



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

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS DEPARTMENT OF CORRECTIONS**

Financial Audit for the Year Ended June 30, 2014 and  
 Compliance Examination for the Two Years Ended June 30, 2014

Release Date: April 30, 2015

FINDINGS THIS AUDIT: 34				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>2</b>	<b>2</b>	2012		5, 6, 17, 20, 22, 26, 28, 31, 34	
<b>Category 2:</b>	6	26	32	2010		13, 19, 33	
<b>Category 3:</b>	<u>0</u>	<u>0</u>	<u>0</u>	2008	<b>1, 2</b>	3, 4, 9, 12, 27, 29	
<b>TOTAL</b>	<b>6</b>	<b>28</b>	<b>34</b>	2006		8, 14, 30	
				2004		11	
				2000		7, 10	
				1998		25	
				1994		23	
<b>FINDINGS LAST AUDIT: 39</b>							

**SYNOPSIS**

- (14-1) Errors and inaccuracies were found in the year-end financial reporting to the Illinois Office of the Comptroller and the Department's financial statements.
- (14-2) The Department's property/fixed asset recordkeeping process and reporting in the GAAP Packages contained errors and inadequacies.
- (14-3) Controls found to be inadequate over the Department's inventory.
- (14-15) Department employees used leave time for their regular shift and then worked another shift at the overtime rate on the same day.
- (14-16) Overtime paid to employees was not adequately documented and errors were identified in paid overtime.
- (14-18) Significant fiscal controls lacking over the financial management of the Department's Offender 360 Project.
- (14-31) The project management framework and development process over the Offender 360 Project was not properly controlled and documented.
- (14-32) Compensatory time for employees was paid and accrued in violation of federal law and union agreements.

**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**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2014**  
**COMPLIANCE EXAMINATION**  
**For the Two Years Ended June 30, 2014**

EXPENDITURE STATISTICS	FY 2014	FY 2013	FY 2012
<b>Total Expenditures.....</b>	<b>\$ 1,305,092,729</b>	<b>\$ 1,197,029,509</b>	<b>\$ 1,224,923,177</b>
OPERATIONS TOTAL.....	\$ 1,280,666,231	\$ 1,186,859,495	\$ 1,213,842,843
% of Total Expenditures.....	98.1%	99.2%	99.1%
Personal Services.....	857,755,343	771,086,528	789,193,283
Other Payroll Costs (FICA, Retirement and Group Insurance).....	66,119,941	59,602,655	59,727,782
Contractual Services.....	274,242,429	259,783,843	261,184,212
Commodities.....	63,544,628	73,247,012	70,895,652
All Other Operating Expenditures.....	19,003,890	23,139,457	32,841,914
AWARDS AND GRANTS.....	\$ 24,115,664	\$ 9,747,035	\$ 11,071,559
% of Total Expenditures.....	1.8%	0.8%	0.9%
PERMANENT IMPROVEMENTS.....	\$ 157,629	\$ 75,000	\$ 4,653
% of Total Expenditures.....	0.0%	0.0%	0.0%
REFUNDS.....	\$ 153,205	\$ 347,979	\$ 4,122
% of Total Expenditures.....	0.0%	0.0%	0.0%
<b>Total Receipts.....</b>	<b>\$ 23,611,065</b>	<b>\$ 30,887,679</b>	<b>\$ 28,719,597</b>
<b>Property and Equipment at June 30,.....</b>	<b>\$ 1,745,821,651</b>	<b>\$ 1,704,545,138</b>	<b>\$ 1,817,797,973</b>

SELECTED ACTIVITY MEASURES (unaudited)	2014	2013	2012
Inmate Population, June 30, .....	48,678	49,096	48,573
Rated Capacity, June 30,.....	33,333	33,663	33,663
Inmate Population Over Rated Capacity .....	15,345	15,433	14,910
Average Annual Cost, Correctional Centers.....	\$ 22,204	\$ 20,871	\$ 21,596
Overtime Hours Paid.....	1,009,115	1,128,884	824,337
Value of Overtime Hours Paid.....	\$ 49,119,780	\$ 50,629,629	\$ 37,434,186
Compensatory Hours Used.....	666,753	735,088	652,407
Value of Compensatory Hours Used.....	\$ 21,818,872	\$ 22,023,018	\$ 19,582,578
Average Number of Employees.....	10,662	10,989	11,102

DEPARTMENT DIRECTOR
During Examination: Salvador A. Godinez (5/02/11-3/02/15)
Currently: Acting Director Donald A. Stolworthy (3/16/15-Present)

## INTRODUCTION

This report presents our Department-wide financial statement audit for the year ended June 30, 2014 and compliance attestation examination of the Department for the two years ended June 30, 2014. The scope of the compliance examination excludes the Department's Correctional Industries function which had a separate compliance examination for the two years ending June 30, 2014. At June 30, 2014 the Department operated 25 Correctional Centers, 2 Department-operated Adult Transition Centers, 2 vendor-operated Adult Transition Centers and Correctional Industries. The Department closed 2 Correctional Centers and 3 Adult Transition Centers during the audit period.

