDITURES Fiscal Years 2007 and 2008				
	Fiscal Year 2007		Fiscal Year 2008	
	Appropriations	Expenditures	Appropriations	Expenditures
DOC	$ 7,372,900	$ 6,613,317	$ 5,004,300	$ 4,985,848
DMA	567,500	506,821	558,505	556,628
DSP	2,140,200	2,046,500	1,957,500	1,656,937
ICJIA	1,050,600	284,401	1,042,065	-
IEMA	1,667,000	1,494,223	1,867,550	1,487,140
LETSB	22,400	-	22,400	-
OSFM	627,815	612,283	627,900	618,622
TOTALS	**$ 13,448,415**	**$ 11,557,545**	**$ 11,080,220**	**$ 9,305,175**
Source: OAG from Comptroller data				

As part of the development of the Shared Services Program, the Governor's Office of Management and Budget entered into contracts with several firms to perform consulting and professional services to facilitate the reorganization of common functions into Shared Services Centers, as well as provide staffing and organizational analyses.

The amount paid out by the State for these contracts totaled over $9 million over fiscal years 2006, 2007 and 2008. Exhibit 2 summarizes the amounts paid to the contractors over this time period.

Exhibit 2 AMOUNTS PAID TO SHARED SERVICES CONTRACTORS Fiscal Years 2006, 2007, and 2008				
Contractor	**FY 2006**	**FY 2007**	**FY 2008**	**TOTAL**
Deloitte Consulting LLP	$ 900,000	$ 3,772,500	$2,166,972	**$ 6,839,472**
Diamond Cluster	-	1,240,789	-	**1,240,789**
Public Financial Management	-	537,503	-	**537,503**
Harvey M. Rose Associates	-	392,836	-	**392,836**
Sequoia Consulting	13,500	-	-	**13,500**
TOTAL	**$ 913,500**	**$ 5,943,628**	**$2,166,972**	**$ 9,024,100**
Source: OAG from Comptroller and/or Agency Data				

The costs of these contracts were allocated among many of the State agencies designated to participate in the various Shared Services Programs. For the State agencies under the PSSSC, the following amounts were paid:

- DOC: $170,500 to Deloitte in FY06, $1,808,875 to Deloitte in FY07, and $165,000 to Deloitte in FY08;
- DMA: $15,000 to Deloitte in FY06;

- DSP: $62,500 to Deloitte in FY06;
- ICJIA: $15,000 to Deloitte in FY06;
- IEMA: $15,000 to Deloitte in FY06; and
- OSFM: $15,000 to Deloitte in FY06.

Note: DOJJ and PRB did not pay any amounts to the contractors specified in Exhibit 2.

As part of our review of the Shared Services Program statewide, we sent a survey to all agencies that received an appropriation for Shared Services operations in fiscal years 2007 and/or 2008. We also surveyed the Shared Service Centers and asked similar questions of them.

One of the goals of the Shared Services Program was to realize cost savings through the consolidation of the common functions of several agencies into one location. In its response to our survey, the PSSSC reported savings of $465,200 in fiscal year 2008. These are unaudited figures. The PSSSC did not report any savings in fiscal years 2006 or 2007. The savings reported for fiscal year 2008 were attributed to five partial staff positions for several months during fiscal year 2008 and their associated support costs. The duties for these positions were transitioned to and incorporated into the PSSSC operations; however, the employees remain employed by the agency and were redeployed into the agency to perform other functions. We question whether keeping these employees on payroll and assigning them to other functions really constitutes a savings.

In response to the survey auditors sent to the user agencies, only one of the agencies included in the PSSSC reported savings; the others did not. ICJIA reported savings of $84,092 in fiscal year 2008.

Exhibit 3 provides a comparison of the implementation costs reported by the agencies to the savings reported by the individual agencies and the PSSSC. The implementation costs reported by individual agencies include payroll and related costs, travel, moving, equipment and furniture acquisitions, temporary employees, telecommunications, and contractual services.

Exhibit 3
COMPARISON OF IMPLEMENTATION COSTS AND SAVINGS REPORTED
Fiscal Years 2006, 2007, and 2008
(Unaudited)

Agency	Implementation Costs Reported by Individual Agency	Savings Reported by Individual Agency	Savings Reported by PSSSC[1]
DOC	$ 2,461,500	$0	
DOJJ	N/A	N/A	
DMA	15,000	N/A	
DSP	3,764,300	Unknown	
ICJIA	284,401	84,092	

Exhibit 3 COMPARISON OF IMPLEMENTATION COSTS AND SAVINGS REPORTED Fiscal Years 2006, 2007, and 2008 (Unaudited) (Continued)			
Agency	**Implementation Costs Reported by Individual Agency**	**Savings Reported by Individual Agency**	**Savings Reported by PSSSC[1]**
IEMA	$ 5,000	None	
LETSB	None	None	
OSFM	Unknown	Unknown	
PRB	N/A	N/A	
TOTALS	**$ 6,530,201**	**$ 84,092**	**$ 465,200[1]**

[1] The PSSSC response provided a total savings amount, which was not broken down on a per-agency basis.
Source: Responses received to auditors' surveys.

