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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

5-94-42200-10

**REPORT DIGEST**

**DEPARTMENT OF CORRECTIONS - GENERAL OFFICE  
DEPARTMENT-WIDE FINANCIAL AND COMPLIANCE AUDIT  
(In accordance with the Single Audit Act of 1984  
and OMB Circular A-128)  
For the Two Years Ended June 30, 1994**

**SYNOPSIS**

- The Department did not maintain adequate internal controls at community correctional centers to assure accounting records were properly maintained.
- The Department did not have a tested disaster recovery plan to ensure the availability of critical computer systems in the event of a disaster.
- The payroll costs and time spent by three facility business administrators was not allocated among the facilities at which they actually worked.
- Two Assistant Director positions mandated by statute have not been filled, but have been replaced with higher paying Deputy Director positions.

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

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**DEPARTMENT OF CORRECTIONS - GENERAL OFFICE**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**For The Two Years Ended June 30, 1994**

<b>EXPENDITURE STATISTICS</b>	<b>FY 1994</b>	<b>FY 1993</b>	<b>FY 1992</b>
• <b>Total Expenditures (All Funds)</b> . . . . .	<b>\$89,957,162</b>	<b>\$82,062,669</b>	<b>\$70,401,918</b>
<b>OPERATIONS TOTAL</b> . . . . .	<b>\$80,907,109</b>	<b>\$74,912,199</b>	<b>\$65,293,443</b>
% of Total Expenditures . . . . .	90%	91%	93%
Personal Services . . . . .	\$24,811,276	\$21,932,748	\$21,183,415
% of Operations Expenditures . . . . .	31%	29%	32%
Average No. of Employees . . . . .	695	630	634
Other Payroll Costs (FICA, Retirement) . . . . .	\$24,392,156	\$21,792,013	\$11,572,507
% of Operations Expenditures . . . . .	30%	29%	18%
Contractual Services . . . . .	\$14,149,574	\$12,728,343	\$14,736,250
% of Operations Expenditures . . . . .	17%	17%	23%
Claims and Settlements . . . . .	\$6,588,523	\$7,442,587	\$7,218,629
% of Operations Expenditures . . . . .	8%	10%	11%
All Other Operations Items . . . . .	\$10,965,580	\$11,016,508	\$10,582,642
% of Operations Expenditures . . . . .	14%	15%	16%
<b>GRANTS AND TREATMENT PROGRAMS</b>	<b>\$9,050,053</b>	<b>\$7,150,470</b>	<b>\$5,108,475</b>
% of Total Expenditures . . . . .	10%	9%	7%
• <b>Cost of Property and Equipment</b> . . . . .	<b>\$18,682,910</b>	<b>\$17,955,997</b>	<b>\$17,379,208</b>

<b>SELECTED ACTIVITY MEASURES</b>	<b>FY 1994</b>	<b>FY 1993</b>	<b>FY 1992</b>
• <b>ADULT CENTERS</b>			
Rated Capacity . . . . .	24,384	24,384	23,232
Average Population . . . . .	32,288	29,694	27,926
Average Annual Costs . . . . .	\$15,968	\$15,776	\$15,715
• <b>JUVENILE CENTERS</b>			
Rated Capacity . . . . .	1,210	1,210	1,210
Average Population . . . . .	1,469	1,390	1,342
Average Annual Costs . . . . .	\$31,018	\$29,728	\$29,466
• <b>COMMUNITY CENTERS</b>			
Rated Capacity . . . . .	1,083	893	893
Average Population . . . . .	1,193	1,044	806
Average Annual Costs . . . . .	\$14,094	\$12,875	\$17,028

<b>AGENCY DIRECTOR(S)</b>
During Audit Period: Mr. Howard A. Peters III
Currently: Mr. Odie Washington

## **INTRODUCTION**

Our report presents our financial and compliance audit of the Department of Corrections' General Office, and our audit of the entire Department under the Single Audit Act of 1984. The Department administers 31 correctional facilities - 25 adult centers and 6 youth centers. Our special assistant auditors at the 31 correctional facilities performed various procedures in the areas of commodity inventories, property control, local funds, and data processing. Our auditors at the correctional facilities assisted the General Office auditors in the preparation of the department-wide financial and compliance audit.

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **INTERNAL CONTROL WEAKNESSES AT COMMUNITY CENTERS**

In addition to the 31 correctional centers, the Department operates 11 community correctional centers. More than 1,000 inmates are housed in community correctional centers throughout the State. Inmates who are nearing the conclusions of their sentences and have made a satisfactory adjustment while confined to prison may be eligible for participation in the work release program. Inmates housed in community correctional centers 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 community correctional centers are transferred back to prison. A program to monitor some inmates with electronic devices in their homes was implemented in 1990 and continues today.