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **WEAKNESSES IN PREPARATION OF GAAP REPORTING FORMS AND FINANCIAL STATEMENTS**

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

During the audit of the Department's June 30, 2014 financial statements, the auditors noted the following errors in the GAAP Reporting forms and financial statements:

- The Department's Automated Property Control System contained errors in the accumulated depreciation balances as of fiscal year 2014 for certain fully depreciated items totaling \$62,751,610 and depreciation expense totaling \$18,067,265. In addition, the depreciation reported in the financial statements for fiscal year 2014 lacked one month's depreciation of approximately \$2,926,945.
- The Department did not properly report capitalized and non-capitalized transfers-in from the Capital Development Board during the fiscal year. Transfers-in that met the capitalization threshold for capital assets totaling \$2,251,938 were not included in the capital assets balance and as capital transfers-in in the government-wide financial statements. Transfers-in for repairs and maintenance and for the Offender 360 project expenses totaling \$4,965,114 were not reported

**Significant errors noted in the  
Department's financial reporting**

**\$2.3 million omitted from capital  
assets balance**

as expenses and transfers-in in the government-wide financial statements.

**Errors noted as material misstatements**

The exceptions noted materially misstated the Department's initially submitted financial statements and GAAP Package information to the Comptroller's office. Accurate preparation of the Department's financial information for GAAP and financial reporting purposes is important due to the impact adjustments have on the Statewide financial statements. (Finding 1, Pages 19-20). **This finding has been repeated since 2008.**

We recommended the Department outline and implement procedures to ensure GAAP Reporting Packages and financial statements are prepared in an accurate manner. Internal reviews should be included in those procedures as a method to identify and correct errors prior to the submission of financial information to the Illinois Office of the Comptroller and other external parties.

**Department agreed with auditors**

Department officials accepted the recommendation and stated they will continue devoting the resources necessary to complete the GAAP reporting as required by taking all possible steps to ensure the GAAP Reporting Packages and financial statements are prepared in an accurate manner. (*For the previous Department response, see Digest Footnote #1*)

**INACCURATE AND INADEQUATE RECORDKEEPING OF PROPERTY/FIXED ASSETS**

The Department did not maintain accurate and adequate property/fixed asset records and did not accurately record all capital asset information in its financial records.

The auditors identified the following errors and inadequacies in the Department's property/fixed asset recordkeeping process and reporting in the GAAP Packages:

**Auditors identified systematic problems with Department's Property Control System**

- We noted the amount of accumulated depreciation balances of sampled items that were fully depreciated as of fiscal year 2013 decreased by \$19,333,418. The Department investigated the items and identified that the maximum life was set up for 1,000 months in the Automated Property Control System (APCS). The system depreciates the items up to the estimated useful life of the property but once the 1,000 month is reached, the system begins to depreciate the item again as if newly acquired. The Department expanded the review of these errors and determined that the accumulated depreciation balances as of fiscal year 2014 for the fully depreciated items totaling \$62,751,610 and depreciation expense totaling \$18,067,265 were understated.

**Multiple depreciation issues identified**

- The APCS report used for fiscal year 2014 lacked one month's depreciation and fiscal year 2013 included an additional month of depreciation totaling approximately \$2,926,945.
- We noted building improvement costs that were entered in APCS as part of the original building asset item and the depreciation was calculated from the acquisition date of the original item rather than being depreciated as a new asset or over the remaining useful life of the building.
- The Department did not include transfers-in from the Capital Development Board (CDB) in fiscal year 2014 of \$2,251,938 and a transfers-in from fiscal year 2013 of \$123,374 that met the capitalization threshold for capital assets in the SCO-538 capital assets balance. We also noted that CDB completed transfers-in through March 31, 2014 totaling \$4,752,138, of which \$2,534,785 were from fiscal year 2013, but were not timely recorded in the APCS.

**CDB transfer amounts not appropriately reported in 2014 or 2013**

The Department subsequently adjusted the financial statements and resubmitted the SCO-537/538 to correct the above errors.

