



ADELFA LLC
CERTIFIED PUBLIC ACCOUNTANTS

400 E RANDOLPH STREET, SUITE 705
CHICAGO, IL 60601
TEL (312) 240-9500 FAX (312) 240-0295
www.adelfiacpas.com

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

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DEPARTMENT OF CORRECTIONS**

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AGENCY OFFICIALS

Director	Salvador A. Godinez (05/02/11 through 12/31/14) Salvador A. Godinez, Acting (01/01/15 through 03/02/15) Bryan Gleckler, Acting (03/03/15 through 03/15/15) Donald Stolworthy (03/16/15 through present)
Assistant Director	Gladyse Taylor (05/02/11 through present)
Executive Assistant to the Director	Jerry Buscher, Acting (05/09/11 through 04/30/13) Vacant (05/01/13 through 06/09/13) Jesse Montgomery (06/10/13 through 03/23/14) Vacant (03/24/14 through 05/15/14) Patrick McGuire (05/16/14 through present)
Chief of Staff	Luke Hartigan (09/01/11 through 03/31/13) Vacant (04/01/13 through 05/19/13) Bryan Gleckler (05/20/13 through present)
Chief of Constituent Services	Jaclyn O'Day (02/01/11 through 12/10/12) (changed to Community Outreach Administrator)
Community Outreach Administrator	Markus King (12/12/12 through present)
Chief of Parole	Brad Curry (02/01/12 through 02/07/13) Darryl Johnson (02/08/13 through 05/15/14) Jason Garnett, Acting (05/16/14 through 06/15/14) Jason Garnett (06/16/14 through present)

AGENCY OFFICIALS (Continued)

Chief of Investigations and Intelligence	Larry Beck (02/01/12 through 12/31/12) Vacant (01/01/13 through 01/15/13) Michael Hood (01/16/13 through 05/15/14) Darryl Jonhson, Acting (05/16/14 through 06/15/14) Darryl Johnson (06/16/14 through present)
Chief Legal Counsel	Joseph Rose (02/01/10 through 11/15/12) William Barnes (11/16/12 through 01/16/15) Vacant (01/17/15 through 02/01/15) LaShonda Hunt (02/02/15 through present)
Chief of Intergovernmental Relations	Daryl Jones (05/01/12 through 03/04/13) Michael Lane (03/05/13 through present)
Chief of Labor Relations	Amy McElroy (06/16/10 through 02/28/13) Vacant (03/01/13 through 02/28/14) Ed Jackson (03/01/14 through present)
Chief of Operations	Jesse Montgomery (02/01/12 through 06/09/13) Joseph Yurkovich (06/10/13 to present)
Chief of Affirmative Action	(changed to Administrator of Affirmative Action and Minority Recruitment)
Administrator of Affirmative Action and Minority Recruitment	Vicki Fair (08/01/09 through 02/18/14) Vacant (02/19/14 through 05/15/14) Fernando Chavarria (05/16/14 through present)
Chief Fiscal Officer	Bryan Gleckler (06/16/10 through 05/19/13) Vacant (05/20/13 through 05/31/13) Jared Brunk (06/01/13 through present)

AGENCY OFFICIALS (Continued)

Chief Public Safety Officer	Michael J. McCotter (04/01/10 through 09/30/12) Vacant (10/01/12 through 02/07/13) Brad Curry (02/08/13 through 01/16/15) Vacant (01/17/15 through present)
Chief Public Safety Liaison Officer	Joseph Rose (11/16/12 through present)
Chief of Programs and Support Services	Debbie Denning (05/09/11 through 10/31/13) Shannis Stock (10/01/13 through 01/13/15) Vacant (01/14/15 through present)
Chief Internal Auditor	Brett Finley (08/01/10 through 11/15/12) Ron Faith, Acting (11/16/12 through 12/15/13) Ron Faith (12/16/13 through present)
Deputy Director Northern District	David Gomez (02/01/12 through present)
Deputy Director Central District	Yoland Johnson (02/01/12 through 12/31/12) Vacant (01/01/13 through 01/15/13) Joseph Yurkovich, Acting (01/16/13 through 01/31/13) Joseph Yurkovich (02/01/13 through 06/09/13) Glen Austin (06/10/13 through 05/15/14) Marcus Hardy, Acting (05/16/14 through 06/15/14) Marcus Hardy (06/16/14 through present)
Deputy Director Southern District	Ty J. Bates (12/01/11 through 06/06/13) Shannis Stock, Acting (06/07/13 through 06/20/13) Shannis Stock (06/21/13 through 09/30/13) Donald Gaetz (10/01/13 through 04/30/14) Vacant (05/01/14 through 06/30/14) Randy Davis (07/01/14 through present)
Chief Information Officer	Steven Matthews (02/01/12 through present)

AGENCY OFFICIALS (Continued)

Agency General Office is located at:
1301 Concordia Court
P.O Box 19277
Springfield, IL 62794-9277



**Illinois
Department of
Corrections**

Bruce Rauner
Governor

Donald Stolworthy
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

April 10, 2015

Adelfia LLC
400 East Randolph Street
Suite 705
Chicago, Illinois 60601

Ladies and 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, Illinois Department of Corrections (Department). 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, 2014. Based on this evaluation, we assert that during the years ended June 30, 2013 and June 30, 2014, the Department has materially complied with the assertions below.

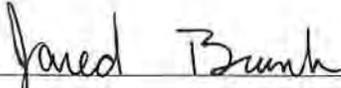
- A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received and used public funds of the State in accordance with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

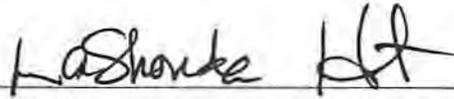
Illinois Department of Corrections

A handwritten signature in black ink, appearing to read "Donald Stolworthy", written over a horizontal line.

Mr. Donald Stolworthy, Director

A handwritten signature in black ink, appearing to read "Jared Brunk", written over a horizontal line.

Mr. Jared Brunk, Chief Fiscal Officer

A handwritten signature in black ink, appearing to read "LaShonda Hunt", written over a horizontal line.

Ms. LaShonda Hunt, Chief Legal Counsel

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
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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 consists of State compliance testing of the Department for the two years ended June 30, 2014, except for Illinois Correctional Industries (ICI), which was examined by other special assistant auditors. State compliance schedules contained in this report generally do not contain information for ICI.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, but does contain a qualified opinion on compliance and material weaknesses over internal control.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	34	39
Repeated findings	28	25
Prior recommendations implemented or not repeated	11	9

Details of findings are presented in a separate section of this report. The findings in this report are a result of our testing of the Department, except for Illinois Correctional Industries (ICI), which was examined by other special assistant auditors. Findings at ICI related to financial reporting matters and findings regarding procedural or administrative matters relating to all or multiple institutions of the Department of Corrections are included in this report. Other state compliance findings specific to ICI are reported in the separate ICI compliance examination report.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
GOVERNMENT AUDITING STANDARDS			
2014-001	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
2014-002	21	Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property/fixed assets	Material Weakness
2014-003	25	Inadequate controls over inventory	Significant Deficiency and Noncompliance
2014-004	28	Inadequate administration of locally held funds at the Correctional Centers	Significant Deficiency and Noncompliance
2014-005	33	Lack of control over computer systems	Significant Deficiency and Noncompliance
STATE COMPLIANCE			
2014-006	35	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
2014-007	37	Inadequate documentation of employee training	Significant Deficiency and Noncompliance
2014-008	38	Employee performance evaluations not performed timely	Significant Deficiency and Noncompliance
2014-009	40	Cash receipts and refunds not paid into the State Treasury on a timely basis as required by State law	Significant Deficiency and Noncompliance
2014-010	42	Policies and procedures regarding operation of State vehicles not followed	Significant Deficiency and Noncompliance
2014-011	46	Failure to prepare and submit reports as required by State statute	Significant Deficiency and Noncompliance
2014-012	47	Weaknesses in Adult Transition Center food services contract	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS

STATE COMPLIANCE (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-013	49	Improper management of addiction recovery services	Significant Deficiency and Noncompliance
2014-014	51	Noncompliance with applicable portions of the Arsonist Registration Act	Significant Deficiency and Noncompliance
2014-015	52	Taking paid leave time and working overtime on the same day	Significant Deficiency and Noncompliance
2014-016	54	Lack of documentation and errors in overtime pay	Significant Deficiency and Noncompliance
2014-017	58	Lack of disaster contingency planning or testing to ensure recovery of computer systems	Significant Deficiency and Noncompliance
2014-018	60	Lack of fiscal controls over Offender 360 project	Significant Deficiency and Noncompliance
2014-019	62	Failure to properly establish mechanism to track access to inmate master records	Significant Deficiency and Noncompliance
2014-020	63	Weaknesses over issuance of temporary identification cards	Significant Deficiency and Noncompliance
2014-021	65	Failure to properly conduct metal detector searches of inmates	Significant Deficiency and Noncompliance
2014-022	66	Noncompliance with inmate grievance procedures	Significant Deficiency and Noncompliance
2014-023	68	Adult Transition Center records not properly maintained	Significant Deficiency and Noncompliance
2014-024	71	Inadequate controls over voucher processing	Significant Deficiency and Noncompliance
2014-025	73	Payroll timekeeping system not automated	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS

STATE COMPLIANCE (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-026	74	Failure to develop a formal fraud risk assessment program	Significant Deficiency and Noncompliance
2014-027	75	Failure to update Administrative Directives	Significant Deficiency and Noncompliance
2014-028	76	Inadequate controls over computer inventory	Significant Deficiency and Noncompliance
2014-029	78	Operation and maintenance of "cash box" funds at Correctional Centers	Significant Deficiency and Noncompliance
2014-030	81	Noncompliance with the Illinois Procurement Code	Significant Deficiency and Noncompliance
2014-031	82	Lack of effective project management over Offender 360 project	Significant Deficiency and Noncompliance
2014-032	85	Compensatory time accrual in violation of federal law and compensatory time payments in violation of union agreement	Significant Deficiency and Noncompliance
2014-033	87	Failure to properly transfer unclaimed inmate cash account balances	Significant Deficiency and Noncompliance
2014-034	89	Weaknesses in change management	Significant Deficiency and Noncompliance

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

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-001	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

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-002	21	Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property/fixed assets	Material Weakness and Material Noncompliance
2014-003	25	Inadequate controls over inventory	Significant Deficiency and Noncompliance
2014-004	28	Inadequate administration of locally held funds at the Correctional Centers	Significant Deficiency and Noncompliance
2014-005	33	Lack of control over computer systems	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	91	Weaknesses in administration of locally held funds at the General Office
B	91	Inadequate controls over accounts receivable
C	91	Lack of collection efforts over farm leases
D	92	Noncompliance with Uniform Disposition of Unclaimed Property Act
E	92	Inmate commissary goods marked up more than allowed by statute
F	92	Noncompliance with the Illinois Procurement Code
G	92	Failure to comply with the Identity Protection Act
H	93	Computer equipment not installed in a timely manner
I	93	Failure to adequately maintain documentation related to personally assigned vehicles

**PRIOR FINDINGS NOT REPEATED
(Continued)**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
J	93	Failure to maintain control over telecommunication devices
K	93	Failure to properly notify appropriate parties of impending release of inmates

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at exit conferences on December 17, 2014 and April 1, 2015. Attending were:

DEPARTMENT OF CORRECTIONS

Don Stolworthy*	Director
Gladyse Taylor**	Assistant Director
Bryan Gleckler	Chief of Staff
Jared Brunk*	Chief Fiscal Officer
Tara Kessler	Assistant Deputy Director Fiscal Accounting Compliance
Ron Faith	Chief Internal Auditor
Jonathan Swager	Internal Auditor
Genna South**	Internal Auditor
William Barnes**	Chief Legal Counsel (until 01/16/15)
LaShonda Hunt*	Chief Legal Counsel (beginning 02/02/15)
Joseph Rose*	Attorney
Steven Matthews	Chief Information Officer
Brad Burnett*	Director, Public Safety Shared Services Center

OFFICE OF THE AUDITOR GENERAL

Elvin Lay	Audit Manager
Kathy Lovejoy	Audit Manager
Michael Paoni	Audit Manager
Patrick Rynders	Audit Supervisor

ADELFA LLC

Stella Marie Santos	Director
Jennifer Roan	Director
Maria Divina Valera**	Director
Annabelle Abueg	Director

* present only at exit conference on April 1, 2015

** present only at exit conference on December 17, 2014

The responses to the recommendations were provided by Ron Faith, Chief Internal Auditor, in a letter dated December 23, 2014 and April 7, 2015.