The PSSSC's response to the auditors' survey stated, "The vast majority of the savings will only occur after the new ISIS HR and Fiscal IT operating systems are designed and installed. However, we have captured some savings by co-locating HR personnel and by beginning to standardize HR operating procedures using the Deloitte interim business redesign processes. Additional savings will be captured when we form the PSSSC Fiscal Division in the second quarter of Fiscal Year 2009." The PSSSC then referred to a range of projected savings. However, given the uncertainty as to what the costs to implement the program are, as well as the uncertainty and variations in the estimated savings reported by the individual agencies and the PSSSC, we question whether future savings, if any, can accurately be projected.

The amounts reported by the agencies in Exhibit 3 illustrate how the implementation costs have **significantly exceeded** estimated savings through Fiscal Year 2008 by over $6.4 million. The majority of that deficit is attributed to DOC and DSP, whose combined implementation costs have exceeded $6.2 million with no determination of any savings.

As part of our compliance examinations conducted on agencies for the period ending June 30, 2008, we reviewed expenditures paid from appropriations for Shared Services at selected agencies during fiscal year 2008. At three of the agencies covered by the PSSSC, we sampled expenditure transactions paid from the agency's Shared Services appropriation to determine whether they were related to the Shared Services Program.

Our auditors at DOC performed detail testing of 12 payroll vouchers, totaling $958,621, and 30 expenditure vouchers, totaling $287,647, and noted the payment of employee payroll prior to the signing of the interagency agreement on October 1, 2008.

Our auditors at DSP performed detail testing of 10 payroll vouchers, totaling $467,579, and 15 expenditure vouchers, totaling $60,416, and noted no exceptions.

Our auditors at OSFM performed detail testing of 10 payroll vouchers, totaling $92,350, and 2 expenditure vouchers, totaling $27,361, and noted one of the expenditure vouchers, totaling $27,194, was for the purchase of an office equipment item. This particular item was purchased for use at OSFM's primary location and was purchased to replace a similar item which had been moved to the PSSSC for all PSSSC agencies to use. Both the original item and newly purchased item remain on the OSFM property records.

Our review this year focused on expenditures from the Shared Services Program appropriations and the costs of program implementation to date. While some agencies surveyed reported savings, it was premature to examine asserted savings and programmatic goals achieved at this time.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF EMPLOYEE OVERTIME

For the Fiscal Years Ended June 30, 2008 and 2007

(Unaudited)

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

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

The following tables, prepared from Department records, present the paid overtime and used compensatory time incurred during fiscal years 2008 and 2007.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF EMPLOYEE OVERTIME
(Unaudited)

For the Fiscal Year Ended June 30, 2008

Division	Overtime Hours Paid	$ Value of Overtime Hours Paid	Compensatory Hours Used	$ Value of Compensatory Hours Used	Total Overtime & Compensatory Hours	Total $ Value of Overtime & Compensatory Hours
General Office	5,295	$ 187,241	-	$ -	5,295	$ 187,241
Adult Education	112	4,023	87	1,953	199	5,976
Field Services	36,433	1,555,024	8,021	248,536	44,454	1,803,560
Big Muddy River	16,487	692,776	12,738	357,078	29,225	1,049,854
Centralia	51,727	2,127,864	9,438	266,956	61,165	2,394,820
Danville	4,800	208,283	11,941	343,155	16,741	551,438
Decatur	5,504	248,176	9,785	278,829	15,289	527,005
Dixon	57,720	2,368,291	26,517	752,534	84,237	3,120,825
Dwight	90,172	3,657,976	15,506	426,092	105,678	4,084,068
East Moline	13,677	554,467	17,767	501,989	31,444	1,056,456
Graham	13,224	583,584	15,665	437,592	28,889	1,021,176
Hill	12,690	548,886	12,194	348,175	24,884	897,061
Illinois River	4,800	194,169	17,392	488,564	22,192	682,733
Jacksonville	5,851	290,746	17,152	513,702	23,003	804,448
Lawrence	34,334	1,375,628	22,379	611,228	56,713	1,986,856
Lincoln	32,697	1,355,992	7,835	218,494	40,532	1,574,486
Logan	39,566	1,619,858	16,252	453,357	55,818	2,073,215
Menard	29,283	1,282,026	34,965	1,012,092	64,248	2,294,118
Pinckneyville	9,305	412,981	19,918	565,856	29,223	978,837
Pontiac	45,364	1,969,088	18,316	527,277	63,680	2,496,365
Robinson	17,834	730,652	19,270	541,115	37,104	1,271,767
Shawnee	14,181	610,876	16,725	451,271	30,906	1,062,147
Sheridan	37,407	1,515,068	13,487	380,805	50,894	1,895,873
Southwestern Illinois	3,265	140,333	11,028	317,956	14,293	458,289
Stateville	255,639	10,517,287	112,641	3,252,215	368,280	13,769,502
Tamms	4,091	175,058	9,597	271,146	13,688	446,204
Taylorville	12,959	539,608	7,515	212,265	20,474	751,873
Thomson	513	25,032	2,039	59,653	2,552	84,685
Vandalia	8,065	373,247	14,508	422,646	22,573	795,893
Vienna	5,703	264,387	13,054	387,806	18,757	652,193
Western Illinois	12,384	521,842	21,104	608,612	33,488	1,130,454
Correctional Industries	9,330	424,590	3,384	105,672	12,714	530,262
TOTAL	890,412	$ 37,075,059	538,220	$ 15,364,621	1,428,632	$ 52,439,680