During our audit fieldwork, we visited all 11 community correctional centers. We noted many accounting internal control weaknesses, and observed that several of the centers lacked procedures to maintain accounting records. Some of the internal control weaknesses noted included:

- Checks were signed by one person when two authorized signers were required.
- Bank reconciliations were not prepared.
- Cash receipts and disbursements ledgers were not maintained.
- Summary resident trust fund ledgers were not maintained.
- Resident financial folders did not contain all required documents.
- Resident weekly financial transaction forms were not prepared. (Findings 4 through 8, pages 10 through 17)

We recommended the Department improve the internal controls over bank accounts, accounting records, and resident files at Community Correctional Centers. The Department accepted all our recommendations and stated corrective actions have been taken to strengthen internal accounting controls.

### **LACK OF A DISASTER RECOVERY PLAN FOR COMPUTER SYSTEMS**

The Department did not have a disaster recovery plan for computer systems. A Department disaster recovery plan documenting procedures to be followed in the event of a loss

of computer processing capabilities and establishing various roles and responsibilities for these activities had not been prepared and tested.

Because of the complexity of the Department's operations, a tested disaster recovery plan is necessary. The Department controls more than 33,500 adults and 1,400 juveniles in 25 adult and 6 juvenile facilities. In addition, more than 23,000 adults and 1,200 juveniles are supervised in their communities following the completion of their sentences. To provide the correctional services, the Department employs over 12,000 personnel, spends over \$700 million in funds, and uses over \$900 million in property. The Department has automated many critical functions and great reliance has been placed on the availability of computer resources to effectively manage the operations. Department officials indicated that a disaster recovery plan was developed during our audit fieldwork, has now been completed, and is awaiting approval by the Director. (Finding 1, page 8)

We recommended the Department approve and test the disaster recovery plan. The Department stated the plan is being reviewed. After approval, the plan will be tested beginning in mid-1995.

#### **INCORRECT ALLOCATION OF EMPLOYEE TIME**

Three facility business administrators are not spending substantially all of their working time at the facility whose appropriation is being charged for their salaries. The State Finance Act requires payroll voucher certifications that "...substantially all ... working time is directly related to the objectives, functions, goals and policies of the organizational unit for which the appropriation is made." In three separate instances, one business administrator manages both of the business office functions of two correctional centers, but is paid from the appropriation of only one of the facilities. The pairs of centers are Lincoln and Logan, Vienna and Shawnee, and Sheridan and Pontiac.

Department officials stated they made a conscious decision to improve the operational economy of the physically adjacent Lincoln-Logan and Vienna-Shawnee complexes when the business administrator positions became vacant at Logan and Shawnee. The Sheridan business administrator's responsibility for Pontiac is not a permanent arrangement, although it may continue for another year for staff development purposes, according to Department officials. Paying each of these employees from one unit's appropriation when his time is actually split between two organizational units with separate appropriations does not comply with the current provisions of the State Finance Act. (Finding 2, page 9)

We recommended the Department either allocate the administrators' time among the respective facilities, or seek statutory authorization to permit current practice. The Department acknowledges the validity of the finding and will review its current policy in order to continue to operate facilities efficiently and effectively.

#### **FAILURE TO FILL MANDATED POSITIONS**

The Department had two Deputy Directors assigned to two statutorily-created Assistant Directors' positions. The Unified Code of Corrections requires the Department's Adult and Juvenile Divisions to be administered by Assistant Directors appointed by the Governor. The

State appropriations for salaries for the two Assistant Directors totalled \$121,000 which the Department believes are inadequate. The Department paid a total of \$149,000 to the two Deputy Directors from its personal services appropriations. (Finding 9, page 17)

We recommended the Department continue to pursue legislation to remove the Assistant Directors' positions from the statutes.

The Department accepted our recommendation and stated legislation to delete the Assistant Director positions from the statutes was introduced last year, but failed to pass.

**OTHER FINDINGS**

The remaining findings are less significant and have been given appropriate attention by the Department. We will review the Department's progress towards the implementation of our recommendations in our next audit.

Mr. Mark B. Krell, Chief Auditor of the Department of Corrections, provided the agency's responses.

**AUDITORS' OPINION**

Our auditors state the June 30, 1994 financial statements of the funds administered by the Department are fairly presented.



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WILLIAM G. HOLLAND, Auditor General

WGH:KM:jr  
April 25, 1995

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	12	15
Repeated audit findings	2	6
Prior recommendations implemented	13	6

**SPECIAL ASSISTANT AUDITORS**

Deloitte & Touche were our special assistant auditors on the audit of the General Office, and coordinated the performance of various procedures at the 31 correctional facilities administered by the Department. The General Office report contains operational and statistical data for all 31 correctional facilities. The General Office data may vary slightly from information presented in some of the separately issued facilities' reports.