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CHICAGO, IL 60601
TEL (312) 240-9500 FAX (312) 240-0295
www.adelfiacpas.com

INDEPENDENT ACCOUNTANT’S REPORT ON STATE COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE

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, 2014. 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.

Our examination was conducted 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 items 2014-001 and 2014-002 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. 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 compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2014. However, the results of our procedures disclosed other instances of noncompliance with the requirements, 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 items 2014-003 through 2014-034.

Internal Control

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 to determine the examination procedures that are appropriate in the circumstances 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed

below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2014-001 and 2014-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2014-003 through 2014-034 to be significant deficiencies.

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 the responses.

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.

Adelfia LLC

Chicago, Illinois
April 10, 2015



INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 31, 2014. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Working Capital Revolving Fund (Correctional Industries), as described in our report on the Department's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying

schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2014-001 and 2014-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2014-003 through 2014-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 2014-003 through 2014-005.

Department's Responses to Findings

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Adelfia LLC

Chicago, Illinois
December 31, 2014

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

SCHEDULE OF FINDINGS

**CURRENT FINDINGS
(GOVERNMENT AUDITING STANDARDS)**

2014-001 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) 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 (APCS) 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 (see also Finding 2014-002).
- The Department did not properly report capitalized and non-capitalized transfers-in from the Capital Development Board (CDB) 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 (see also Finding 2014-002) 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 as expenses and transfers-in in the government-wide financial statements.

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.

SAMS Procedure 29.10.30 on CDB Activity states cost associated with remodeling, renovation and rehabilitation projects are to be recorded by the agency in their capital records as a repair and maintenance cost for that period and to follow the guidance for distinguishing between repairs and maintenance and capital items in SAMS 03.30.10.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall 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 accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Good internal control procedures require adequate management oversight and review of accounting policies and procedures as well as an overall review of financial reporting for accuracy and compliance with GAAP.

Department management indicated the financial reporting errors noted during the audit period were due to oversight in the compilation of capital asset information and an error within APCS where the maximum depreciable life was set up for 1,000 months. The system resets when the 1,000 month depreciation is reached and begins depreciating fully depreciated items again as if they were newly acquired. The Department has property items with depreciable life exceeding 1,000 months.

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 Code No. 2014-001, 12-01, 10-01, 08-01)

RECOMMENDATION:

We recommend 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 RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) 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.

2014-002 FINDING: (Weaknesses in the financial accounting for, and inaccurate and inadequate recordkeeping of property/fixed assets)

The Department of Corrections (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:

- In our tests of depreciation and accumulated depreciation balances as of fiscal year 2014, we noted that the accumulated depreciation balances for property items sampled that were already 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. Since the Department originally reported the accumulated depreciation in the SCO-537/538 based on the accumulated depreciation balance at the end of the year per APCS and isolated the amounts for transfers and deletions to compute the depreciation expense for the year, the amounts reported in the GAAP Package were accordingly understated by the same amounts.
- 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 some 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.

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

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

- During our 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. The items that could not be located were camera & capture board, finger/hand scanner, managed modular desktop switches, and transceiver.
- During our property testing, we were unable to locate 2 of 60 (3%) items that were traced from the item to the property listing. The items that could not be traced were a printer and a desk.
- During our property testing, we noted 3 of 60 (5%) of the items selected during our equipment tracing testing had an incorrect location.
- During our property testing of 60 deletions, 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.
- During our testing 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.

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.
- 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 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.”

SAMS Procedure 29.10.30 on CDB Activity states cost associated with remodeling, renovation and rehabilitation projects are to be recorded by the agency in their capital records as a repair and maintenance cost for that period and to follow the guidance for distinguishing between repairs and maintenance and capital items in SAMS 03.30.10.

SAMS Procedures 03.30.30 and 27.20.38 outline the instructions for capitalizing assets and the preparation of the SCO-538. This reporting process is necessary for the Comptroller to complete the Statewide financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

The State Finance Act (30 ILCS 105/20) defines equipment to include all expenditures having a unit value exceeding \$100.

The Illinois Administrative Code (Code) 44 Ill. Adm. Code 5010.210 requires agencies to mark each piece of State-owned equipment in their possession with a unique six digit identification number; 44 Ill. Adm. Code 5010.230 requires agencies to maintain records including identification number, location code number, description, date of purchase, purchase price, object code, and voucher number; and 44 Ill. Adm. Code 5010.400 requires agencies to adjust property records within 30 days from acquisition, change, or deletion of equipment items.

Administrative Directive (A.D.) 02.70.105 requires the Center to identify or tag each piece of State-owned controlled property in its possession with a unique identification number.

A.D. 02.70.150 requires the signatures of the Responsible Officer, Receiving Officer, the respective Deputy Director or Chief, the Assistant Deputy Director of Fiscal Operations, and the Property Control Manager.

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.”

Logical security criteria states that generally accepted information technology guidance endorses the development of well-managed controls to protect computer systems and data. Effective computer security controls provide for controlling access to software and the information stored in the computer system.

The Department attributed the exceptions to human error, employee oversight, competing priorities, and inherent limitations of the Department’s APCS.

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 Code No. 2014-002, 12-02, 10-04, 08-07)

RECOMMENDATION:

We recommend the Department:

- Strengthen its procedures over property and equipment to ensure accurate and timely recordkeeping and accountability for all State assets.
- Incorporate internal review procedures within its financial accounting function that ensures the capital asset information is complete and properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Illinois Office of the Comptroller.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) 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. Once the IDOC identified the APCS issue, the system was revised to ensure the accumulated depreciation and associated depreciation expenses were calculating correctly and the balances were tested to ensure accuracy. Fiscal Accounting Compliance also revised procedures to record CDB activity to ensure all information is captured and properly recorded within the financial statements.

2014-003 FINDING: (Inadequate controls over inventory)

The Department of Corrections (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' inventory, capital asset, 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:

- 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 the following overstatements in inventory balances:

Correctional Center	Fiscal Year 2013	Fiscal Year 2014	Reason
Dixon	\$ 8,282	\$15,408	FY13 due to supplies included in inventory; FY14 due to incorrect unit costs
Stateville	31,576	46,894	Error in inventory quantities
Hill		12,873	Error in cost per unit of measure
Shawnee		3,162	Unrecorded invoice for items received
Total	<u>\$39,858</u>	<u>\$78,337</u>	

The Department did not adjust its financial statements for these errors as they were considered immaterial to the Department's overall financial statements.

- 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.
- 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.

The Department has established several Administrative Directives (A.D.'s) concerning inventory procedures and the above noted weaknesses. A.D. 02.82.101 requires inventory records to be maintained to reflect commodity usage and consumption to help ensure account records are maintained correctly. A.D. 02.28.102 requires the Center to review inventory records at least once a year to determine if any items in stock are surplus to current needs. A.D. 02.82.103 requires the Department's Receiving Officer and Storekeeper (or designated alternates) complete a Store Receiving Report to record each individual's receipt and independent review of goods delivered to the Correctional Centers. A.D. 02.82.114A-J reiterates the importance of reconciling the inventory records to the accounting records to verify the accuracy and value on hand of commodity items. It also requires inventory to be properly priced and addresses adjustments to inventory. A.D. 02.85.103 also requires the Department's Commissary Supervisors to maintain strict control over inventory. A.D. 02.95.105 requires records to be properly identified for ready access and to be stored and safeguarded at the facility.

The Statewide Accounting Management System (SAMS) Procedure 03.60.20 requires the Department to perform an annual physical count of inventory on hand and to reconcile the results to inventory records to ensure the completeness and accuracy of those records.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system of internal fiscal and administrative controls to provide assurance State property is safeguarded against loss or misappropriation and assets are properly recorded and accounted for to maintain accountability over the State's resources. In addition, generally accepted accounting principles require the proper valuation and control over annual physical inventory processes to ensure complete and accurate

inventories for financial reporting purposes. An improved oversight function would allow the Department to reduce deficiencies in internal control over maintaining inventory.

The State Records Act (5 ILCS 160/8) requires the Center to preserve records containing adequate and proper documentation of the essential transactions of the Center to protect the legal and financial rights of the State.

The Illinois Procurement Code (30 ILCS 500/50-55) requires every State agency to stock no more than a 12 month supply of inventory.

The Department indicated the exceptions noted were due to human error, employee oversight, competing priorities, and lack of staff.

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 Code No. 2014-003, 12-03, 10-06, 08-09)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) continues working with Centers in maintaining and accounting for inventory with the Inventory Management System (TIMS) and Fund Accounting and Commissary Trading System (FACTS) and is striving to continue making improvements in the IDOC's centralized oversight function and the inventory accounting and maintenance within the Centers.

2014-004 FINDING: (Inadequate administration of locally held funds at the Correctional Centers)

The Department of Corrections' (Department) Correctional Centers inadequately administered locally held (bank accounts) funds during the audit period.

As part of performing the financial audit of the Department, auditors performed tests of the locally held funds at the Department's 25 Correctional Centers. The specific locally held funds tested included the DOC Commissary Funds (Commissary Fund), DOC Resident's Trust Fund (Trust Fund), DOC Resident's and Employee's Benefit Fund (Resident Benefit Fund and Employee Benefit Fund), and Travel and Allowance Revolving Fund.

Auditors identified several exceptions and weaknesses related to the controls over the Correctional Centers' locally held funds as follows:

- Centers could not provide minutes from the committee meetings or committee meeting minutes did not include approval of the expenditures for the Employee Benefit Fund at Centralia, Dixon, Stateville, and Vienna Correctional Centers.

Department Administrative Directive (A.D.) 02.43.102 establishes written guidelines for expenditures from both of the Resident Benefit Fund and the Employee Benefit Fund, including the creation of a committee at each Center for the benefit funds it administers. The benefit fund committees review and approve the purchase requests. A.D. 02.43.102 specifies the types of expenditures which can be made out of the benefit funds. A.D. 02.43.103 states a check shall be prepared and processed for payment of the authorized invoice. A.D. 02.95.105 requires records to be properly identified for ready access and to be stored and safeguarded at the facility.

- Adequate supporting documents were not maintained for Commissary Fund disbursements at Stateville Correctional Center.

A.D. 02.95.105 requires records to be properly identified for ready access and to be stored and safeguarded at the facility.

- East Moline, Jacksonville, Stateville, Taylorville, and Vienna Correctional Centers did not properly perform monthly reconciliations on some of their locally held funds. Auditors noted reconciliations where deposits were marked as cleared when they had not yet cleared.

A.D. 02.40.104 requires reconciliation of the locally held fund, general ledger, and subsidiary accounts to occur monthly after the fund checking account has been reconciled and the General Ledger posting is completed. Once completed, the reconciliation is to be submitted to the Business Administrator and Chief Administrator for review and signature.

- Dixon Correctional Center failed to inter-fund cash transfer 40% of statutory profits from the Commissary Fund to the Employee Benefit Fund amounting to \$1,866 and

\$5,954 for fiscal years 2013 and 2014, respectively. The auditors noted the total amount due from the Commissary Fund to the Employee Benefit Fund at the Center totaled \$13,162 at June 30, 2014. This accrual represents the total dollar value of statutory profits not transferred from the Commissary Fund to the Employee Benefit Fund at the Center during the past fiscal years.

Stateville Correctional Center's due from the Commissary Fund to the Resident Benefit Fund totaled \$429,282 at June 30, 2014. This accrual represents the total dollar value of statutory profits not transferred from the Commissary Fund to the Resident Benefit Fund at the Center during the past fiscal years. The Center did not pay 16 of 24 (67%) transfers of profit to the Department's Reimbursement Fund (Fund 523) in a timely manner. The payments ranged from three to 248 days late.

The Unified Code of Corrections (730 ILCS 5/3-4-3(c)) requires 40% of the profits on sales from commissary stores be expended by the Department for the special benefit of committed persons (i.e. inter-fund cash transfer to the CIBF) with the remaining 60% of the profits from sales be used first to pay for wages and benefits of employees covered under a collective bargaining agreement who are employed at commissary facilities of the Department and then to pay the costs of dietary staff (i.e. inter-fund cash transfer to the Fund 523 within the State Treasury).

Department A.D. 02.44.110 requires the checks for 60% of the Commissary Fund monthly net profit to be prepared expeditiously, allowing sufficient time to ensure receipt by the 20th of the month at the office of the Central Accounting Section. The checks shall be made payable to the Department of Corrections 523 - Salary Reimbursement Fund.