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF EMPLOYEE OVERTIME
(Unaudited)

For the Fiscal Year Ended June 30, 2007

Division	Overtime Hours Paid	$ Value of Overtime Hours Paid	Compensatory Hours Used	$ Value of Compensatory Hours Used	Total Overtime & Compensatory Hours	Total $ Value of Overtime & Compensatory Hours
General Office	7,270	$ 232,539	-	$ -	7,270	$ 232,539
Adult Education	25	777	132	3,272	157	4,049
Field Services	24,344	1,045,334	12,335	355,378	36,679	1,400,712
Big Muddy River	10,474	419,982	9,717	252,731	20,191	672,713
Centralia	31,297	1,194,365	8,161	205,569	39,458	1,399,934
Danville	1,883	81,716	8,877	235,242	10,760	316,958
Decatur	2,635	114,683	6,766	181,887	9,401	296,570
Dixon	23,151	888,051	21,860	575,556	45,011	1,463,607
Dwight	55,664	2,131,936	13,019	336,070	68,683	2,468,006
East Moline	10,557	425,079	14,539	385,409	25,096	810,488
Graham	9,603	389,967	13,167	351,269	22,770	741,236
Hill	6,396	263,794	9,046	240,613	15,442	504,407
Illinois River	2,193	84,879	12,771	343,586	14,964	428,465
Jacksonville	5,820	265,391	13,663	376,055	19,483	641,446
Lawrence	19,144	718,248	21,295	540,781	40,439	1,259,029
Lincoln	11,259	439,406	5,249	133,505	16,508	572,911
Logan	12,716	519,515	9,752	259,309	22,468	778,824
Menard	13,159	573,132	28,084	766,145	41,243	1,339,277
Pinckneyville	5,007	216,382	16,729	444,437	21,736	660,819
Pontiac	30,925	1,268,898	17,638	471,023	48,563	1,739,921
Robinson	14,487	542,864	17,427	451,130	31,914	993,994
Shawnee	11,822	479,334	15,199	389,937	27,021	869,271
Sheridan	21,277	828,721	11,663	316,078	32,940	1,144,799
Southwestern Illinois	1,519	65,774	8,315	225,716	9,834	291,490
Stateville	117,198	4,572,618	84,500	2,296,984	201,698	6,869,602
Tamms	2,364	98,069	8,650	231,129	11,014	329,198
Taylorville	10,969	421,920	6,047	159,858	17,016	581,778
Thomson	562	23,505	2,235	57,912	2,797	81,417
Vandalia	4,408	180,971	14,207	386,642	18,615	567,613
Vienna	4,433	189,726	13,428	375,933	17,861	565,659
Western Illinois	4,031	166,639	15,977	436,660	20,008	603,299
Correctional Industries	8,919	375,986	3,274	96,342	12,193	472,328
TOTAL	485,511	$ 19,220,201	443,722	$ 11,882,158	929,233	$ 31,102,359

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANNUAL COST STATISTICS
(Unaudited)

For the Fiscal Years Ended June 30, 2008 and 2007

	2008			2007		
	Rated Capacity June 30, 2008	Average Daily Population	Average Yearly Cost per Resident [1]	Rated Capacity June 30, 2007	Average Daily Population	Average Yearly Cost per Resident [1]
Adult Institutions: [2]						
Maximum Security						
Dwight	884	1,130	$ 28,910	884	1,087	$ 32,277
Menard	3,098	3,466	20,730	3,098	3,457	18,799
Pontiac	1,800	1,613	32,998	1,800	1,589	32,774
Stateville	3,162	3,342	32,838	3,162	3,358	28,961
Tamms	700	432	64,107	700	447	59,241
Total - Maximum Security	9,644	9,983	29,569	9,644	9,938	27,760
Medium Security [2]						
Big Muddy River	952	1,844	$ 16,294	952	1,858	$ 14,958
Centralia	950	1,515	21,598	950	1,526	19,293
Danville	896	1,810	17,013	896	1,807	16,028
Decatur	500	527	38,167	500	524	36,003
Dixon	1,430	2,108	25,253	1,430	2,189	22,318
Graham	1,174	1,811	20,815	1,174	1,825	19,223
Hill	896	1,805	16,275	896	1,821	15,185
Illinois River	1,011	1,950	17,003	1,011	1,956	16,027
Lawrence	2,257	1,959	19,388	2,257	1,927	17,927
Lincoln	500	972	23,229	500	972	21,264
Logan	1,074	1,884	17,713	1,074	1,890	15,423
Pinckneyville	2,434	2,208	18,361	2,434	2,207	17,689
Shawnee	1,046	1,944	17,691	1,046	1,999	15,896
Sheridan	1,304	943	43,579	1,304	808	46,003
Western Illinois	1,102	1,954	17,514	1,102	1,996	15,985
Total - Medium Security	17,526	25,234	20,263	17,526	25,305	18,663