In relation to detailed testing of State property items, the following exceptions were noted during property testing:

- At the Department's Concordia Court campus, we were unable to locate 4 of 60 (7%) items traced from the property listing to the item.
- We were unable to locate 2 of 60 (3%) items that were traced from the item to the property listing.
- We noted 3 of 60 (5%) items had an incorrect location.
- Of 60 deletions tested, three exceptions were noted: one (2%) deleted item did not have proper authorization; one (2%) deleted item was still in the property listing; and one (2%) deleted item did not have supporting documents.
- Of 60 equipment vouchers, we identified 11 (18%) vouchers tested totaling \$61,147 for equipment items that were not included on the property control listing in the Department's APCS.

**Numerous property control issues identified during testing**

During the detailed testing of State property items in 25 Correctional Centers and 4 Adult Transition Centers, the following exceptions were noted:

- During the location testing, a total of 18 items were unable to be located in East Moline, Graham, Robinson, Sheridan, and Stateville Correctional Centers.

**Items could not be located at Correction Centers**

**Items were found assigned to condemned buildings at one Center**

- The property listing was not updated for East Moline, Graham, Southwestern Illinois, Stateville, and Taylorville Correctional Centers. The property listing included commodities (items valued at \$100), deleted items, and missing items. The property listing excluded additions, transfers-in, and items that were scheduled to be transferred-out but were still on site. In addition, the auditors noted property items with incorrect location codes.
- Damaged goods, obsolete items, surplus equipment were observed in East Moline, Shawnee, Sheridan, and Stateville Correctional Centers. In addition, 453 items totaling \$57,028 were assigned to four condemned buildings throughout the Stateville Correctional Center.
- Missing supporting documents and missing approvals on supporting documents were noted for deletions and transfers-in Big Muddy River, East Moline, Graham, Lincoln, and Vienna Correctional Centers.
- Four property items were not tagged in East Moline and Vienna Correctional Centers.
- Improper access to APCS for a total of eight employees at Dixon, Sheridan and Stateville Correctional Centers.

The Department had property and equipment totaling approximately \$1.7 billion as reported on the Form C-15 at June 30, 2014 decentralized throughout the State. Failure to maintain adequate fixed asset records and inaccurate reporting of capital assets 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 2, Pages 21-24) **This finding has been repeated since 2008.**

We recommended the Department strengthen its procedures over property and equipment to ensure accurate and timely recordkeeping and accountability for all State assets and incorporate internal review procedures within its financial accounting function.

**Department agreed with auditors**

Department officials accepted the recommendations and stated the Department will continue devoting the resources necessary, within the limitations of the current technology and budget constraints of the existing APCS to ensure that capital asset information is properly recorded and maintained. (*For the previous Department response, see Digest Footnote #2*)

## **INADEQUATE CONTROLS OVER INVENTORY**

The Department failed to maintain adequate controls over its inventory. The inventory balance reported by the Department at June 30, 2014 totaled \$13.8 million, not including the inventory balance of the Department's Correctional Industries. Each Correctional Center maintained at least a portion of that inventory balance in the way of commodity and/or commissary inventory.

As part of performing the financial audit of the Department, auditors performed tests of commodity and/or commissary inventory at 10 of the Department's 25 Correctional Centers. The determination of those 10 Correctional Centers was made based upon an analysis of the Correctional Centers' inventories, capital assets, and locally held fund balances.

Auditors identified numerous exceptions and weaknesses related to the controls over commodity and commissary inventory operations. A summary of the exceptions identified are as follows:

### **Numerous inventory exceptions noted at Corrections Centers**

#### **Inaccurate inventory counts**

#### **Retired employees retained system access**

#### **Lack of segregation of duties noted at one Center**

#### **Significant stockpiling identified at one Correctional Center**

- The inventory counts completed by Center personnel did not agree to the accounting records in The Inventory Management System (TIMS) or the Fund Accounting and Commissary Trading System (FACTS) due to errors in unit of measure and quantity, as well as errors in encoding in TIMS or FACTS for Graham, Shawnee, East Moline, Dixon, Stateville and Sheridan Correctional Centers. Auditors also observed that physical inventory count procedures at Stateville were not conducted systematically.
- Auditors identified access control weaknesses associated with TIMS at Jacksonville, Dixon and Stateville Correctional Centers. Retired employees and employees whose job responsibilities did not require access to the application were noted to have access to TIMS.
- Auditors noted weaknesses in segregation of duties for inventory procedures at Stateville Correctional Center.
- Inmate commissary inventory reports for fiscal year 2013 were not generated by East Moline and Stateville Correctional Centers and the Inmate Commissary Inventory report for fiscal year 2014 was not generated timely by Stateville Correctional Center to allow proper reconciliation with inventory counts and FACTS. In addition, auditors also found overstatements in inventory balances.
- Auditors noted stockpiling of inventory totaling \$97,771 and \$158,064 at Stateville Correctional Center in fiscal year 2013 and fiscal year 2014, respectively and \$1,638 at Sheridan Correctional Center in fiscal

year 2014. Stockpiling is defined as maintaining a supply greater than the level needed for a twelve month period.