- Auditors noted the following exceptions: East Moline Correctional Center misstated the amount due to vendors in the Commissary Fund; errors in recording payables were noted in East Moline and Lincoln Correctional Centers in the Commissary Fund; and disbursements were erroneously recorded as accounts payable in Vienna Correctional Center for the Travel and Allowance Revolving Fund. In addition, Stateville Correctional Center was unable to provide supporting documentation for accounts payable for unpaid postage at June 30, 2013.

Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Department establish and maintain a system of internal fiscal and administrative controls 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 accounts and reliable financial reports and to maintain accountability over the State's resources.

The State Records Act (5 ILCS 160/8 & 9) requires the Department preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State as well as to establish and maintain a program for agency records management, which includes effective controls over maintenance of records.

- Auditors noted East Moline and Vienna Correctional Center did not properly accrue amounts owed and payable to Fund 523 from the Inmate Commissary Fund.

A.D. 02.44.110 requires end of the month procedures to include, among other items, preparation of the FACTS Statement of Operations and the FACTS Inventory/Sales and Gross Margin Report that shall be submitted to the Business Administrator and Chief Administrative Officer for review and signature.

- East Moline, Graham, Hill, Lincoln, Robinson, Shawnee, Stateville, and Vienna Correctional Centers did not deposit locally held fund receipts timely.

A.D. 02.40.110 requires the Department to deposit cash accumulated in the amount of \$1,000 or more on any Business Office working day no later than 12:00 am the next working day. The A.D. also requires deposits to be made at least once a week.

- Auditors noted Stateville Correctional Center did not properly sign the Monies Received List indicating the batches were in balance for the Trust Fund.

A.D. 02.42.102 requires the mailroom employee to sign the DOC 0167 or the Monies Received List at the time of delivery to the Cashier. The Cashier then must sign on the appropriate line of the DOC 0167 or the Monies Received List Report.

- Weaknesses in segregation of duties were noted as follows:
 - Signature cards were not updated with proper signature authority with the financial institution. The only signatures noted on file were of inactive employees. This exception was noted in Stateville Correctional Center.
 - The same employee was responsible for performing the bank reconciliation and approving the bank reconciliation. This exception was noted in East Moline, Graham, and Vienna Correctional Centers.
 - The same employee was responsible for the monthly bank reconciliations and was the custodian of cash. This exception was noted in Hill and Stateville Correctional Centers.

A.D. 02.40.101 establishes the Department's guidelines for segregation of duties for its locally held funds. The A.D. states any exceptions to the policies within the A.D. must be stated in writing from the Chief Administrative Officer and approved by the Deputy Director of the Division of Finance and Administration.

- Auditors noted disbursements were not supported by documentation to substantiate a proper disbursement. These were noted in Dixon, East Moline, Jacksonville, Stateville, and Vienna Correctional Centers for Employee Benefit Fund disbursements; in East Moline, Lincoln, and Vienna Correctional Centers for Commissary Fund; Graham and Stateville Correctional Centers for Trust Fund; and Vienna and Stateville Correctional Centers for Travel and Allowance Revolving Fund.

A.D. 02.95.105 requires records to be properly identified for ready access, stored, and safeguarded at the facility.

- Auditors noted East Moline, Jacksonville, Lawrence, Southwestern Illinois, and Vienna Correctional Centers failed to perform monthly cash reviews for 35 of 144 (24%) months during the audit period for the Commissary Fund.

A.D. 02.44.110 states that the Business Office shall complete a reconciliation using the Commissary Fund Cash Review Form, DOC 0075, and submit the form to the Business Administrator for review and signature.

- Auditors noted Stateville Correctional Center did not properly review the Statement of Release Money forms for 3 of 10 (30%) instances.

FCIAA (30 ILCS 10/3001) requires the Department establish and maintain a system of internal fiscal and administrative controls 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 accounts and reliable financial reports and to maintain accountability over the State's resources.

- Auditors noted the following reports were not properly approved:
 - Statements of Operations for the Employee Benefit Fund and Commissary Fund in East Moline, Lincoln, and Vienna Correctional Centers; and the Trust Fund for East Moline Correctional Center.
 - Inventory Sales Reports for the Commissary Fund in East Moline, Lincoln, Southwestern Illinois, and Vienna Correctional Centers.
 - Bank Reconciliations for the Employee Benefit Fund and Commissary Fund in East Moline and Vienna Correctional Centers; and for the Travel and Allowance Revolving Fund for East Moline Correctional Center.

A.D. 02.44.110 requires end of the month procedures to include, among other items, preparation of the FACTS Statement of Operations and the FACTS Inventory/Sales and Gross Margin Report that shall be submitted to the Business Administrator and Chief Administrative Officer for review and signature.

- Hill, Lawrence, and Stateville Correctional Centers did not forward inmates' accounts payable balances upon transfer to another facility totaling \$22,852.

A.D. 02.42.106 requires the inmate's trust fund account balance to be transferred when transferring to a new facility. The balance should then be deleted from the trust fund balance.

- Stateville Correctional Center did not have collateral at the bank for the bank balance amount over the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. The Center had two accounts for the Commissary Fund and the Travel and Allowance Revolving Fund at the bank at the end of fiscal year 2014, totaling \$282,720; however, the Center did not have collateral for the \$32,720 amount over the FDIC insurance limit.

A.D. 02.40.102 establishes if the sum of locally held funds excluding offender trust funds on deposit at a single financial institution exceeds \$100,000, the Business Administrator shall request pledged collateral to equal the amount in excess of the \$100,000 Federal Insurance maximum. On July 22, 2010, the Federal Insurance maximum increased from \$100,000 to 250,000.

The Department indicated the exceptions noted were due to employee oversight, human error, competing priorities, and staffing limitations at the correctional centers.

It is important to properly administer locally held funds as they are not subject to appropriation and are held outside the State Treasury. In addition, failure to adequately administer 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. (Finding Code No. 2014-004, 12-04, 10-07, 08-14)

RECOMMENDATION:

We recommend the Department remind Center staff of the requirements set forth within the Administrative Directives and statutes related to the operation and maintenance of the locally held funds. A training curriculum, which includes how to apply the Administrative Directives specific to the locally held funds, could assist in this endeavor. In addition, we recommend the Department's Internal Audit implement a plan to periodically perform internal audits of the locally held funds at the Centers.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will continue working with Center staff on the requirements related to the operation and maintenance of locally held funds and is striving for continual improvements in the IDOC's centralized oversight and audit function by recommending improvements and the maintaining of accuracy of locally held funds at the Centers. The IDOC is currently reviewing directives related to locally held funds and is processing revisions as necessary. In addition, Fiscal Accounting Compliance is reviewing and revising the FACTS manual. Fiscal staff conducts monthly conference calls with business office staff to discuss relevant issues and concerns to assist in communicating proper procedures and ensuring understanding among staff.

2014-005 FINDING: (Lack of control over computer systems)

The Department of Corrections (Department) had not implemented or documented the controls over its computing environment to ensure the controls provide sufficient protection.

In order to meet its mission of “protecting the public from criminal offenders”, the Department utilizes a myriad of computer systems such as the Offender Tracking, Fund Accounting and Commissary Trading Systems and Accounting Information System. The Department utilizes these systems to track offender’s location, information, and maintain accounting of offender’s finances.

As part of the auditors standard audit procedures, policies, procedures, recovery plans, and various logs are requested from the Department in order to determine the controls over the computing environment. However, the Department was either unable to provide or did not maintain such information.

The Department’s inability to provide detailed information prevented the auditors from performing required tests to determine the adequacy of the control environment. For example, the auditors were unable to determine the effectiveness of controls over changes to applications or computer security controls.

The Department indicated the exceptions were due to employee oversight in the implementation and documentation of controls for the mentioned computer systems and functions.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires “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.”

Because of the significance of the issues noted, we consider this to be a significant deficiency in the Department’s internal control. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Without adequate controls over the computing environment, there is a great risk of unauthorized access, unauthorized or improper changes and the inability to recovery in the event of a disaster. The lack of control increases the risk that the confidentiality, integrity and availability of systems and data will be compromised. (Finding Code No. 2014-005, 12-08)

RECOMMENDATION:

We recommend the Department implement and document the controls over its computing environment and ensure the controls provide sufficient protection.

DEPARTMENT RESPONSE:

Recommendation accepted. Department of Corrections (IDOC) will continue working to ensure that IT internal controls are implemented and documented over its computing environment to provide for sufficient protection.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

SCHEDULE OF FINDINGS

**CURRENT FINDINGS
(STATE COMPLIANCE)**

2014-006 **FINDING:** (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Department of Corrections (Department) Office of Internal Audit did not comply with the Fiscal Control and Internal Auditing Act.

The Office of Internal Audit at the Department was re-established effective July 1, 2010 by Public Act 96-0795. During fiscal years 2013 and 2014, the Office of Internal Audit did not complete audits of all the Department's major systems of internal accounting and administrative control.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003) requires the internal auditing program include audits of major systems of internal accounting and administrative control be conducted on a periodic basis so that all major systems are reviewed at least once every two years.

Department officials acknowledge they did not comply fully with the Act. In addition, there were limited internal audit resources and considerable time was spent coordinating the external financial and compliance audit. Department management stated the Department did develop a comprehensive plan for the audits to provide adequate coverage under the Act.

Incomplete auditing of all major internal control systems increases the risk that significant internal control weaknesses will exist and errors and irregularities may go undetected. Further, lack of independent reviews of major new computer systems and major modifications to those systems could result in undetected security and integrity problems in new or modified systems. (Finding Code No. 2014-006, 12-17)

RECOMMENDATION:

We recommend the Department ensure that audits of all major systems of internal accounting and administrative control are conducted at least once every two years as required by the Fiscal Control and Internal Auditing Act. Further, the Department should develop an effective process to identify new major computer systems or major modifications of existing computer systems.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort, including, but not limited to, posting of positions in an effort to hire qualified staff and engaging in field visits and training, to ensure the necessary resources are put in place within the Office of Internal Audit and the Department to comply with the Fiscal Control and Internal Auditing Act.

2014-007 FINDING: (Inadequate documentation of employee training)

The Department of Corrections (Department) is not properly documenting the completion of all employees minimum required number of training hours.

During our testing of the Department's training records for fiscal years 2013 and 2014, we noted nine of 60 (15%) employees tested did not meet the yearly training requirements governed by the administrative directive.

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.

Department management indicated the lack of adequate documentation for training at various facilities for the current engagement was due to a failure to appropriately document training hours (such as on the job training) and a failure to follow-up to ensure sufficient training hours are provided and attended during the year.

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. (Finding Code No. 2014-007, 12-24, 10-18, 08-23, 06-03, 04-06, 02-07, 00-07)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with training requirements. Direction was sent to all facilities from the Deputy Chief of Operations to adhere to A.D. 03.03.102. The Department has also evaluated the current training tracking system, Pathlore, and will be taking steps to procure an update to modernize its functionality.

2014-008 FINDING: (Employee performance evaluations not performed timely)

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

During testing, we noted the following exceptions:

- Six of 60 (10%) employees tested did not have an annual performance evaluation completed in FY13.
- Five of 60 (8%) employees tested did not have an annual performance evaluation completed in FY14.
- Three of 60 (5%) employees tested did not sign his/her performance evaluation timely, ranging from 4 to 6 months after evaluation end date.

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.

Department management indicated the performance evaluations were not conducted in a timely manner due to staffing constraints, vacancies, retirements, oversight, and lack of adequate 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. Failure to maintain documentation of the evaluation negates the evaluation process.

(Finding Code No. 2014-008, 12-22, 10-17, 08-21, 06-05)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with performance evaluation requirements. One element of that effort will be statewide communication from an executive level staff member of the importance of completing performance evaluations in a timely manner.

2014-009 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 receipts testing the auditors identified the following exceptions:

- 49 of 178 (28%) receipt checks tested, totaling \$137,596, were not deposited within the 15 day extended due date. The checks were deposited from 1 to 288 days late.
- 14 of 60 (23%) Receipt Deposit Transmittals and Treasurer's drafts tested, totaling \$76,458, were not submitted to the Comptroller until after 37 to 394 days from deposit date.

During testing of refunds the auditors noted the following exceptions:

- 42 of 57 (74%) Electronic Data Transmittals (EDT) tested, totaling \$40,458, were processed untimely, ranging from 2 to 301 days after the original warrant date.

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 applicable deposit extension approved for this purpose was a 15 day extension for the period December 6, 2011 through December 6, 2015. Even with the approved deposit extension, the Department did not deposit receipts and refunds in a timely manner.

The Statewide Accounting Management System (SAMS) (Procedure 25.20.10) sets forth the specific instructions to complete the Receipts Deposit Transmittal form.