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANNUAL COST STATISTICS
(Unaudited)

For the Fiscal Years Ended June 30, 2008 and 2007

	2008			2007		
	Rated Capacity June 30, 2008	Average Daily Population	Average Yearly Cost per Resident [1]	Rated Capacity June 30, 2007	Average Daily Population	Average Yearly Cost per Resident [1]
Minimum Security [2]						
East Moline	688	1,094	$ 23,220	688	1,091	$ 21,366
Jacksonville	1,100	1,490	26,075	1,100	1,521	22,468
Robinson	600	1,202	20,244	600	1,202	17,946
Southwestern Illinois	600	672	40,523	600	662	33,125
Taylorville	600	1,186	20,033	600	1,177	17,727
Vandalia	1,100	1,459	23,515	1,100	1,487	21,581
Vienna	925	1,526	20,676	925	1,600	18,020
Thomson	200	144	43,800	200	134	38,079
Total - Minimum Security	5,813	8,773	24,136	5,813	8,874	21,058
Adult Transitional Centers (ATC) [3]						
State-operated						
Decatur	80	109	$ 20,912	80	109	$ 17,987
Fox Valley	100	123	18,245	100	125	16,908
Jesse "Ma" Houston	200	110	44,975	200	129	34,191
Peoria	200	195	22,129	200	195	20,556
Southern Illinois	60	62	26,277	60	63	23,221
Westside	190	156	44,725	190	175	20,925
Total - ATC State-operated	830	755	29,659	830	796	22,133

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANNUAL COST STATISTICS
(Unaudited)

For the Fiscal Years Ended June 30, 2008 and 2007

	2008			2007		
	Rated Capacity June 30, 2008	Average Daily Population	Average Yearly Cost per Resident [1]	Rated Capacity June 30, 2007	Average Daily Population	Average Yearly Cost per Resident [1]
Contractual						
Crossroads	250	325	$ 21,529	250	326	$ 21,463
North Lawndale	200	194	25,031	200	196	22,775
Total - ATC Contractual	450	519	22,838	450	522	21,956
Total	34,263	45,264		34,263	45,435	
(Under)/over capacity		11,001			11,172	

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

[2] Source: Facility data provided to Office of the Auditor General by Correctional Center auditors

[3] Source: Department of Corrections Annual Report FY2008 and FY2007

NOTES TO ANNUAL COST STATISTICS
(Unaudited)

For the Fiscal Years Ended June 30, 2008 and 2007

The average daily population of adult institutions (maximum, medium and minimum security) has decreased from 45,435 for fiscal year 2007 to 45,264 for fiscal year 2008. This represents a 171 decrease for fiscal year 2008. The rated capacity of adult institutions at June 30, 2008 was 34,263.

The average yearly cost per resident is summarized as follows for fiscal years 2008 and 2007:

	2008	2007
Adult Institution	$ 23,147	$ 21,194
Adult Transition Centers	29,659	22,133
(excludes Crossroads and North Lawndale)		

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

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

Adult Transition Centers: Approximately 1,274 inmates are housed in eight adult transition centers (ATCs) throughout the State. Inmates who are nearing the conclusion of their sentences and have made a satisfactory adjustment while confined to a prison may be eligible for participation in the work release program. Inmates housed in an adult transition center are expected to become employed or participate in some other worthwhile endeavor such as attending school. Participation in the work release program is considered a privilege and those inmates who do not abide by the strict rules and regulations enforced at the ATCs are transferred back to prison.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

PARTICIPATING EDUCATIONAL INSTITUTIONS
(Unaudited)

For the Fiscal Years Ended June 30, 2008 and 2007

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

Educational Institution	Educational Facilities Served
Carl Sandburg College	Hill (ended June 30, 2007)
Illinois Central College	East Moline (ended July 31, 2007) Illinois River (ended June 30, 2007) Peoria Adult Transition Center (ended June 30, 2007)
Danville Area College	East Moline (began August 1, 2007) Hill (began July 1, 2007)
Illinois Valley Community College	Sheridan
Kaskaskia College	Centralia
Lake Land College	Danville Dixon Dwight Graham Southwestern Illinois Taylorville Vandalia Western Illinois
Lincoln Trail College	Lawrence Robinson
Rend Lake College	Big Muddy River Pinckneyville
Richland Community College	Decatur Jacksonville Lincoln Logan
Spoon River College	Illinois River (began July 1, 2007)
Southeastern Illinois College	Shawnee Vienna

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

EMERGENCY PURCHASES

For the Fiscal Years Ended June 30, 2008 and 2007

The Department reported emergency purchases to the Office of the Auditor General during fiscal years 2008 and 2007 as noted in the table below. Emergency purchases related to the Department's Correctional Industries operations are presented in a separate report.