**Inventory adjustments at one Center of \$543,756 not adequately supported or approved**

- Stateville Correctional Center made inventory adjustments in TIMS totaling a net increase amount of \$543,756 that were not adequately supported and properly approved. In addition, supports for two inventory receipts totaling \$7,060 were not provided.

Strong internal controls require an improved centralized oversight function related to inventory. Failure to implement such controls could lead to theft and loss of assets and noncompliance with Department and statutory guidelines as well as not accurately reporting the fiscal year-end inventory balances which would, in turn, reduce the reliability of Statewide financial reporting. (Finding 3, Pages 25-27) **This finding has been repeated since 2008.**

We recommended the Department improve its centralized oversight function related to inventory to allow for improved controls.

**Department agreed with auditors**

Department officials accepted the recommendation and stated they will continue to work with Centers in maintaining and accounting for inventory with the Inventory Management System and the Fund Accounting and Commissary Trading System. (*For the previous Department response, see Digest Footnote #3*)

**OVERTIME WORKED ON SAME DAY AS PAID LEAVE WAS TAKEN**

**Overtime and leave was noted as paid for same work day**

In our review of timesheets we noted Department employees used leave time (i.e., sick, vacation, personal leave, and accumulated holiday time) for their regular shift, but then worked another shift at the overtime rate the same day. While there may be instances where this would be a needed solution to a difficult staff coverage scenario, it could be a sign of abuse of overtime and may be against Department policy.

**\$70.9 million paid in overtime and compensatory time in FY 2014**

According to data provided by the Department, for fiscal year 2014 there was a total of 1,009,115 hours of overtime paid at a cost of \$49,119,780. There were also 661,753 hours of compensatory time used at a cost of \$21,818,872. Two facilities reported having over 100,000 hours of overtime during fiscal year 2014. Stateville Correctional Center reported 166,423 hours of overtime at a cost of \$8,268,978. Logan Correctional Center reported 101,033 hours of overtime at a cost of \$4,538,955. In addition to overtime, Stateville Correctional Center also reported 96,114 hours of compensatory time at a cost of \$3,265,667.

**Two Centers reported 267,456 hours of overtime in one fiscal year at a cost of \$12.8 million**

We reviewed fiscal year 2014 overtime payments for 20 employees for selected months. We judgmentally selected 10 employees at Logan Correctional Center with the highest amount of overtime pay and 10 employees at Stateville Correctional Center (the five employees with the highest amount of overtime pay and the five employees with the highest amount of compensatory time pay). As part of our review we obtained employee annual timesheets, shift logs, and approval slips for overtime and compensatory time as well as payroll reports for each pay period.

**50% of employees tested at two Centers used a full day of leave at least once on the same day overtime was worked**

In our review of these 20 employee timesheets for fiscal year 2014, 10 employees (50%) had used a full day of leave time at least once during the fiscal year on the same day that they had worked overtime. For the 20 employees reviewed, we identified a total of 57 instances during fiscal year 2014 in which employees used a full day of leave time (7.5 hours) the same day that they also worked overtime. An employee at Stateville Correctional Center used leave time the same day in which they worked an overtime shift on 19 different occasions during fiscal year 2014. An employee at Logan Correctional Center used leave time the same day in which they worked an overtime shift on 13 different occasions during fiscal year 2014.

**One employee found to have utilized same-day overtime and leave time on 19 occasions in one fiscal year**

**Department's manual states overtime not to be considered if worked during time of employee's absence**

The Department's Overtime Equalization Training Manual requires the Department to not consider employees on benefit time for Master Overtime Equalization if the overtime is occurring during the time of the employee's absence.

The financial advantage of this practice from the employee's perspective is that the employee is paid for the leave time shift at the usual rate for that day and then also paid for the overtime shift at 1.5 times the usual rate of pay on the same day. The financial effect on the State, however, is that not only does the State pay the employee at the overtime rate for the shift worked in addition to the regular rate for the leave time taken, but the State must also pay another employee overtime to cover the shift for which the leave time was used. This type of abuse of leave time may be an example of "shift swapping" in which employees knowingly use leave time and swap shifts in order to gain a financial advantage.