Department management indicated the failure to deposit receipts and refunds timely, and submit Receipts Deposit Transmittals to the Illinois Office of the Comptroller in a timely manner was due to human error and employee oversight.

Failure to perform these activities in a timely manner or maintain the necessary source documentation 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. 2014-009, 12-30, 10-24, 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. Additionally, the Department should implement controls to ensure Receipt Deposit Transmittals are submitted to the Comptroller in a timely manner upon receipt of the completed draft from the Treasurer.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure receipts and Receipt Deposit Transmittals (RDT) are processed timely and accurately and source documentation is properly maintained and submitted.

2014-010 FINDING: (Policies and procedures regarding operation of State vehicles not followed)

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.

Auditors noted accidents involving State/Department vehicles were not properly reported, and Department employees were not ensuring 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 personal use of State vehicles may not be properly recorded. Finally, the annual certification of license and vehicle liability coverage was not completed timely.

During the testing of vehicle accidents, we noted the following exceptions:

- Three of 60 (5%) vehicle accident reports were not documented properly. Specifically, two vehicle accident reports did not include the SR-1(Motorist Report of Accident), which was to be submitted to Central Management Services (CMS). Also, there was one instance in which the Department failed to provide the Cover letter required to be submitted to CMS.
- Twenty of 57 (35%) reported vehicle accidents were not submitted timely, ranging from 1 to 41 days late.

*An analysis of this issue from the last six audits is summarized in the following table:

Two Years Ending	Number of Exceptions	Sample Size	% of Exceptions	Range of Days Late
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
June 30, 2010	35	60	58%	1 to 593
June 30, 2012	11	60	18%	1 to 70
June 30, 2014	20	60	33%	1 to 41

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 is to report the accident to the appropriate law enforcement agency and to CMS 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 the 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 the form. CMS

also states the completion of the Uniform Cover Letter is vital to proceed with the adjustment process.

The Department’s Administrative Directive (A.D.) 02.75.149 further states that accidents involving any vehicle operated in the conduct of State business are to be promptly reported regardless of the dollar amount. A.D. 02.75.149 also states that the Vehicle Accident Coordinator is to submit appropriate reports to CMS within 7 days following the accident. Finally, the State Records Act (5 ILCS 160/8) requires the Department make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Department.

During the testing of vehicle inspections, we noted the following exceptions:

- One of 60 (2%) vehicles tested did not undergo an annual inspection. Seventeen of 60 (28%) vehicles tested did not receive a tire rotation every two oil changes. Twenty of 60 (33%) vehicles tested received an oil change past the allotted mileage and/or months before a required oil change.

*An analysis of the inadequate oil change issue for the last seven 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, 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
June 30, 2010	37	45	82%	1,800 to 22,933
June 30, 2012	38	54	70%	1,046 to 17,970
June 30, 2014	20	60	33%	340 to 18,915

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 that agencies are to have vehicles inspected by CMS at least once per year and maintain vehicles in accordance with the schedules provided by CMS or with other schedules acceptable to CMS 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 DCMS State garage on an annual basis."

During the testing of personal use of State vehicles, we noted the following exceptions:

- Twelve of 60 (20%) employees tested were missing the Annual Tax exempt/non-exempt Form and the Determination of Value of Personal Use of State Vehicle Form. One of 60 (2%) employees tested was misclassified as non-exempt. For twelve of 60 (20%) employees tested, we were not able to trace the fringe benefits to employee payroll records. One of 60 (2%) employees tested did not have an annual insurance certification.

The Department's A.D 01.02.106 states that upon assignment of a vehicle, the employee is to receive the Personally Assigned Vehicle Usage Packet, including instructions. A listing of forms that are to be completed by the employee and submitted to the Division of Finance (DOF) Fiscal Support Unit Vehicle Coordinator is included in the A.D. Copies of the form are to be retained in the facility business office. Within this listing of documentation described in the A.D. is the Annual Personally Assigned Vehicle Tax Exemption Certification, Form DC 710-1241, the Determination of Value of Personal Use of State Vehicle, Form DC 352, and Annual Certification of License and Vehicle Liability Coverage, DOC 0068.

The Department uses Form DC 710-1241 to document the determination of whether employees are exempt from taxation related to fringe benefits derived from the personal use of a State vehicle.

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. By not providing form DC 710-1241 fringe benefits related to personal use of State vehicles may not be properly recorded.

The Department's A.D 01.02.106 states the immediate supervisor is to review the request for tax exemption from the State vehicle. Upon approval, the supervisor is to submit the request to the DOF Fiscal Support Unit Vehicle Coordinator. Since the form was not approved, fringe benefits related to personal use of State vehicles may not be properly recorded.

Department management indicated the exceptions were due to conflicting priorities, employee oversight, and lack of resources to replace the fleet management system.

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. (Finding Code No. 2014-010, 12-27, 10-21, 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 actions be taken 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 related to personal use of a State/Department assigned vehicle.
- Establish a procedure to receive the proper Department form from each employee allowed "personal use" of a State vehicle to ensure proper records for the reporting of fringe benefits.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with proper controls and procedures regarding State vehicles and assigned State-owned vehicles. IDOC will also revise processes and procedures as needed to ensure proper completion and maintenance of documentation as required for assigned State-owned vehicles.

2014-011 FINDING: (Failure to prepare and submit reports 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 the General Assembly.

The Department failed to submit the FY14 annual report to the Governor and General Assembly. In addition, the FY13 annual report was not mailed to the Governor's Office and Intergovernmental Relations until November 19, 2014. The annual report contains information concerning persons committed to the Department, its institutions, facilities and programs of all moneys expended and received and on what accounts expended and received. The annual report shall include ethnic and racial background data, not identifiable to an individual, of all persons committed to Department, its institutions, facilities and programs.

The Unified Code of Corrections (730 ILCS 5/3-5-3) requires the Director of the Department to make an annual report to the Governor and General Assembly concerning persons committed to the Department, its institutions, facilities and programs, of all moneys expended and received, and on what accounts expended and received. The Director may require such reports from division administrators, chief administrative officers and other personnel as he deems necessary for the administration of the Department.

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

Failure to timely prepare and submit required reports 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 the Department is not in compliance with State statute. (Finding Code No. 2014-011, 12-38, 10-25, 08-41, 06-11, 04-11)

RECOMMENDATION:

We recommend the Department develop a mechanism to ensure required reports are prepared on a timely basis and submit them to the required parties in accordance with State statute.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC), when applicable, will make every effort to file the reports/plans timely and as required.

2014-012 FINDING: (Weaknesses in Adult Transition Center food services contract)

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

During testing, we determined that there were significant weaknesses in the food service contracts for Fox Valley and Peoria Adult Transition Centers (ATC). We noted that the contract allows the vendor to bill the Department for 3 meals per day, per resident head count for the day, regardless of how many meals are actually prepared and served. This resulted in the ATCs being billed for 377,055 more meals than were actually prepared and served at a cost of \$564,474 to the Department. The breakdown per ATC is as follows for fiscal years 2013 and 2014:

<u>ATC</u>	<u>Number of Meals Department was Billed</u>	<u>Number of Meals Residents were Served</u>	<u>Excess Meals Billed than Served</u>	<u>Excess Cost of Meals Not Served*</u>	<u>Utilization Rate of Food Service Contract ^</u>
Fox Valley	279,538	121,709	157,829	\$222,539	44%
Peoria	<u>510,423</u>	<u>291,197</u>	<u>219,226</u>	<u>\$341,935</u>	57%
Total	<u>789,961</u>	<u>412,906</u>	<u>377,055</u>	<u>\$564,474</u>	52%

* The cost per meal varies in each ATC.

^ Based upon the information provided for this analysis.

According to Department’s Administrative Directive 02.20.182, the Department is to ensure each specification of the contract is monitored. The vendor contract was negotiated by the Department’s General Office and is required to be monitored by each ATC.

Department management indicated that the ATCs are monitoring the actual meals served. However, the contract is written to ensure adequate number of meals is served for all the residents at the facility on that given day. The residents may choose not to eat a breakfast or to eat lunch/dinner while at work and not take a bag lunch. These instances cannot be predetermined and it results in the variance between meals billed and meals served.

Good fiscal internal controls dictate the ATCs 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. (Finding Code No. 2014-012, 12-15, 10-15, 08-19)

RECOMMENDATION:

We recommend the Department perform an analysis of its food service at 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; and
- Controls are established to ensure the State pays only for the meals served by the contractor, and does not pay for meals not provided.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) competitively procured a new food contract that went into place October 1, 2014. The contract included language that compensation was based on actual usage and to be verified by automated meal scanner reports on a weekly basis at Fox Valley ATC and Peoria ATC. The meals provided at North Lawndale and Crossroads ATC were included within the contracted services provided with the vendor and were not billed or procured separately.

2014-013 FINDING: (Improper management of addiction recovery services)

The Department of Corrections (Department) did not properly manage the addiction recovery services as required by the Unified Code of Corrections (Code) (730 ILCS 5/3-6-2(m)).

Center auditors identified the following deficiencies in testing the addiction recovery services provided regarding volunteers:

- Four of 4 (100%) volunteer applications tested at Centralia Correctional Center were not reviewed timely during FY13 and FY14, ranging from 5 to 21 days late. Department management stated this was due to employee oversight.
- One of 2 (50%) records of the administration of a tuberculosis test for volunteers tested was not properly maintained in Western Illinois Correctional Center. Department management stated this was due to employee oversight.

The Code requires the Department to make a room in the institution or facility available for addiction recovery services to be provided to committed individuals on a voluntary basis. The addiction recovery services are to be provided by volunteers of recovery support services recognized by the Department of Human Services (DHS). In addition, the Code (730 ILCS 5/3-6-2(m)) requires the Center to review volunteer applications with 60 days after submission of the application to the Center. Administrative Directive 04.01.122 requires a tuberculosis test be administered to each volunteer at least annually.

Center auditors identified the following deficiencies in testing the addiction recovery services provided regarding attendance records:

- Danville, Graham, and Lincoln Correctional Centers were unable to provide attendance records for addiction recovery meetings tested. Department management stated the sign-in sheets were misplaced in Danville Correctional Center. Department management stated that the temporarily assigned employee in Graham Correctional Center was not aware the sign-in sheets needed to be kept on file. Department management stated that the records in Lincoln Correctional Center were transferred to another facility during the Center's transition from a female to a male facility. The receiving facility was contacted about the records but the records could not be located.
- Hill and Robinson Correctional Centers did not maintain attendance documentation each for one of 2 (50%) addiction recovery meetings. Department management stated this was due to employee oversight in Hill Correctional Center, while Robinson Correctional Center that they only maintain the attendance sheets for two years.
- Meetings held at Illinois River, Shawnee, Sheridan, and Stateville exceeded the statutory limit of 40 attendees per meeting to attend addiction recovery meetings. The attendees exceeding the statutory limit ranged from 1 to 27. Department management stated the exceptions noted were due to oversight.

The Unified Code of Corrections (730 ILCS 5/3-6-2(m)) requires the Department to make a room in the institution or facility available for addiction recovery services to be provided to committed individuals on a voluntary basis. The services are to be provided for one hour once a week at a time determined by the chief administrative officer of the institution or facility if certain conditions are met which are outlined within the Code. The number of persons attending an addiction recovery meeting is not to exceed 40 during any session held at the correctional institution or facility.

The State Records Act (5 ILCS 160/8) requires the Correctional Center to make and preserve records containing adequate and proper documentation of the functions and procedures of the Correctional Centers designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

Allowing committed persons to attend addiction recovery services will aid in their rehabilitation while incarcerated within the Department. Failure to properly manage the addiction recovery services in accordance with the Code represents statutory noncompliance. (Finding Code No. 2014-013, 12-37, 10-31)

RECOMMENDATION:

We recommend the Department properly manage the addiction recovery services and comply with the State mandate.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure addiction recovery services are provided and properly documented at facilities as required.

2014-014 **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 who are going to reside, be employed, or attend school within the City of Chicago; of their duty to register upon their discharge, parole or release.

The Arsonist Registration Act (Act) (730 ILCS 148/15) requires Department facilities to notify individuals who are being discharged, released or paroled of their duty to register in person in accordance with the Act. The facility is to further advise the person in writing that the failure to register or other violation of the Act will result in revocation of parole, mandatory supervised release or conditional release. The facility is also to obtain information about where the person expects to reside, work, and attend school upon his or her discharge, parole or release and also report the information to the Illinois State Police. In addition, the Act (730 ILCS 148/80) states the applicability is only to those individuals that are going to reside, be employed, or attend school within the City of Chicago. This applicability is stipulated until such time as the Illinois State Police establishes the Illinois Citizens and Law Enforcement Analysis and Reporting System (I-CLEAR) database. Once the I-CLEAR database is implemented, the process is applicable on a Statewide basis.