Description	Estimated Amount	Actual Amount
Fiscal Year 2008		
Lighting struck the Administrative Building of the Dwight Correctional Center resulting in damage to the roof and slate shingles.	$ 50,000	$ -
Menard Correctional Center had damage to buildings and services due to flash flooding. Various electrical and mechanical equipment was submerged causing power shortage to the inmate visiting room. In addition, computers and facility records were damaged in the Records Office.	180,000	492,761
Robinson Correctional Center's dietary hood fire suppression and ventilation fire system was inoperable. Center could not use cooking equipment if the exhaust system was inoperable or impaired according to the fire and safety code.	131,450	Cancelled
Administration Building at Stateville Correctional Center was leaking causing severe damage to ceilings, walls, flooring and office equipment.	300,000	-
Replacement of existing elevator at Stateville Correctional Center.	-	695,067
The well at Dwight Correctional Center was inoperable. Contractor will need to remove the inoperable pump system and replace and reinsert new pump into well.	35,000	-
Necessary building repairs to the boiler room at the Menard Correctional Center to maintain operations.	316,306	195,090

Description	Estimated Amount	Actual Amount
Fiscal Year 2008 (Continued)		
The dietary area at Hardin County Work Camp was in disrepair causing sanitation and safety issues.	$ 650,000	$ -
Unsafe conditions in the freezer warehouse as a result of perma-frost.	231,000	-
Shawnee Correctional Center roof repairs due to leaks becoming severe enough that damage was occurring inside the building to floors, inmate records, and carpet.	100,000	-
Additional goods and services for the Shawnee Correctional Center during an extended lockdown of inmates at the facility.	34,000	-
The contractor was to repair hot water heater in order to provide adequate sanitary conditions required by health codes.	32,000	-
Disruption of the potable water system due to the flooding in Lawrence County.	35,000	Cancelled
Necessary repairs to housing unit due to storm damage requiring replacement of the entire roof system and related mechanical equipment including exhaust fans, fresh air fans, and sky lights. Housing unit was uninhabitable until repairs were completed.	126,000	-
Software at the General Office went into catastrophic failure and no data was backed up due to the current backup software being two revisions behind.	-	88,179
Steam piping replacement at Pontiac Correctional Center. The ceramic floor was removed, pipes insulated, and the block wall rebuilt because it was torn down to repair piping.	65,000	-
Replacement of two generators at Shawnee Correctional Center to provide emergency electricity to the Administration Building and Housing Unit 4.	100,000	82,467
Total fiscal year 2008	$ 2,385,756	$ 1,553,564

Description	Estimated Amount	Actual Amount
Fiscal Year 2007		
Serious roof leakage problems in four offender units at Dwight Correctional Center.	$ 200,000	$ -
used in the administration building at East Moline Correctional Center caused disruption of electrical services. The facility rented an independent generator to provide essential electricity for security, medical, and other operational needs.	50,000	47,572
Shawnee Correctional Center CPU diagnosed by Southern Steel as needing to be replaced. Replacement include the installation of all necessary software needed to perform required functions already in use at this facility.	26,000	120,454
Rented generator and transformer leased from INDECK in order to provide heat at Taylorville Correctional Center due ice storm.	50,000	59,313
Major roof leak in Housing Unit 14. The rubber roof membrane, partially repaired in 2004, shrunk and pulled away from the termination strips fastening the rubber membrane to the walls. There were numerous leaks throughout the building mainly down the sidewalls.	500,000	329,150
In the Dietary Unit at the Shawnee Correctional Center various doors were in extreme disrepair and in some cases were unable to be open or closed, violating fire code requirements and jeopardizing the security of the Dietary Department.	600,000	478,100
Fire Marshal cited leaking boilers and operation of boilers at Shawnee Correctional Center.	240,000	189,700
Roofs of ten buildings at the Vienna Correctional Center were in very poor conditions and are leaking. Work consisted of removal of the old roofing materials and replacing approximately 16,000 square foot of roofing systems, as well as the abatement of asbestos containing materials.	3,435,000	2,467,000
Total fiscal year 2007	$ 5,101,000	$ 3,691,289

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

MEMORANDUMS OF UNDERSTANDING

For the Fiscal Years Ended June 30, 2008 and 2007
(Unaudited)