**No union agreements provided to support practice**

We requested any union agreements that allow overtime pay on the same day that leave time is taken; however, the Department could not provide any. (Finding 15, Pages 52-53)

We recommended the Department monitor the use of leave time being used on the same day as overtime is worked and comply with its training manual by not allowing employees to work overtime on the same day that a full day of leave time is also used.

**Department agreed with auditors**

Department officials accepted the recommendation and stated they will make every effort to ensure employee overtime worked complies with the Department's Overtime Equalization Training Manual by not allowing employees to work overtime the same day leave time is also used.

**LACK OF DOCUMENTATION AND ERRORS IN OVERTIME PAY**

**Errors identified in paid overtime**

The Department did not always maintain documentation to support overtime paid to employees. In addition, we identified errors in the overtime pay.

We reviewed fiscal year 2014 overtime payments for 20 employees for selected months. We judgmentally selected 10 employees at Logan Correctional Center with the highest amount of overtime pay and 10 employees at Stateville Correctional Center (the five employees with the highest amount of overtime pay and the five employees with the highest amount of compensatory time pay). All of the timekeeping for payroll for employees at Logan Correctional Center and Stateville Correctional Center are completed manually. As part of our review we obtained employee annual timesheets, shift logs, and approval slips for overtime and compensatory time as well as payroll reports for each pay period in order to determine whether there was support for the payment of overtime.

**Timekeeping and payroll records found in disarray**

Timekeeping and payroll paperwork at Stateville Correctional Center was in disarray. There was no filing system for overtime slips, Notice of Absence slips, Daily Roll Call or Attendance sheets, and Payroll Time Reports (DOC-0132). Many times, auditors were unable to find documentation to support the overtime or compensatory time paid. Over half of all overtime hours tested for Stateville Correctional Center employees lacked sufficient documentation of time worked or documentation of approval of the overtime paid. For 10 Stateville Correctional Center employees, we tested one month (June 2014) and identified 411.75 hours of undocumented or unapproved overtime. This accounted for 56 percent (411.75 hours out of 740.5 hours) of the overtime paid for the 10 Stateville Correctional Center employees in our sample for that single month. For 10 Logan Correctional Center employees we tested two months of overtime (July 2013 and May 2014) and identified 118.25 hours of undocumented or unapproved overtime out of a total of 1,572 hours of overtime tested or 8 percent.

**530 hours of overtime found undocumented or not approved**

**Lack of staffing noted in key timekeeping and payroll positions at one Center tested**

At Stateville Correctional Center, there is a lack of personnel in key timekeeping and payroll positions. The Timekeeping Supervisor is a security employee (a shift supervisor) that has been temporarily assigned to this position. According to officials another employee in payroll was reassigned from the

Warden's Office. There was no full time Business Manager and a new Business Administrator started the first day the auditors were on site (January 5, 2015).

**Employees found overpaid for overtime and compensatory time at one Correctional Center**

Logan Correctional Center overpaid employees for overtime and compensatory time. A standard work shift is 7.5 hours not including a half hour unpaid lunch and a roll-call period of 15 minutes. If an employee stands roll-call or works through their lunch, these are paid separately from the employee's regular pay. Compensatory time and overtime at Logan Correctional Center were being accrued and paid at 8 or 8.25 hours per shift instead of 7.5 hours as is required by union contract (RC-6 Agreement Article XII, Sec. 1 d) and CU-500 Agreement Article XII Sec. 1 b)). Therefore, for each overtime shift worked and for every shift worked for compensatory time, employees were being compensated an extra .5 to .75 hours. For the 10 Logan Correctional Center employees we tested for the months of July 2013 and May 2014, we identified 79.5 hours of overpayment for overtime.

**Officials stated overpayments for paid time has been the same process used for several years (at least 10)**

At Logan Correctional Center, employees have been overpaid for full shifts in regards to overtime and compensatory time at the facility for the audit period. The Warden and Business Administrator at Logan Correctional Center, who had both been there approximately one year at the time of our testing, stated that this is how Logan Correctional Center had been processing time accrued and time charged for years (at least 10 years). According to Logan Correctional Center officials, they have changed the hours accrued so that on a go-forward basis, employees will accrue and use compensatory time at 7.5 hours per shift. In addition, overtime will not be paid for the .5 hour lunch as has been done for many years. The Warden estimated that it may be costing approximately \$130,000 per year for this mistake. By taking the total hours of overtime and compensatory time for Logan Correctional Center (115,212 hours) for fiscal year 2014 and the total paid for these hours (\$4,969,394), we obtained an average hourly wage rate of \$43.13 per hour. Because some overtime shifts are less than 8 hours, and other shifts were greater than 8 hours, it is difficult to provide an accurate estimate of the cost of this error. However, if all shifts were paid at 8 hours we estimate the overpayment to be over \$300,000 for fiscal year 2014.