Department management stated they were waiting on the Statewide implementation by the Illinois State Police before developing policies and procedures under this Act

Without implementing a process to inform and document convicted arsonists of their duty to register upon their discharge, parole or release results in noncompliance with the Act. (Finding Code No. 2014-014, 12-39, 10-32, 08-45, 06-16)

RECOMMENDATION:

We recommend the Department implement a process to inform and document convicted arsonists who are going to reside, be employed, or attend school within the City of Chicago, of their duty to register upon their discharge, parole or release in accordance with the Arsonist Registration Act or seek legislative remedy to revise the mandate, as deemed necessary.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with the Department's responsibilities regarding the Arsonist Registration Act or seek legislative remedy.

2014-015

FINDING: (Taking paid leave time and working overtime on the same day)

In our review of timesheets we noted that Department of Corrections (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.

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.

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.

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.

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.

Also, in June 2013 e-mails, Department officials discussed the issue of employees using benefit time the same day that overtime was worked. The e-mail stated that more than one facility is paying benefit time and giving volunteer overtime to the same individual during the same day. An e-mail memorandum was sent on behalf of the Department's Chief of Operations on June 24, 2013, to the facility wardens asking them to ensure that

employees are not working overtime during the same day/period of time that they are off on any benefit time.

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.

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 Code No. 2014-015)

RECOMMENDATION:

We recommend the Department of Corrections 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 RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) 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.

2014-016

FINDING: (Lack of documentation and errors in overtime pay)

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

The Department's Administrative Directive 02.65.170 requires that daily attendance may be recorded on a Roll Call or Sign-In Sheet (DOC 0133), via time clocks, or on a Daily Attendance Record (DOC 0131). The Roll Call or Sign in Sheet is required at all work sites where the employees are required to stand roll call or to sign in and out on a daily basis.

The Department's Administrative Directive 02.65.131 requires that a "Report of Overtime, Compensatory Time or Other Adjustments to Pay" (DOC 0129) be completed by employees to request any paid overtime, compensatory time, equivalent earned time, temporary assignment, standby, or call back time worked or credited. A separate DOC 0129 is required daily for each type of time requested.

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.

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 paperwork at Stateville Correctional Center was in disarray. There is no filing system for overtime slips, Notice of Absence slips, Daily Roll Call or Attendance sheets, and Payroll Time Reports (DOC-0132). Many times we 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.

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 we were on site (January 5, 2015).

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.

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.

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

- 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).
- 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.

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.

Previous compliance examinations of the Department since 1998 have contained findings and recommendations regarding the lack of controls over timekeeping at the Department (Finding Code No.12-23, 10-16, 08-20, 06-04, 04-07, 02-08, 00-09, 99-17, 98-17). Most recently, finding 12-23 in the previous audit stated that the lack of an automated timekeeping system increases the risk of error and reduces the control efficiencies for accurately tracking time. Finding 12-23 also recommended that the Department implement an automated timekeeping system. (Finding Code No. 2014-016)

RECOMMENDATION:

We recommend 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 RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) 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. The Department has expressed this issue as a strong need during the statewide ERP working group meetings and presentations. Without a statewide IT solution to compliment the training of staff, the Department is severely handicapped in their ability to accurately report and track the timekeeping of well over ten thousand employees.

2014-017 **FINDING:** (Lack of disaster contingency planning or testing to ensure recovery of computer systems)

The Department of Corrections (Department) had not developed a disaster recovery plan. Additionally, comprehensive disaster recovery testing had not been conducted.

The Department carries out its mission through the use of Information Technology, on both mainframes and local area networks (LAN).

The Department was unable to produce a disaster recovery plan upon our request. According to Department management, they are in the process of defining a plan.

Per documentation the Department obtained from the Department of Central Management Services, the Department had determined two mainframe applications to be critical to the health and safety of the State; Offender Tracking System and the Juvenile Tracking System. As part of a multi-agency recovery test performed in September 2013, the Department tested the Offender Tracking and the Juvenile Tracking Systems. However, the Department was unable to provide documentation related to the recovery testing conducted.

Critical systems such as the Fund Accounting and Commissary Trading System (FACTS) run on the LAN. FACTS is a mission critical application/database that manages the trust fund for 50,000 offenders. However, recovery testing for the LAN had not been performed in the audit period.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorse the formal development and testing of disaster recovery plans.

Without an adequately developed and tested contingency plan, the Department cannot ensure its critical systems could be recovered within an acceptable period and minimize the impact associated with a disaster.

Department officials stated that the exceptions noted were due to understaffing that has led to non-completion of a comprehensive disaster recovery plan and non-documentation of the results of recovery testing for both mainframe and LAN-based systems.

Failure to develop and test the disaster recovery plans leaves the Department exposed to the possibility of major disruptions of services. (Finding Code No. 2014-017, 12-20)

RECOMMENDATION:

We recommend the Department develop and implement disaster recovery and business continuity plans which reflect the Department's environment and align with management's intentions.

Additionally, the Department should perform and document tests at least annually across all environments.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to update the disaster recovery plan to reflect the current environment and to test the plan on at least an annual basis.

2014-018 **FINDING:** (Lack of fiscal controls over Offender 360 project)

The Department of Corrections (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.

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.

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:

- 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.

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.

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

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfer of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The Statewide Accounting and Management System (SAMS) (Procedure 17.20.45) states any bill approved for payment must be paid or the payment issued to the payee within 90 days of receipt of a proper bill or invoice.

Failure to document, review and control expenditures can result in overpayment and improper payment to the vendor. (Finding Code No. 2014-018)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) 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.

2014-019 **FINDING:** (Failure to properly establish mechanism to track access to inmate master records)

The Department of Corrections (Department) failed to establish a mechanism to track access to inmate master files in the manner required by the Unified Code of Corrections (Code) (730 ILCS 5/3-5-1).

Center auditors noted exceptions to Section 3-5-1 of the Code at Graham, Lincoln, Sheridan, and Stateville Correctional Centers because the Correctional Centers had not established a mechanism to track access to inmate master files, including detailing the information outlined in Section 3-5-1 of the Code. This is a repeat finding for Sheridan and Graham Correctional Center. We noted Sheridan Correctional Center utilizes individual sign-out cards, but does not record access as required by the Code.

The Unified Code of Corrections (730 ILCS 5/3-5-1) (Code) requires the Department to maintain a master record file for each committed person it incarcerates. The Code specifies the items to be maintained within the master record file of each inmate. Additionally, it requires the Department to keep a record of all outside persons who have access to inmate master record files, the files reviewed, any file material copied, and the purpose of access.

Center management stated that errors were due to human error and completing other priorities. Sheridan Correctional Center stated no mechanism was established because no outside persons, except for the auditors of the Office of the Auditor General, are allowed to access an inmate master file. In addition, each inmate file contains an internal sign-out card.

Failure to establish a mechanism to track access to inmate master files in the manner required by the Unified Code of Corrections results in statutory noncompliance. (Finding Code No. 2014-019, 12-34, 10-30)

RECOMMENDATION:

We recommend the Department either comply with the requirements as outlined in the Code or seek legislative modification to permit the maintenance of other legal documentation as substitution for such record of access to the inmates' master record file.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure Records Office staff maintains a record at every facility tracking access to inmate master files and any copies made as required. Additionally, statewide direction was sent in Spring 2015 reminding facility staff to adhere to policies related to documentation of outside access to the files. In-person training in the future will also address this issue.

2014-020 FINDING: (Weaknesses over issuance of temporary identification cards)

The Department of Corrections (Department) did not comply with requirements for issuing temporary identification cards.

Center auditors noted the following weaknesses in the Department's compliance with this statute:

- Shawnee and Vienna Correctional Centers did not maintain documentation that required supporting documents were verified prior to issuing temporary identification cards in one of two instances (50%) and one of seven (14%) instances, respectively.

The State Records Act (5 ILCS 160/8) requires the Center make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Center.

- Lincoln and Shawnee Correctional Centers failed in one of five instances (20%) and one of two instances (50%), respectively, to provide support stating inmates were informed that they may present the identification card to the Office of the Secretary of State upon application for a standard Illinois Identification Card.

The Unified Code of Corrections (730 ILCS 5/3-14-1(e)) (Code) requires the Department to inform the offender that he or she may present the identification card to the Office of the Secretary of State upon application for a standard Illinois Identification Card.

Department management indicated the exceptions were due in part to employee oversight and difference in understanding of what documentation is to be kept in the inmate master file.

- East Moline Correctional Center was unable to provide a listing of inmates who were on parole, mandatory supervised release, final discharge, or pardon who were provided with a temporary identification card at the time of their release.

The Code requires the Center to establish criteria offenders must meet prior to the issuance of a temporary identification card. Furthermore, the Code states the Center is to adopt rules governing the issuance of identification cards to committed persons being released on parole, mandatory supervised release, final discharge, or pardon.

The State Records Act (5 ILCS 160/8) requires the Center make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Center.

Center personnel stated the Center has a policy in place where a voucher is issued in the business office from the inmate request, the information is passed to the Bureau of Identification office for verification of payment and the State ID is then issued.

Failure to comply with the requirements for issuing temporary identification cards represents noncompliance with the State statutes. (Finding Code No. 2014-020, 12-36)

RECOMMENDATION:

We recommend the Department comply with the requirements for issuing temporary identification cards.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to maintain supporting documents that inmates were informed, listing of temporary identification cards issued, and verification of supporting documents before issuance. The Department will also examine current pre-release checklist policies and the process of documentation of inmate receipt of the orientation manual to determine if modification is needed.

2014-021 FINDING: (Failure to properly conduct metal detector searches of inmates)

The Department of Corrections (Department) failed to properly conduct metal detector searches of inmates.

Center auditors noted in Logan and Shawnee Correctional Centers when inmates assigned to mechanical areas where tools and metal are present were not subjected to searches with metal detectors upon exiting the area.

The Department's Administrative Directive (A.D.) (05.01.113) states that any inmate in the Adult Division who works on an assignment or enters any area where metal or metal products are used will be searched with a metal detector upon exiting the area.

Department management stated the exceptions noted were due to oversight. Inmates are subject to pat downs when exiting the area instead of being searched with a metal detector. A memorandum was distributed to all facilities from the Chief of Operations to adhere to A.D. 05.01.113.

Failure to properly conduct metal detector searches of inmates upon leaving areas where metal is present poses multiple safety and liability concerns for Center employees and inmates. (Finding Code No. 2014-021)

RECOMMENDATION:

We recommend the Department properly conduct metal detector searches of inmates who are assigned to mechanical areas where tools and metals are present, in accordance with the Department's Administrative Directive.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure searches of inmates are being performed per the Department's Administrative Directive. To that measure, the Department will identify any needs for acquisition of additional pass-through or handheld metal detector equipment and is also planning a system-wide security check in which this issue will be tested among other potential vulnerabilities.

2014-022 FINDING: (Noncompliance with inmate grievance procedures)

The Department of Corrections (Department) failed to preserve records of grievances and decisions made with respect to the grievances as required by statute (730 ILCS 5/3-8-8).

Center auditors noted for two of 10 (20%) grievances tested at Logan Correctional Center, documentation of the grievance itself and any decision made with respect to the grievance was not maintained by the Center for a period of one year. Danville Correctional Center was unable to provide a complete listing of filed grievances; January 2013 and September 2013 were not available for review. Upon testing at Danville, two of 10 (20%) grievances tested were not maintained in the inmate master file.

Inmate grievance procedures are outlined in the Unified Code of Corrections (Code) (730 ILCS 5/3-8-8). The Department must maintain documentation of inmate grievances and any decision thereto for a period of one year. All committed persons are to be informed of the grievance procedures established by the Department and the procedures must be made obtainable to all committed persons.

The Illinois Administrative Code (20 Ill. Admin. Code 504.830) states a Grievance Officer shall review grievances at least weekly, provided that one or more grievances have been filed. The Illinois Administrative Code also states that the Chief Administrative Officer shall advise the offender of the decision in writing within 2 months after receipt of the written grievance, where reasonably feasible under the circumstances.

The Department's Administrative Directive (A.D.) (04.01.114) guides the grievance process. The A.D. states that the Department should legibly complete the "Grievance Officer's Report" section of the Response to Offender's Grievance, Form DOC 0047, documenting any attempts to resolve the grievance and relevant information discovered during the review process. However, the A.D. does not include the requirement for the Center to preserve records of grievances and any decisions made with respect to the grievances as required by statute.

