



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF CORRECTIONS-CORRECTIONAL INDUSTRIES

Financial Audit:

Release Date: January 29, 2015

For the Year Ended June 30, 2014

Compliance Examination:

For the Two Years Ended June 30, 2014

FINDINGS THIS AUDIT: 6	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2012		14-4, 14-5	
Category 2:	2	4	6	2010		14-6	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2008		14-3	
TOTAL	2	4	6				
FINDINGS LAST AUDIT: 13							

INTRODUCTION

This digest covers the financial audit for the year ended June 30, 2014 and the compliance examination for the two years ended June 30, 2014. Correctional Industries is a division of the Department of Corrections and operates manufacturing and services industries within the adult correctional centers.

SYNOPSIS

- (14-1) Correctional Industries had not ensured controls over the Information Technology environment provided sufficient protection.
- (14-2) Correctional Industries failed to submit to the Office of the Comptroller a listing of all interagency receivables written off.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

ILLINOIS DEPARTMENT OF CORRECTIONS-CORRECTIONAL INDUSTRIES
FINANCIAL AUDIT
For the Year Ended June 30, 2014
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014

EXPENDITURE STATISTICS	2014	2013	2012
Total Expenditures.....	\$ 50,398,408	\$ 48,212,321	\$ 48,895,538
Personal Services.....	9,892,625	9,467,418	10,404,200
Inmate Compensation.....	1,844,198	1,740,541	1,928,093
Other Payroll Costs (FICA, Retirement).....	7,435,279	7,180,602	6,879,399
Contractual Services.....	2,936,488	3,036,072	2,250,235
Commodities.....	26,042,437	24,631,551	24,923,033
Operation of Automotive Equipment.....	1,218,646	1,296,711	1,230,668
All Other Operating Expenditures.....	1,028,735	859,426	1,279,910
Total Receipts.....	\$ 52,334,161	\$ 43,817,305	\$ 59,717,368

SELECTED ACTIVITY MEASURES (unaudited)	2014	2013	2012
Average Number of Inmate Workers*.....	765	814	843
Number of Industry Operations at June 30.....	30	34	33
Industry Operations reporting a profit.....	5	6	7
Industry Operations reporting a breakeven.....	5	5	5
Industry Operations reporting a loss.....	20	23	21

* Note: Excludes inmate workers assigned to administrative positions

CORRECTIONAL INDUSTRIES CHIEF EXECUTIVE OFFICER	
During Examination Period:	Timothy Gleason (5/16/10 to 9/15/12) Rich Mautino (9/16/12 to 11/30/12) Jen Aholt (12/1/12 to present)
Currently:	Jen Aholt

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**LACK OF CONTROLS OVER INFORMATION
TECHNOLOGY**

Correctional Industries (Industries) had not ensured controls over the Information Technology environment provided sufficient protection.

**Control deficiencies noted in
computing environment**

As a division of the Department of Corrections, Industries relied upon the controls implemented within the Department of Corrections' IT environment. However, as part of the financial statement audit of the Department of Corrections for the period ended June 30, 2014, the Department of Corrections' auditors noted the Department of Corrections had not implemented or documented controls over its IT environment.

Inability to provide information

The inability of Department of Corrections to provide detailed information prevented the Department of Corrections' auditors from performing required tests to determine the adequacy of the control environment. As such, Industries' auditors were unable to rely upon the IT environment controls. (Finding 1, page 13)

We recommended Industries work with Corrections to ensure controls are implemented and documented over the IT environment and the controls provide sufficient protection.

**Correctional Industries agrees with
auditors**

Industries officials accepted our recommendation and stated they will make efforts to communicate with the Department of Corrections the need for controls to be implemented and documented over the IT environment.

**FAILURE TO SUBMIT REPORT TO OFFICE OF THE
COMPTROLLER**

**Failed to submit report of
interagency accounts receivable
written off**

Correctional Industries (Industries) failed to submit to the Office of the Comptroller a listing of interagency accounts receivable written off.

**Receivables written off at June 20,
2014 were \$1,638,203**

During our review, we noted Industries had not submitted to the Office of the Comptroller a listing of all interagency receivables written off. As of June 30, 2013 and 2014, total receivables written off were \$122,834 and \$1,638,203 respectively. (Finding 2, page 14)

We recommended Industries work with the Office of the Comptroller to file the report on interagency accounts receivable written off within 60 days of being written off.

Industries officials accepted our recommendation and stated

Correctional Industries agrees with auditors

they will make effort to file the required report of interagency write-offs with the Office of the Comptroller within 60 days of writing off interagency receivables.

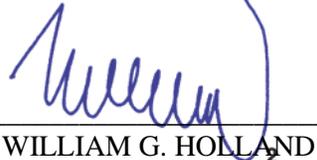
OTHER FINDINGS

With regards to the other findings noted in our report, Correctional Industries management indicated they are being given attention. We will review the progress towards the implementation of our recommendations during our next audit.

AUDITOR’S OPINION

Our auditors stated the financial statements of Correctional Industries as of June 30, 2014, and for the year then ended, are fairly stated in all material respects.

A compliance examination of Correctional Industries was also conducted as required by the Illinois State Auditing Act. The Auditor’s Report noted Correctional Industries did not comply with certain requirements regarding applicable laws and regulations.



WILLIAM G. HOLLAND
Auditor General

WGH:MKL

AUDITORS ASSIGNED

West & Company, LLC were our special assistant auditors for this audit.