**Several errors noted in payroll documentation**

In our review we also noted errors in timekeeping documentation which often led to errors in payroll. These included:

**Employee paid for denied time**

- For one Logan Correctional Center employee, an overtime slip requesting that they receive a half hour paid lunch was denied twice for the same shift; however, when reviewing the payroll report for that time period, it appears they were paid for both denied slips.
- Another Logan Correctional Center employee worked

during July 4th and should have been paid double time (which is the holiday rate of pay). The payroll report shows that this employee was erroneously paid at the standard overtime rate (one and a half times standard rate of pay).

**Instances of underpayments to employees for overtime**

- An employee at Stateville Correctional Center was underpaid 16 hours of overtime. During the following pay period, only an additional two hours of overtime from the previous pay period shortage was paid, leaving the employee 14 hours of unpaid overtime. Additionally, this employee's annual timesheet showed 12 more hours of overtime than the overtime slips documented.
- A Logan Correctional Center employee was paid twice for the same 19 hours of compensatory time because it was not deducted properly from his annual timesheet.
- A Stateville Correctional Center employee submitted an overtime slip which had the wrong signature date (two months in the future). The overtime slip was denied and had a note to resubmit written on it. However, the payroll report showed that the employee was paid for the overtime, but there was not a corrected overtime slip available for review.

**19 hours of compensatory time paid twice for one employee**

**Timekeeping found to be kept manually**

Because timekeeping for payroll is completed manually for employees at Logan Correctional Center and Stateville Correctional Center, the payment of overtime and accrual of compensatory time are prone to errors and are not always accurate. (Finding 16, Pages 54-57)

We recommended the Department strengthen controls over its timekeeping and payment of overtime and compensatory time by:

- Maintaining proper documentation to support all overtime paid to employees;
- Ensuring that overtime and compensatory time are not paid without proper approval; and
- Ensuring that overtime and compensatory time hours are paid and accrued in accordance with the union agreements.

**Department agreed with auditors**

Department officials accepted the recommendations and stated the Department will make every effort to ensure proper documentation is maintained to support all employees overtime worked, ensure employee overtime and compensatory time are not paid without proper approval, and ensure employee overtime and compensatory time hours are paid and accrued in accordance with union agreements.

## **LACK OF FISCAL CONTROLS OVER OFFENDER 360 PROJECT**

The Department did not have controls in place to ensure fiscal requirements were controlled and documented.

In order to meet the statutory requirements of Public Act 097-0697, managing the awarding of sentence credits to eligible offenders, the Department embarked on a development project, Offender 360, in June 2010.

**Department could not provide supporting documentation for significant IS project**

Auditors requested documentation related to the procurement, budget, expenditures and funding source of the Offender 360 project. As a result of this request, the Department provided documentation; however, the supporting documentation provided to the auditors did not pertain to the numerous requests. As such, the auditors were unable to perform detailed auditing procedures in order to determine the adequacy of controls over the Offender 360 project.

**Auditors unable to test due to lack of documentation**

In addition, the auditors obtained documentation from the Department of Central Management Services (DCMS) in an attempt to garner some evidentiary support of the procurement, budget, expenditures and funding source of the Offender 360 project. Of the information that was obtained, we noted the following:

**Auditors looked to other Departments for support**

- The Master Contract or the Work Orders did not indicate the fee associated with the services to be provided.
- The Department provided seven invoices dating from May 29, 2013 through March 31, 2014, totaling \$5.3 million. Our review of the invoices noted:
  - The invoices' description of services stated the services were for support or on-line licenses. However, the Department did not provide documentation as to the type of support provided or the number of licenses purchased.
  - The invoices did not document management's review and approval of the expenditure.
  - The invoices could not be tied to a Work Order to ensure payment was for services as outlined in the Work Order.

**Lack of management approvals on rendered services**

Furthermore, the Department was unable to provide documentation as to the total cost of the project. Per the auditor's review of the Office of the Comptroller records, the Department has paid approximately \$13.7 million to various vendors.