Department management stated that the exceptions noted in the Danville Correctional Center were due to employee oversight while for Logan Correctional Center, one of the forms was mailed to the inmate and the other form was not received from the officer.

Maintaining documentation of the notification of the inmate grievance procedures and preserving the record of such grievances and resolutions relating to them provides the Department with evidence of its actions should it be questioned in the future by other parties. Failure to maintain documentation of the notification provided and of grievances filed, including all decisions and resolutions thereto, results in statutory noncompliance. (Finding Code No. 2014-022, 12-35)

RECOMMENDATION:

We recommend the Department maintain adequate records indicating each inmate understands the grievance procedures as well as adequate grievance records in compliance with the Code.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to maintain adequate grievance records, as well as appropriate documentation indicating each inmate understands the Department's grievance procedures as required.

2014-023 FINDING: (Adult Transition Center records not properly maintained)

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

During our testing of four ATCs (Crossroads, Fox Valley, North Lawndale, and Peoria), we noted the following exceptions:

- At three ATCs, there were 10 instances that Resident Trust Fund checks were issued with one of the two required signatures missing. The exceptions occurred at Crossroads (3 instances), Fox Valley (4 instances), and Peoria (3 instances).

The Department's Administrative Directive (A.D.) 02.42.105 requires checks to be signed by authorized signatories before distribution.

- At three ATCs, there were 10 instances that stop payments were not issued for Resident Trust Fund checks that were outstanding for more than three months. The exceptions occurred at Crossroads (3 instances), Fox Valley (6 instances), and Peoria (1 instance). In addition, at two ATCs, there were 18 dormant checks that were not voided. The exceptions occurred at Crossroads (16 instances) and North Lawndale (2 instances).

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 Inmate Trust Fund shall be increased.

- At three ATCs, three of 5 (60%) adjusting entries in the Resident Trust Fund tested at Fox Valley were not adequately supported. In addition, supporting documents for adjusting entries were not maintained for Crossroads and North Lawndale.

At Fox Valley ATC, we noted supporting documents for transactions in three accounts (Miscellaneous Expense - Inmate, Due from General Revenue Fund, and Outside Purchases and Payments) were not maintained.

At Fox Valley ATC, three voided checks in the Resident Trust Fund were not maintained.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls which provide assurance that funds, property, and other assets

and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

- At Fox Valley ATC, two receipts were not deposited timely. One of these two receipts was for the Resident Trust Fund and the other receipt was for the Employee Benefit Fund.

A.D. 02.42.102 mandates at least once a week the assigned staff shall prepare a deposit slip for the money received and forward the money, all receipts, and the bank deposit slip to the appropriate staff for verification. Upon verification, the bank deposit shall be processed.

- At Fox Valley ATC, we noted in 10 resident master files tested that there were no monthly budgets established.

A.D. 02.42.105 requires each offender, with the assistance of a counselor, to establish a budget at least monthly.

- At Fox Valley ATC, we noted ten of 10 (100%) Resident Benefit Fund meetings tested were not adequately supported by meeting minutes. We also noted two of 10 (20%) disbursements of the Employee Benefit Fund tested were not submitted and approved by the committee prior to payment. Lastly, one of 10 (10%) Employee Benefit Fund committee meeting minutes tested was missing one signature of approval.

A.D. 02.43.102 states that minutes are to be kept for each committee meeting. Requests for expenditures from the benefit funds are required to be submitted in writing to a member of the appropriate committee in order to present the requests at the next meeting. All decisions made by the committees are to be documented and be subject to the approval of the Chief Administrative Officer. The Chief Administrative Officer is to approve or deny such recommendations in writing. Approved expenditures are to be made when a copy of the Chief Administrative Officer's written approval for the expenditure, or a copy of the memorandum to the respective Deputy Director, is forwarded to the appropriate employee to initiate the expenditure for check preparation.

Department management indicated the exceptions noted were due to inadequate staffing, lack of resources, inadequate communication, and central level oversight within the Department.

Improper maintenance of records results in noncompliance with State mandates and Department procedures. (Finding Code No. 2014-023, 12-14, 10-14, 08-18, 06-02, 04-04, 02-05, 00-05, 99-11, 98-08, 96-04, 94-05)

RECOMMENDATION:

We recommend the Department ensure ATCs maintain records properly and comply with State mandates and Administrative Directives.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will continue to make every effort to improve accounting procedures and controls to ensure accurate and appropriate records are maintained at the Adult Transition Centers.

2014-024 **FINDING:** (Inadequate controls over voucher processing)

The Department of Corrections (Department) did not maintain adequate controls over voucher processing.

We tested 720 vouchers totaling \$38,916,552 and noted the following:

- 190 of 720 (26%) vouchers tested totaling \$10,029,798 were approved for payment 1 to 209 days late.

The Illinois Administrative Code (74 Ill. Adm. Code 900.70) requires that the Department review each vendor's invoice and either deny the bill in whole or in part, ask for more information necessary to review the bill; or approve the voucher in whole or in part, within 30 days after the receipt of the bill.

Failure to approve vouchers timely could subject the State to unnecessary interest charges.

- 8 of 60 (13%) travel vouchers totaling \$2,457 were not submitted timely, ranging from 3 to 55 days late.

The Department's Administrative Directive (A.D.) 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 receives permission from the Travel Coordinator. A.D. 02.37.110 also states that upon receipt of the C-10 from the traveler, the facility Business Office is to forward all C-10s for the previous month's travel to arrive on or before the 15th calendar day of the following month to the Division of Finance and Administration, Management and Budget Unit.

Untimely submission of travel vouchers results in noncompliance with Department procedures.

- 10 of 60 (17%) equipment vouchers totaling \$48,058 which the Department purchased a total of 33 equipment items were not included in the Property Listing.

A.D. 02.70.110 requires newly acquired items, except for intra-agency transfers-in, to be entered into the Automated Property Control System using the Store Receiving Report as the input document.

Failure to update property records promptly results in inaccurate and incomplete property records. It could also result in incorrect accounting information and inaccurate financial reporting. Loss of property and equipment may not be detected timely or remain undetected without an accurate property inventory listing.

Department management indicated the exceptions were due to conflicting priorities, employee oversight, and lack of resources. (Finding Code No. 2014-024)

RECOMMENDATION:

We recommend the Department maintain adequate controls over voucher processing.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure compliance with voucher processing requirements.

2014-025 **FINDING:** (Payroll timekeeping system not automated)

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

During the 2008 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 these sheets are sent to the timekeeping clerk. Other information, including notification of absence and call-in reports, are also forwarded to timekeepers. No automation is involved except for processing of payroll warrants.

During the 2010 engagement, the Department of Central Management Services and Capital Development Board (CDB) initiated work on a Statewide automated timekeeping system. The State entered into a contract with a vendor to provide supplies and services for a timekeeping system which included services, software licenses and hardware. CDB expended \$1.6 million to the vendor for software licenses and hardware; parts of the hardware were provided by the vendor and distributed to the Correctional Centers during fiscal year 2010 and are in storage at the Correctional Centers.

During the 2012 engagement, there was no progress made towards implementation of the system at the Department. The status remains as of the end of the current engagement.

Department management stated that it would participate in a new Statewide system should one be purchased.

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. The lack of an automated timekeeping system increases the risk of errors and reduces the control efficiencies for accurately tracking time. (Finding Code No. 2014-025, 12-23, 10-16, 08-20, 06-04, 04-07, 02-08, 00-09, 99-17, 98-17)

RECOMMENDATION:

We recommend the Department implement an automated timekeeping system.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) does not, at this time, have the resources to purchase a new timekeeping system. The Department would, however, participate in a new statewide system, should one be purchased.

2014-026 **FINDING:** (Failure to develop a formal fraud risk assessment program)

The Department of Corrections (Department) did not have a formal fraud risk assessment program in place during the audit period.

The Department relied on administrative directives and internal controls to minimize the risk of fraud occurring, but had not completed its analysis of the process to ensure a written fraud risk assessment is in place.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) (Act) states, “All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation...” Additionally, it is management’s responsibility to prevent and detect fraud. Therefore, the Department should implement a formal policy regarding the evaluation of fraud risk and a system of controls to help prevent and detect potential fraudulent activity within its organization. Preparing a written policy will serve to document the Department’s awareness and responsibility for fraud prevention and detection, as well as specific activities necessary to identify and address specific fraud risk factors.

Department management stated it is aware of the need and is in the process of establishing a formal fraud risk assessment program.

The Department managed the expenditure of \$1.4 billion of State funds in fiscal year 2014. Without a written and formal program to identify and address the specific risks associated with fraud, fraudulent activities may go undetected and could result in misstatements in its financial reporting to the State or misappropriation of Department assets. (Finding Code No. 2014-026, 12-31)

RECOMMENDATION:

We recommend the Department finalize its analysis and establish a written fraud prevention, deterrence and detection program. This program should include evaluating whether appropriate internal controls have been implemented in any areas identified as posing a higher risk of fraudulent activity, as well as controls over the financial reporting process.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to ensure a formal fraud risk policy and risk assessment is completed and appropriately acted upon. A formal policy has been drafted for internal review and was distributed on March 10, 2015. Adoption of this policy will occur most likely by the end of FY 2015.

2014-027 **FINDING:** (Failure to update Administrative Directives)

The Department of Corrections (Department) has not updated completely its Administrative Directives (A.D.s) to reflect the operational changes that have occurred in previous years.

During our testing, we noted that the Department had not updated all of its own 455 A.D.s, when changes occurred in its operation. In particular, some of the A.D.s refer to juvenile divisions even when the Department of Juvenile Justice was created in 2006 as a separate State agency. The A.D.s have effective dates ranging from February 15, 1984 to May 1, 2014. Although the Department has revised, amended, and rescinded a total of 104 A.D.s (33 and 71 A.D.s during fiscal years 2013 and 2014, respectively), the remaining 351 A.D.s (77%) need to be reviewed for determination if those A.D.s need to be revised, amended, or rescinded to reflect current operations within the Department.

A.D. 01.01.101 states “Administrative directives shall be reviewed on an on-going basis to ensure they are current and consistent with other administrative directives, department rules and statutes. Administrative directives shall be revised or amended when necessary.”

Department management stated the level of involvement of all personnel in the review process and the time it takes before any change is taken into effect prevented them from completing all changes necessary during the year.

Failure to update the A.D.s when significant changes occur in the Department 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. 2014-027, 12-32, 10-33, 08-44)

RECOMMENDATION:

We recommend the Department continue its effort to review and update its A.D.s to ensure they represent the most current, standardized practices of the Department.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will continue its efforts with its funded resources for the review and update of the Administrative Directives as necessary. Changes have been made in the draft review process to expedite policy review and formation. Additionally, the Department has added two personnel to the policy writing and review division in the last two years to help with the demands of continuing policy review and modification.

2014-028 **FINDING:** (Inadequate controls over computer inventory)

The Department of Corrections (Department) was not able to locate 401 computer items during its annual physical inventory in fiscal years 2013 and 2014. These computers may have contained confidential information.

The Department conducts an annual physical inventory of all equipment with an acquisition cost of \$500 or more and annually reports its results to the Department of Central Management Services (DCMS). In its fiscal year 2013 Physical Inventory Report submitted to DCMS, the Department reported it was unable to locate 909 items totaling \$1,486,888 of 96,130 items totaling \$212,779,781 (1%). In its fiscal year 2014 Physical Inventory Report, the Department reported it was unable to locate 1,529 items totaling \$2,009,992 of 71,926 items totaling \$136,271,575 (1%).

Upon further inquiry with Department personnel, we noted 302 of 909 items not located in fiscal year 2013 were computer inventory totaling \$126,530 and 99 of 1,529 items not located in fiscal year 2014 were computer items totaling \$97,843.

Although the Department has established procedures regarding the proper storage of electronic data, there is a possibility that confidential or personal information could reside on these computers. The Department had not protected all its laptop computers with encryption software, thus increasing the risk that confidential or personal information would be exposed.

The State Property Control Act (30 ILCS 605/4 and 6.02) requires the Department be accountable for the supervision, control and inventory of all items under its jurisdiction and control. In addition, the Department had the responsibility to ensure that confidential information is protected from disclosure and that provisions in the Personal Information Protection Act (815 ILCS 530) are followed.