MOU # or Name	Parties Involved Other Than The Department	Dates Involved	Description of Memorandum Requirements
Bethel New Life (0908027)	Bethel New Life	12/10/07 - 6/30/08	Bethel New Life will provide a program to parolees to assist in the successful reintegration into the community while ensuring public safety personal development. The Department will make a quarterly visit to the site to review each client's files and review contractual deliverables. Payment will be based on a fee for services of the orientation to the program expectations for the six week program, assessment as to the offender's skill level, and life skills that consist of training of interview techniques and developing social skills in working with others.
Exodus Renewal Society (0908030)	Exodus Renewal Society, Inc.	12/10/07 - 6/30/08	Exodus Renewal Society shall provide services to male and female parolees re-entering society. Each new offender will receive the following services from the Exodus Renewal Society including pre-employment skills training, post-secondary, advisement guidance, job referral and placement, job follow-up and retention, education services, post-secondary career, and counseling development. However these services are not to exceed three months, with rare exceptions, and/or the budget for fiscal year 2008.
Exodus to Excellence	Westside Small Business Development (WSBC) Corporation; Introspective Services, Inc.	4/4/07 - 6/30/07	Exodus to Excellence (ETE) is a collaboration between Westside Small Business Development(WSBC) and Introspect Services, Inc. (IS) to assist ex-offenders with their reintegration back into their communities. Specifically these vendors will assist with parolees with their readjustments from correctional centers by providing employment and educational services. ETE will serve 20 adult parolees that have been released from a facility within the past 180 days and returning to the Austin and Garfield Park communities. WSBC will act as a fiscal agent and develop employment opportunities with local businesses. IS will provide advisement, guidance, and mentoring, job referral, placement and follow-up services. Linkage will be developed with several community and metropolitan agencies to provide supportive services as needed by the parolees. ETE will provide services of outreach, employment services, and educational services for the parolees.
FAITH, INC. (0908045)	FAITH, INC.	4/1/08 - 3/31/12	FAITH, INC. will provide the parolees returning to the community with the accurate information, explaining the procedures for obtaining State identification, birth certificates, registration to vote, employment screening, housing referrals and access to referral services with our Community Advisory Group. They also provide services such as monthly group meetings, pastoral counseling, mentoring, and family reintegration.
For Action in Togetherness Hold Fast Inc./ FAITH, INC. (0908031)	FAITH, INC.	12/10/07 - 6/30/08	FAITH, INC. will provide the parolees returning to the community with the accurate information, explaining the procedures for obtaining State identification, birth certificates, registration to vote, employment screening, housing referrals and access to referral services with our Community Advisory Group. They also provide services such as monthly group meetings, pastoral counseling, mentoring, and family reintegration.
Fresh Start Project of the Howard Area Community Center (0908033)	Howard Area Community Center	11/14/07 - 6/30/08	The Ex-Offender Project of the Employment Resource Center in Chicago's Rogers Park neighborhood is to help improve the chances that individuals will be able to secure and maintain stable employment. It helps unemployed adults get ready for, enter, and remain in the workforce by providing services such as: employability skills training, computer skills training, intensive case management, job placement, and retention services. It also offers office equipment allow job seekers can use for their job searches. The Fresh Start project offers an extensive employability skills that is comprised of four workshops: job developer/training, basic computer skills course, resume writing course and requires a minimum of 32 hours of training. Many the activities are hands-on interactive activities designed to help them master the skills and knowledge necessary to become employable. Howard Area Community Center also provides service: transportation to the workshops and to individuals who secure work to and from their jobs for the first two weeks, State identification cards, interview clothes, etc..
H.O.P.E INC. NFP (0908032)	H.O.P.E INC. NFP of Midwest	2/1/08 - 6/30/08	H.O.P.E Inc., will assist with the reentry of formerly incarcerated females who want to lead a productive life for themselves and their children in the Chicago and Midwestern area within one to two years of their release from the Department. The services provided by H.O.P.E Inc. will include employment services such as intake and needs assessment, referrals for employment, and housing, referral services for State identification, birth certificates, transportation, and evaluation services for women self-help support groups, mental health, and substance abuse.
Living Faith Church (0908035)	Living Faith Church	1/4/08 - 6/30/08	The Living Faith Church will address the growing and challenging incident of adults ages 16-50 who face substantial barriers to employment through existing programs. The offenders should not exceed services for more than three months. The services provided to the parolees shall include employment services such as: intake and assessment, job readiness skills class, career assessment and development, etc. The services provided shall also include computer literacy training, dress for success modules, counseling, and referral as needed.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

MEMORANDUMS OF UNDERSTANDING

For the Fiscal Years Ended June 30, 2008 and 2007
(Unaudited)