**Department could not state total cost of project to date; however records indicate at least \$13.7 million**

Additionally, the Capital Development Board (CDB) was responsible for vendor payments for the Offender 360 project

**Expenditures for project paid by another State agency**

from the Capital Development Fund. According to information obtained from CDB, the Offender 360 project had total expenditures of \$10.1 million for FY13 and FY14 with \$7 million being paid from the Capital Development Fund. From review of this information we reviewed 11 invoices totaling \$6.4 million and noted:

- Invoices were not provided to the Department for approval and verification of services. The invoices were emailed from the vendor directly to CDB.
- As a result of the lack of approval, we could not determine if the vouchers were timely submitted to the Office of the Comptroller for payment. We were able to determine vouchers were submitted for payment 48 to 179 days after the vendor invoice date.

**Invoices paid without approval and verification of services**

Failure to document, review and control expenditures can result in overpayment and improper payment to the vendor. (Finding 18, Pages 60-61)

We recommended the Department implement controls to ensure expenditures are properly documented and reviewed.

**Department agreed with auditors**

Department officials accepted the recommendation and stated they will make every effort to ensure that all applicable staff and resources are in place to enable it to effectively address any identified deficiencies with its internal fiscal and administrative controls to ensure expenditures are properly documented and reviewed.

**LACK OF EFFECTIVE PROJECT MANAGEMENT OVER OFFENDER 360 PROJECT**

The Department did not have an adequate project management framework and had not ensured the development process over Offender 360 was properly controlled and documented.

**Mission critical system project initiated in 2010 and not in production**

In June 2010, the Department embarked on the development of Offender 360 to replace the Offender Tracking and Juvenile Tracking Systems. The Department stated the replacement of these mission critical systems was essential to meet the statutory requirements of Public Act 097-0697, managing the awarding of sentence credits to eligible offenders.

**Project manager not assigned**

Per the Department’s Chief Information Officer, a project manager was not formally assigned and a project management framework was not utilized by the Department. Project management failures appeared to also lead to confusion regarding Offender 360 going into production.

In addition, a Department official participated in vendor-produced videos and also made other public statements on the development vendor’s website regarding the impact of

**Department official making public statements on vendor's website about system being utilized by Department; however, system was not in production**

implementation of Offender 360 even though the project was found not yet implemented by auditors and confirmed by the Department.

**Confidential information found at risk**

Furthermore, we noted the Department was placing data in the vendor's computing environment and planned to utilize the vendor's processing services for the production system; however, even though Offender 360 would contain confidential information, the Department did not have an agreement with the vendor that outlined the associated financial and security provisions. In addition, the Department was unable to provide any formal security reviews associated with the vendor's computing environment.

**Auditors unable to determine compliance with contractual requirements**

Due to the weaknesses noted and the lack of final documentation, the auditors were unable to determine the vendor's compliance with contractual requirements and the Department's review and approval of the vendor's work.

The lack of a defined project management process increases the likelihood of ineffective and inefficient use of resources resulting in IT systems that fail to meet expectations and requirements, and require additional costs. (Finding 31, Pages 82-84)

We recommended the Department develop and implement a project management framework to ensure projects are appropriately managed and adequately monitored and documented.

**Department agreed with auditors**

Department officials accepted the recommendation and stated the Department will make every effort to ensure that the necessary staff and resources are in place to enable it to ensure appropriate project management frameworks are utilized to achieve project operational, financial, and timeline objectives.

### **COMPENSATORY TIME ACCRUALS AND PAYMENTS MADE IN VIOLATION OF FEDERAL LAW AND UNION AGREEMENTS**

The Department violated the federal Fair Labor Standards Act (FLSA) of 1938 for compensatory time accrual by allowing Department employees to accrue more than 480 hours of compensatory time during a one-year period.

**Employees found to have more than the federally allowed accrued compensatory time**

For 2 of 10 employees sampled at Stateville Correctional Center, we found fiscal year 2014 payroll payments for compensatory time that exceeded more than 480 hours. These included:

**83% and 87% of two employees' pays were due to payments of compensatory time**

- A Correctional Lieutenant was paid for 625.88 hours of compensatory time accrued. This accounted for \$28,171 (83%) of his \$33,973 bimonthly gross pay for

the period June 16, 2014 through June 30, 2014.

- Another Correctional Lieutenant was paid for 560 hours of compensatory time accrued. This accounted for \$25,547 (87%) of his \$29,341 bimonthly gross pay for the period May 16, 2014 through May 31, 2014. Annual timesheets reviewed also showed that this employee had accrued 756 hours of compensatory time at the end of fiscal year 2013 and was over the 480 hour threshold for five consecutive months.