Department management stated the computers not located during the annual physical inventory may not necessarily be lost or stolen. Some of these computer items not located may have been transferred as surplus items and the related property transfer forms were not prepared, thus resulting in the discrepancy during the annual physical inventory. Department procedures require that if an item is lost or stolen, an incident report would be submitted by the individual and the related item will be taken off the Department's property listing. If an item is not located during the annual physical inventory, an investigation is allotted for six months to determine its location. At such time, a request for deletion will be submitted to Property Control, if deemed necessary.

Failure to follow up on missing computer equipment resulted in a lack of control over State property and the risks associated with the potential exposure of confidential information. (Finding Code No. 2014-028, 12-25)

RECOMMENDATION:

We recommend the Department establish procedures to timely investigate items not located during the annual physical inventory. Further, the Department should immediately assess if missing computers contained confidential information and take the necessary actions per the Department's policies and Personal Information Protection Act.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to collaboratively work with CMS to ensure timely investigations are performed on items not located during annual inventory and make an assessment of those reconciled to determine whether missing computers, if any, contained confidential information.

2014-029 **FINDING:** (Operation and maintenance of “cash box” funds at Correctional Centers)

Each of the Department of Corrections’ (Department) Correctional Centers maintains a cash box which 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 (GRF) appropriation to provide gate money and to purchase the inmate’s transportation upon parole or release from a Correctional Center.

Center auditors noted the following exceptions with the operation of the Department “cash box” funds:

- East Moline Correctional Center has not maintained a schedule of expenditures from July 1, 2012 through June 30, 2014 for payment of travel allowances for offenders released to the community on parole or discharge. Every inmate that is released from the facility is detailed of all monies distributed to him/her, including: trust fund cash balance, cost of bus ticket, or gate monies. These records are maintained in the records office at the Center; however, Center auditors determined these records would not provide completeness with regard to tracking total expenditures in and out of the cash box. The Center also performs a monthly balance sheet for the cash box which details the total cash in the box, vouchers outstanding, inmates’ travel allowances not vouchered, and the total balance. Center auditors determined that these monthly counts would not be beneficial in helping to determine the money spent from the cash box as these counts only detail a point in time, not the total transactions for the month.
- Jacksonville Correctional Center regularly utilized the Inmate Benefit Fund to purchase train and bus tickets for inmates upon their parole or discharge.
- Southwestern Correctional Center inappropriately used the Inmate Benefit Fund to supply funds for the cash box pending reimbursement from GRF for gate and transportation money. In order for the Center to have cash to provide gate and transportation money, the Center prepared checks from the locally held Inmate Benefit Fund to obtain cash to fund the Inmate Trust Fund cash box. Upon receipt of a paper warrant or electronic payment from the State Comptroller and State Treasurer for payment of gate and transportation expenditures from GRF, the Center forwarded the receipt to the Central Office to reimburse the Center’s Inmate Benefit Fund. For Fiscal Years 2013 and 2014, the Center improperly expended GRF appropriations for gate and transportation money of \$7,072 and \$7,312, respectively. The Center did create a Travel and Allowance Fund in April 2013, but did not begin utilizing it until June 2014. Once this fund was created, travel and gate reimbursements from the improperly funded cash box ceased.
- Stateville Correctional Center Account Technician is assigned custody of the cash boxes and is also responsible for performing the periodic reconciliation of the cash boxes.

- Stateville Correctional Center's Travel and Allowance Fund received inappropriate loans of \$1,500 from the Inmate Trust Fund on March 22, 2013, and \$2,000 from the Inmate Commissary Fund on July 22, 2013. Approval of the Chief Administrative Officer was not obtained for either loan. Both loans were subsequently paid back.
- Stateville Correctional Center's Trust Fund had a cash box receivable of \$101,937 at June 30, 2013, and June 30, 2014, related to the Travel and Allowance prior to separating the funds in fiscal year 2013. Transactions for the receivables date as far back as September 2009.

The Department's Central Office identified:

- \$100,704 as Central Inmate Benefit Fund (CIBF) receivables because amounts have not been paid or amounts were not vouchered to the GRF in FY10/11 or amounts were vouchered incorrectly.
- \$1,233 which will be submitted to the Court of Claims for FY12 travel and allowance expenditures that were not vouchered during FY12.

The Unified Code of Corrections (730 ILCS 5/3-14-1(a-2)) states the Travel and Allowance Revolving Funds shall be used for advancing travel and expense allowances to committed, paroled and discharged prisoners. The moneys paid into such revolving fund shall be from appropriations to the Department for Committed, Paroled, and Discharged prisoners.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds are safeguarded against waste, loss, unauthorized use, and misappropriation. It also requires that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The Department's Administrative Directive (A.D.) 02.40.108 states loans may be made to the Travel and Allowance Revolving Fund, cash box fund, from the Inmates' Benefit Fund and Inmates' Commissary Fund, when an emergency exists. Loans to another fund within the facility are allowed at the discretion of the Chief Administrative Officer. Approval must be made in writing with a copy to the Deputy Director of the Division of Finance and Administration. A.D. 02.41.105 allows the Center to utilize Inmate Benefit Funds only in the case of an emergency. A.D. 02.42.105 requires all payments from the Inmates' Trust Fund – other than payments to the Inmate Commissary Fund and payments of restitution – are to be authorized by the offender, or as the result of a court order. A.D. 02.43.102 lists the use of the Inmates' Benefit Fund which does not include payment for GRF obligations.

Department management stated that the exceptions noted in the Centers were due to employee oversight, insufficient resources, and delay in funding the Travel and Allowance Revolving Fund.

By using the Inmates' Trust Fund or Inmates' Benefit Fund to loan money to support the cash box until the GRF reimbursement is received, the Correctional Centers are using inmates' personal accounts to fund a Correctional Center operation which is not a proper or authorized use of the Inmates' Trust Fund and against Department A.D.s. It is imperative that good internal controls be maintained at all times when significant amounts of cash are maintained. (Finding Code No. 2014-029, 12-09, 10-09, 08-16)

RECOMMENDATION:

We recommend the Department discontinue using the Inmates' Trust Fund or Inmates' Benefit Fund as a means to provide cash to pay for travel allowances for committed, paroled and discharged prisoners while waiting for reimbursement from the General Revenue Fund. The Department should utilize its newly established Travel and Allowance Revolving Fund at the Correctional Centers to pay for inmate travel allowances and remind Correctional Center staff of the need to maintain good internal controls over any cash function.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) has established the Travel and Allowance Revolving Fund and is working towards full implementation at each Correctional Center. As of April 2015, no facility is utilizing the Inmate Benefit Fund to purchase train and bus tickets for inmates upon their parole or discharge.

2014-030 **FINDING:** (Noncompliance with the Illinois Procurement Code)

The Department of Corrections (Department) did not timely publish procurement information and timely file required emergency purchase affidavits.

During our testing, we noted the following exceptions:

- 3 of 58 (5%) emergency purchases totaling approximately \$498,769 were not published timely in the Procurement Bulletin as required by the Illinois Procurement Code (30 ILCS 500/20-30) ranging from 1 to 27 days late.
- 14 of 58 (24%) emergency purchases totaling approximately \$520,372 were not filed with the Auditor General timely within the timelines established by statute. The emergency purchase affidavits were filed from 1 to 683 days late.

The Illinois Procurement Code (Code) (30 ILCS 500/20-30 (b)) requires that notice of all emergency procurements be published in the online electronic Procurement Bulletin no later than 5 calendar days after the contract is awarded. The Code (30 ILCS 500/20-30 (c)) also requires that affidavits for emergency procurements be filed with the Auditor General within 10 calendar days after the procurement.

Department management stated the exceptions noted for the three emergency purchases not published timely were due to employee oversight. The exceptions noted for not filing 14 emergency purchases timely with the Auditor General was due to waiting for the originals which were being mailed from the Centers to the Agency Procurement Officer at Central Office who then mailed the original with cover letter to the Auditor General.

Untimely publication of procurement information and untimely filing of required emergency purchase affidavits could potentially compromise public accountability and oversight and results in noncompliance with State mandates. (Finding 2014-030, 12-16, 10-19, 08-31, 06-19)

RECOMMENDATION:

We recommend the Department comply with the Illinois Procurement Code.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) has contacted the Auditor General's office and updated their policy so that scanned copies will be sent in within the allowable ten day timeframe. Central Office staff has committed to close monitoring of emergency procurement timeliness and training of staff to ensure all necessary steps are actions are taken in accordance with the law.

2014-031 **FINDING:** (Lack of effective project management over Offender 360 project)

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

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.

Per the 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. To illustrate, multiple implementation dates had been announced:

- According to the Offender 360 Overview Executive Summary, dated August 2011, Offender 360 was to be rolled out at the end of 2011.
- The IDOC/IDJJ Offender Management Resource Planning Implementation document stated the state-wide roll-out of Offender 360 to all IDOC users was scheduled for July 1, 2012.
- The Procurement Business Case submitted to the Chief Procurement Officer, dated June 16, 2014, stated Offender 360 Phase I went into production December 19, 2012 and is currently being used in managing the awarding of sentence credits to eligible offenders.
- A Memo to all Department staff, dated June 28, 2014 from the Assistant Director and the Chief Information Officer stated the expected “Go-Live” date for Offender 360 was June 23, 2014.
- According to the Chief Information Officer on August 20, 2014, Offender 360 was not yet in 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 implementation of Offender 360 even though the project was found not yet implemented by auditors and confirmed by the Department:

- According to the development vendor’s website, a Department official made a public statement in March 2013 stating Offender 360 was in production and assisting the Department in streamlining legislative compliance and providing reports to “empower people’s decisions.”
- The Department official participated in an interview with the vendor discussing how Illinois had taken advantage of the flexibility contained within the system to effect social change in support of public safety.

- On July 3, 2014, the Department official again participated in a public interview with the development vendor indicating Offender 360 was being utilized to assist in the evaluation of inmates and ensuring the impact to the citizens of Illinois is limited.

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.

As outlined in Prior Year Finding 12-18, the Department was unable to readily provide copies of specific deliverables. During the current audit, seven weeks after the auditors requested basic documentation, the Department provided a limited amount of documentation that did not fulfill the request. For example, the Department was unable to provide the total cost of the project as of June 30, 2014. Also, see Finding 2014-018.

The Department provided five Statements of Work which outlined the objective, detailed tasks and deliverables the vendor was required to complete. During our review of the Statements of Work, we noted:

- Three approved Statements of Work (30 pages each) were identical with the exception of dates.
- Two Statements of Work were marked draft and another was not dated.
- The Department did not provide all the required deliverables that were outlined in the Statements of Work. For example, required documentation supporting the successful migration of data from the legacy systems to the new Offender 360 System was not provided. In addition, documentation that was provided appeared to be in draft form and there was no evidence of Department review or approval.

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.

Generally accepted information technology guidance endorses the implementation of a process to ensure computer system development activities meet management's objectives. A defined process promotes the effective and efficient use of resources resulting in computer systems that meet expectations.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls to ensure the State's resources are used efficiently and effectively.

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 Code No. 2014-031, 12-18)

RECOMMENDATION:

The Department should develop and implement a project management framework to ensure projects are appropriately managed and adequately monitored and documented. In addition, the Department should maintain documentation to support the vendor's compliance with contracts and Statements of Work requirements.

Additionally, the Department should enter into a Service Level Agreement for the utilization of the vendor's cloud computing environment. The agreement should include financial terms and address key system attributes such as:

- Security - The environment is protected against both physical and logical unauthorized access.
- Availability - The environment is available for operation and use as committed or agreed.
- Processing integrity - System processing is complete, accurate, timely and authorized.
- Confidentiality - Information designated as confidential is protected.

We also recommend the Department obtain or perform independent reviews of internal controls associated with outsourced environments at least annually.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) 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. Additionally the Department will continue to work to ensure projects are properly managed, monitored, and documented. Also, the Department will make every effort to enter into a Service Level Agreement for the utilization of the vendor's cloud environment to address security, availability, processing integrity, and confidentiality.

2014-032

FINDING: (Compensatory time accrual in violation of federal law and compensatory time payments in violation of union agreement)

The Department of Corrections (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.

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.

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.

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:

- A Correctional Lieutenant was paid for 625.88 hours of compensatory time accrued. This accounted for \$28,171 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 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.

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.

The FLSA (29 USC 207(o)(3)(A)) does not allow public safety employees of a State agency to accrue more than 480 hours of compensatory time. The Department is also in violation of the union master agreement when paying compensatory time. The union master agreement for Correctional Officers and Correctional Sergeants (RC-06) requires that accrued compensatory time not scheduled or taken by the end of the fiscal year shall be liquidated and paid in cash **at the rate it was earned** (Article XII, Section 15 of RC-06 Union Agreement (July 1, 2012, through June 30, 2015)).