MOU # or Name	**Parties Involved Other Than The Department**	**Dates Involved**	**Description of Memorandum Requirements**
Roll Call (A Reentry Assistance Demonstration/Prototype Program) (0908041)	Roll Call	12/10/07 - 12/9/08	Roll Call will assist in the reentry of ex-offenders from Stateville Farm into their communities. The program starts six months prior to an offender's release with an initial screening. From the screening, Roll Call will pick 20 offenders to be enrolled in the program. They will begin with level one of the program which will consist of two one-hour groups per week, and one-hour counseling session weekly. Roll Call will also provide three direct service hours per week. Level I addresses: anger management in groups and in individuals, reuniting families, finding a host site, helping identify the role of male parenting skills, and to help obtain identification for the offenders. The program then goes into Level II and this occurs within the community and also provides referral services for substance abuse, mental health and transportation, if necessary, and includes assistance with finding housing, becoming role models in their community, a 24 hour hot line, monetary concerns, transportation to obtain documents of identification, and job search skills. Level III is the final stage and successful Roll Call offenders will then help in mentoring others who need help.
Saving Our Seeds	Saving Our Seeds	4/21/07- 10/31/07	Renewing the past Save our Seeds contract for the contract term 7/1/07 to 10/31/07.
Sista's of the Hood	Sista's of the Hood	12/10/07 - 6/30/08	The Sista's of the Hood will provide advocacy services to parolees with the ultimate goal of preparing these individuals to become contributors in society while eliminating the reoccurrence of criminal activities. The Sista's of the Hood program for parolees is an eight week workshop that addresses: goal planning, self-worth, self-esteem, anger management, job retention, and money matters workshops. Sista's of the Hood will also provide crisis management assistance and referrals for Substance Abuse, Mental Health, and Health Department Services. Sista's of the Hood will also assist the paroles with obtaining (a) State identification, (b) transportation services, and (c) Link cards. Records shall be kept for all services provided in the offenders files and will be kept for two years for auditing purpose after they are closed out. Sista's of the Hood will also provide supplies if necessary such as re-entry kit, toiletries, and undergarment packets.
Visions of Restoration (0908039)	Visions of Restoration, Inc	1/3/08 - 6/30/08	Visions of Restorations will provide a "one stop, on site" service in an effort to assist ex-offenders as they re-enter society. Specifically, ex-offenders will receive the following services from Visions of Restoration not to exceed more than three months with rare exceptions: job readiness, placement assistance, computer training, life skills training, substance abuse services, mental referrals, and domestic violence referrals.
Amer-I-Can Illinois, Inc (Mentoring "At-Risk" Youth)	Amer-I-Can Illinois, Inc.	N/A	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
Campaign for A Drug Free Westside, Inc	Campaign for A Drug Free Westside, Inc.	N/A	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
0907008	Bethel New Life, Inc. Internship Program	N/A	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

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(Unaudited)

MOU # or Name	Parties Involved Other Than The Department	Dates Involved	Description of Memorandum Requirements
Ashunti Residential Management Systems, Inc.	Ashunti Residential Management Systems, Inc.	9/19/06 - 6/30/07	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
Concerned Citizens	Concerned Citizens, Mother's House	9/19/06 - 6/30/07	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
Exodus Renewal Society, Inc.	Exodus Renewal Society	N/A	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
0907026	Community Human Services	N/A	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
For Action in Togetherness Hold Fast Inc. (Faith, INC.)	For Action In Togetherness Holdfast, Inc.	N/A	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
H.O.P.E INC. NFP of Midwest (Community Base services, Facilitate Ex-offender Women with Re-entry)	H.O.P.E INC. NFP of Midwest	N/A	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.

MOU # or Name	Parties Involved Other Than The Department	Dates Involved	Description of Memorandum Requirements
Howard Area Community Center	Howard Area Community Center	N/A	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
LCC Hope House	LCC Hope House	11/17/06 - 6/30/07	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
0907019	Living Faith Church	10/1/06 - 6/30/07	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
0907020	Lively Stone Missionary Baptist Church	9/1/06 - 6/30/07	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
OPERATION UPLIFT, INC.	Operation Uplift, Inc.	1/26/07 - 6/30/07	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
Saving Our Seeds (Social Services)	Saving Our Seeds	N/A	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.

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For the Fiscal Years Ended June 30, 2008 and 2007
(Unaudited)

MOU # or Name	Parties Involved Other Than The Department	Dates Involved	Description of Memorandum Requirements
Sista's of the Hood	Sista's of the Hood	9/26/06 - 6/30/07	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
Visions of Restoration, Inc.	Visions of Restoration, Inc.	9/21/06 - 6/30/07	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
0907025	Westside Holistic Family Center, Inc.	10/01/06 - 6/30/07	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
Westside Small Business Development Exodus Introspect (0908040)	Westside Small Business Development (WSBC) Corporation	11/10/07 - 6/30/08	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
Lively Stone (0908036)	Lively Stone Missionary Baptist Church; Start Fresh Transitional Housing	11/30/07 - 6/30/08	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.
Hope House Lawndale Community Church (0908034)	Lawndale Community Church Hope House	12/10/07 - 6/30/08	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.