**One employee found to have 756 hours of accrued compensatory time**

For 1 of 20 employees tested, the employee was allowed to carry 80.63 hours of compensatory time from the end of fiscal year 2013 to the next fiscal year in violation of the union agreement. In addition, the Department does not have a centralized timekeeping system to track the hours of compensatory time that employees have accrued. The Department uses a manual timekeeping system and does not track the rate at which compensatory time is accrued/earned for each employee. At correctional centers we visited, the balance of compensatory time accrued is listed on the employee's annual timesheet for each month.

**Compensatory time allowed to be carried over in violation of union agreement**

Allowing employees to accrue excessive compensatory time results in a loss of funds for the State because compensatory time liquidated at the end of the fiscal year may be paid at a higher rate than it was earned earlier in the year. This is because employees that wait until all cost of living raises, merit raises, and promotions have been received before liquidating the time for cash will receive a higher rate of pay for the accrued compensatory time. Because the Department does not have a centralized electronic timekeeping system, it is difficult to quantify how prevalent the accrual of compensatory time is or the financial impact. (Finding 32, Pages 85-86)

We recommended the Department:

- Comply with the federal Fair Labor Standards Act of 1938 by not allowing employees to accrue more than 480 hours of compensatory time;
- Comply with the union master agreement and track and pay compensatory time at the rate it was earned/accrued; and
- Comply with the union master agreement by not allowing employees to carry compensatory time from the end of one fiscal year to the next.

**Department agreed with auditors**

Department officials accepted the recommendations and stated the Department will make every effort to ensure compliance with the federal Fair Labor Standards Act of 1938, and with union master agreements by tracking and paying compensatory time at the rate it was earned when a centralized timekeeping and payroll system is implemented.

## **OTHER FINDINGS**

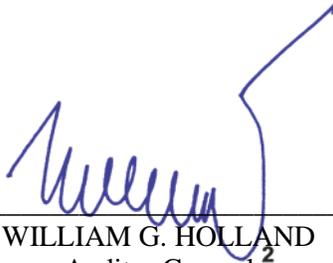
The remaining findings are reportedly being given attention by the Department. We will review the Department's progress toward implementation of our recommendations in our next audit.

## **AUDITOR'S OPINION**

The auditors stated the Department's financial statements as of June 30, 2014 and for the year then ended were presented fairly in all material respects.

## **ACCOUNTANT'S OPINION**

A compliance examination of the Department was also conducted as required by the Illinois State Auditing Act. The Accountant's Report noted the Department did not comply in all material respects with requirements regarding applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations as well as requirements regarding obligating, expending, receiving and using public funds of the State.



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WILLIAM G. HOLLAND  
Auditor General<sup>2</sup>

WGH:ETL:rt

## **SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this audit were Adelfia LLC.

## **DIGEST FOOTNOTES**

### **#1 - WEAKNESSES IN PREPARATION OF GAAP REPORTING FORMS AND FINANCIAL STATEMENTS**

2012: Recommendation accepted. The Department will continue devoting the resources necessary to complete the GAAP reporting as required by implementing procedures and to take all possible steps to ensure the GAAP Reporting Packages and financial statements are prepared in an accurate manner. The Assistant Deputy Director position responsible for Fiscal Accounting Compliance was filled effective February 1, 2012. Adequate resources have been added which may enhance making improvements to ensure the GAAP Reporting Packages and financial statements are accurately prepared.

### **#2 - INACCURATE AND INADEQUATE RECORDKEEPING OF PROPERTY/FIXED ASSETS**

2012: Recommendation accepted. The Department will continue devoting the resources necessary, within the limitations of the current technology and budget constraints of the existing Automated Property Control System (APCS), to ensure that capital asset information is properly recorded and maintained. The Department will also re-evaluate the capabilities of the existing APCS to determine whether it can produce the type of data necessary for the Department to prepare detailed capital asset information.

### **#3 - INADEQUATE CONTROLS OVER INVENTORY**

2012: Recommendation accepted. The Department has made some revisions in maintaining and accounting for inventory with the implementation of The Inventory Management System (TIMS) and Fund Accounting and Commissary Trading System (FACTS). During an absence of sufficient resources, the Department contracted with an accounting firm to assist in meeting the necessary fiscal requirements. The Assistant Deputy Director position responsible for Fiscal Accounting Compliance was filled effective February 1, 2012. Adequate resources have been added, striving to continue making improvements in the Department's centralized oversight function and to the inventory accounting and maintenance within the facilities.