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(Unaudited)

MOU # or Name	Parties Involved Other Than The Department	Dates Involved	Description of Memorandum Requirements
Mother's House (090829)	Concerned Citizens	12/10/07 - 6/30/08	The Department shall have access to the records and person to person contact with offenders placed there to ensure the need to continue such programs and disposition of offenders who have achieved their goals. The Department shall provide the contractor's personnel with orientation and training concerning the rights and responsibilities of the contractor, the Department, and the offenders. The contractor shall report all medical emergencies, unusual incidents, runaways and use of force immediately to the Department. The Department will provide copies of parole placement reporting policies to the vendor, telephone access, and pager numbers. The contractor shall provide a description of programs and services and describe the method of record keeping for which the contractor seeks compensation under the provisions of the contract.

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HURRICANES KATRINA AND RITA COST REPORTING
(Unaudited)

For the Fiscal Years Ended June 30, 2008 and 2007

We requested the following from the Department related to Hurricanes Katrina and Rita:

- Costs of services provided
- Amounts reported for reimbursement

The Department did not provide the information. As a result, we could not include that data in this report.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

INMATE ASSAULTS ON STAFF
AT ADULT CORRECTIONAL CENTERS
(Unaudited)

For the Fiscal Years Ended June 30, 2008 and 2007

Correctional Center	Fiscal Year 2008	Fiscal Year 2007
Big Muddy River	12	14
Centralia	6	3
Danville	3	3
Decatur	-	-
Dixon	23	29
Dwight	13	12
East Moline	1	-
Graham	7	5
Hill	3	9
Illinois River	5	9
Jacksonville	2	-
Lawrence	22	15
Lincoln	7	3
Logan	7	6
Menard	36	23
Pinckneyville	27	21
Pontiac	136	93
Robinson	4	2
Shawnee	12	6
Sheridan	3	5
Southwestern Illinois	3	2
Stateville	38	43
Tamms	11	16
Taylorville	1	-
Thomson	-	-
Vandalia	4	4
Vienna	5	5
Western Illinois	9	16
Total	400	344

Source: Department of Corrections Planning and Research

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SERVICE EFFORTS AND ACCOMPLISHMENTS
(Unaudited)

For the Fiscal Years Ended June 30, 2008 and 2007

	FY2007		FY2008	
Program	**Expenditures***	**Headcount**	**Expenditures***	**Headcount**
Department of Corrections	$ 1,202,427.0	11,874.0	$ 1,289,597.7	11,902.0

* Expressed in thousands

Mission and Organization: The Department of Corrections (DOC) is responsible for providing care, custody, treatment, and rehabilitation for adult offenders committed by the courts. DOC maintains and administers 28 correctional centers and manages a parole system for formerly incarcerated persons in the community.

- Strengthen the investment in transitional and community based programs.
- DOC will continue working with the parole population to reduce the recidivism through the community based treatment and transitional services offered to parolees through Operation Spotlight and the Transitional Jobs programs.
- Improvement of the reception and classification process.
- DOC will focus on improvements to the assessment and classification process with new inmates and to place offenders in the appropriate security levels to immediately begin implementation of offender re-entry plans.

Department of Corrections

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

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

Objectives: a. Reduce crime, recidivism, paroles violations, and prison admissions.
Launch statewide job preparation.
Launch transitional job programs.

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

Statutory Authority: 730 ILCS 5

	Fiscal Year 2006 Actual	Fiscal Year Fiscal Year 2007 Actual	2008 Target /Projected	Fiscal Year Fiscal Year 2008 Actual	2009 Target /Projected
Input Indicators					
● Total expenditures – all sources (in thousands)	$ 1,243,646.2	$ 1,202,427.0	$ -	$ 1,289,597.7	$ 1,414,522.9
● Total expenditures – state appropriated funds (in thousands)	$ 1,243,646.2	$ 1,202,427.0	$ -	$ 1,289,597.7	$ 1,414,522.9
● Average monthly full-time equivalents	0.0	11,874.0	0.0	11,902.0	12,299.0
Output Indicators					
● Percentage of adults reincarcerated within 3 years of release	51.8%	53.4%	51.4%	51.4%	49.4%
● Number of parolees returned to prison each month as a percent of average daily parole population	42.9%	34.1%	33.1%	33.1%	32.1%
● Number of offenders transferred to a lower security level due to good behavior (per 1,000 offenders per month)	2.5	1.9	2.1	2.1	2.3
● Number of offenders whose security level was increased due to discipline for problem behavior (per 1,000 offenders per month)	2.7	3.0	2.7	2.7	2.4
● Number of contraband confiscations (per 1,000 offenders per month)	32.0	30.0	27.0	27.0	24.0
● Number of offender-on-staff assaults (per 1,000 staff per month)	3.2	2.6	2.3	2.3	2.1
● Number of offender on offender (per 1,000 offenders per month)	2.6	2.3	2.1	2.1	1.9

Auditor Note: The Department did not file the 2007 Service Efforts and Accomplishments report with the Illinois Office of the Comptroller.