Department officials indicated the exceptions noted were due to oversight and insufficient resources.

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 Code No. 2014-032)

RECOMMENDATION:

We recommend the Department of Corrections:

- 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 RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) 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. Also, IDOC will make every effort to ensure employees do not carry over compensatory time from one fiscal year to the next. IDOC will do everything it can to procure an automated timekeeping system which would assist in the tracking and computation of time.

2014-033 FINDING: (Failure to properly transfer unclaimed inmate cash account balances)

The Department of Corrections (Department) improperly offset DOC Resident's Trust Fund (Inmate Trust Fund) account balances available to the inmates against account balances due from the inmates and did not transfer the unclaimed account balances available to the inmates to the General Revenue Fund (GRF).

Center auditors noted that the following Centers did not transfer dormant account balances to the GRF due to the improper netting of dormant account balances available to the inmates with dormant account balances due from the inmates:

- At 06/30/13, Sheridan Correctional Center's dormant accounts with balances available to the inmates totaled \$8,755 and balances due from the inmates totaled \$12,585. The net of these two amounts was \$3,830 due from the inmates.
- At 06/30/14, Sheridan Correctional Center's dormant accounts with balances available to the inmates totaled \$11,171 and balances due from the inmates totaled \$12,703. The net of these two amounts was \$1,532 due from the inmates.
- At 06/30/14, Stateville Correctional Center's dormant accounts with balances available to the inmates totaled \$23,713 and balances due from the inmates totaled \$31,832. The net of these two amounts was \$8,119 due from the inmates.
- At 06/30/14, Lawrence Correctional Center's dormant accounts with balances available to the inmates totaled \$9,521 and balances due from the inmates totaled \$10,054. The net of these two amounts was \$533 due from the inmates.

The Unified Code of Corrections (Code) (730 ILCS 5/3-4-3(b)) requires any money held in accounts of a committed person, upon release from the Department by death, discharge, or unauthorized absence and unclaimed for a period of one year thereafter by the person or his legal representative to be transmitted to the State Treasurer who shall deposit it into the GRF.

In addition, Center auditors also noted the following exceptions while testing inmate cash balances:

- One dormant account, tested at Big Muddy River Correctional Center, with \$83 due from the inmate was not transferred to the Correctional Center where the inmate resided during testing.
- Three dormant accounts, tested at Lawrence Correctional Center, were not transferred to the Correctional Centers where the inmates resided during testing. Two of the three accounts noted had a total balance of \$9,827 available to the inmates while one had a balance of \$3,901 due from the inmate.
- One dormant account, tested at Lincoln Correctional Center, with \$2,345 due from the inmate was not transferred to the Correctional Center where the inmate resided during testing.
- Three dormant accounts, tested at Southwestern Illinois Correctional Center, with a total of \$13,900 due from the inmates were not transferred to the Correctional Centers where the inmates resided during testing.

The Department's Administrative Directive 02.42.106, Transfer or Closing of Accounts, requires the Department to transfer an offender's trust fund account balance to the receiving institution by the fifth working day after the offender's transfer. In addition, payment of available funds for released inmates should be done at the time of release.

- At 06/30/14, Lawrence Correctional Center auditors were not able to determine the date when the 3 inmates' account balances were added to the dormant account listing because the accounts had a status date of 1/1/1900.

The State Records Act (5 ILCS 160/8) requires the Department preserve records containing adequate and proper documentation of the essential transactions of the Department to protect the legal and financial rights of the State.

Center management stated the exceptions noted were due to lack of resources and inadequate communication and guidance from the Department's Central Office.

Offsetting negative account balances against other accounts in the Inmate Trust Fund effectively requires other inmates' accounts to temporarily bear the costs of those deficits in violation of the Department's fiduciary responsibility and the Unified Code of Corrections. In addition, failure to ensure dormant cash balances are transferred to the GRF, to other receiving centers, or paid to the inmate, is noncompliance with the Administrative Directive and Code. (Finding Code No. 2014-033, 12-11, 10-11)

RECOMMENDATION:

We recommend the Department transfer dormant accounts to the GRF as required by law and comply with the State mandate and Department Administrative Directives.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to review internal policy and statutory requirements to determine the appropriate process to follow regarding dormant accounts and will supply oversight as needed to the centers. The Department is currently reviewing the Inmate Trial Balance and List Dormant Inmate Funds report to address the proper remittance of dormant accounts.

2014-034 **FINDING:** (Weaknesses in change management)

The Department of Corrections (Department) continued to lack a process to control and manage changes to computer systems.

In response to this finding from the previous examination, Department management stated they would make an effort to develop and implement a formal change management procedure that would control all changes made to computer systems.

In the current examination, the auditors noted the Department had not developed a formal change management procedure or an effective mechanism to control changes. The Department management stated users requested changes to computer systems via Form DC622 and the Forms were to be logged on a tracking spreadsheet.

The auditors reviewed a sample of 15 DC622 Forms, noting a lack of detail of the change, approvals, user involvement, and testing.

In addition, the sample DC622 Forms could not be traced to the tracking spreadsheet. During review of the spreadsheet, the auditors also noted it did not contain all changes to all of the Department's applications.

During the auditor's testing, it was also noted the Department's programmers had access to the production environment in order to complete changes.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires "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." In addition, generally accepted information technology guidance endorses the implementation of suitable change management procedures to control changes to computer systems.

Department management stated that the exceptions were due to oversight and understaffing.

Without adequate formal change management procedures, there is a greater risk of unauthorized or improper changes being made to computer systems. The lack of procedures increases the risk that the confidentiality, integrity, and availability of systems and data will be compromised. (Finding Code No. 2014-034, 12-19)

RECOMMENDATION:

We recommend the Department develop formal change management procedures to control all changes made to computer systems. The procedure should include at a minimum:

- Documentation of the authorization of change by management,
- Testing and documentation requirements,

- User acceptance testing and approval,
- A mechanism to ensure changes are approved prior to being moved into production, and
- A mechanism to track all changes made to the Department's computer systems.

In addition, the Department should restrict programmer access to all production programs and data. If the Department determines that programmer access is necessary in some situations, it should establish and enforce compensating controls to ensure appropriate management oversight and approval of changes.

DEPARTMENT RESPONSE:

Recommendation accepted. IL Department of Corrections (IDOC) will make every effort to develop a formal change management procedure to control all changes made to computer systems.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

SCHEDULE OF FINDINGS

PRIOR FINDINGS NOT REPEATED

A. **FINDING:** (Weaknesses in administration of locally held funds at the General Office)

During the previous engagement, weaknesses were noted in the Department of Corrections' (Department) General Office administration of its locally held (bank accounts) funds such as: statutory transfers of profits from the Inmate Commissary Funds (1127) were deposited to the incorrect funds; loans (subsequently repaid) were made to support the Department's operations; informal process for gift cards; missing Report of Receipts and Disbursements for Locally Held Funds (C-17); and allowed a tax exempt organization to utilize its Federal Employer Identification Number (FEIN) to open a checking account at a financial institution.

During the current engagement, our testing did not disclose those weaknesses. (Finding Code No. 12-05, 10-08, 08-08)

B. **FINDING:** (Inadequate controls over accounts receivable)

During the previous engagement, the Department of Corrections' (Department) – Correctional Industries did not maintain adequate internal controls over its accounts receivable.

During the current engagement, auditors of the Department's – Correctional Industries testing of accounts receivable noted internal controls had been implemented. (Finding Code No. 12-02)

C. **FINDING:** (Lack of collection efforts over farm leases)

During the previous engagement, the Department of Corrections' (Department) – Correctional Industries failed to pursue collections of past due amounts owed from farm leases.

During the current engagement, auditors of the Department's – Correctional Industries (Industries) testing results indicated Industries had taken steps to pursue past due amounts from farm leases. (Finding Code No. 12-03)

D. **FINDING** (Noncompliance with Uniform Disposition of Unclaimed Property Act)

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

During the current engagement, the Department sought legal advice and revised the related Administrative Directive to comply with the State mandate. (Finding Code No. 12-10, 10-10, 08-43)

E. **FINDING:** (Inmate commissary goods marked up more than allowed by statute)

During the previous engagement, 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.

During the current engagement, Center audit testing results indicated the goods for resale included the statutorily allowed percentage mark-up to arrive at the sales price to charge inmates. (Finding Code No. 12-12, 10-12, 08-13, 06-14)

F. **FINDING:** (Noncompliance with the Illinois Procurement Code)

During the previous engagement, the Department of Corrections (Department) did not comply 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.

During the current engagement, Center audit testing did not disclose these exceptions. (Finding Code No. 12-13, 10-13, 08-15, 06-21, 04-21)

G. **FINDING:** (Failure to comply with the Identity Protection Act)

During the previous engagement, the Department of Corrections (Department) failed to implement the provisions of the Identity Protection Act (Act).

During the current engagement, the Department has developed and approved an identity protection policy as required in the Identity Protection Act. (Finding Code No. 12-21)

H. **FINDING:** (Computer equipment not installed in a timely manner)

During the previous engagement, the Department of Corrections (Department) ordered and received computer equipment items that were not installed or placed in service for over a year.

During the current engagement, the Department installed those computer equipment items. (Finding Code No. 12-26)

I. **FINDING:** (Failure to adequately maintain documentation related to personally assigned vehicles)

During the previous engagement, the Department of Corrections (Department) failed to maintain documentation regarding personally assigned State vehicles.

During the current engagement, the Department maintained documentation pertinent to the personal assignment of State-owned vehicles. (Finding Code No. 12-28, 10-22)

J. **FINDING:** (Failure to maintain control over telecommunication devices)

During the previous engagement, the Department of Corrections (Department) did not maintain a separate, up-to-date inventory of wireless Internet air cards and failed to cancel cellular phones, calling cards, and pagers in a timely manner after employees ceased working for the Department.

During the current engagement, the auditors noted the Department made improvements relating to controls over telecommunication devices. Although there were still minor exceptions noted and reported in the Department's Report of Immaterial Findings, this finding is not repeated. (Finding Code No. 12-29)

K. **FINDING:** (Failure to properly notify appropriate parties of impending release of inmates)

During the previous engagement, the Department of Corrections (Department) failed to properly notify State's Attorneys and public housing agencies of impending release of inmates.

During the current engagement, the auditors noted the Department made improvements relating to proper notification to State's Attorneys and public housing agencies of impending release of inmates. Although there was still one exception noted and reported in the Department's Report of Immaterial Findings, this finding is not repeated. (Finding Code No. 12-33, 10-27)

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

STATUS OF MANAGEMENT AUDIT

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, #9) for improvement which were specific to the Department of Corrections (Department). We followed up on the recommendations during the two years ended June 30, 2014.

We noted the Department has made progress in implementing the recommendations 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 is implemented. According to the terms of the fiscal year 2013 grant agreement, the first payment is not contingent upon anything other than execution of the agreement and is made “as soon as practical”. The first payment for fiscal year 2013 was made in August 2012. The final payment was made during the lapse period, in September 2013.

The weaknesses noted in the prior year’s finding (Finding Code No. 12-16), related to the unexpended grant funds, were recovered by the Department during fiscal year 2013. This finding is not repeated.

For fiscal year 2014, the grant agreement related to the CeaseFire program was made between the Illinois Criminal Justice Information Authority (ICJIA) and the University of Illinois at Chicago (UIC).

- *The Department of Corrections should develop quantifiable performance measures to be included in State funding agreements for the Ceasefire program. Additionally, the Department of Corrections, as the largest funding agency for the State for CeaseFire activity, 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 State funding. (Recommendation 7)*

This recommendation has been partially implemented. The fiscal year 2013 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 agreements also specified the selection of criteria to be utilized by UIC.

The Department could not provide a copy of the 2013 report to determine whether UIC included all the required criteria noted in the agreement.

- *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 is implemented. We obtained a copy of the fiscal year 2013 agreement between the Department and UIC. Included in each agreement was a budget created by UIC. The budget included documentation showing how all of its funding will be used.

Based upon the procedures performed during our compliance examination of the Department, it appears that the Department has successfully implemented two of the recommendations (#2 and #9). The partially implemented recommendation (#7), in relation to the statistics to be provided by UIC, will be reviewed during the next examination of ICJIA, as grantor of the fiscal year 2014 funds.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Corrections (Department) was performed by Adelfia LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Department's basic financial statements.



INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Working Capital Revolving Fund (Correctional Industries), which represents 100.0 percent of the assets and revenues of the Proprietary Fund and 2.6 percent of the 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, are based on the report of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, 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 for the Department, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Department 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 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, 2014, 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. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2014, the Department adopted GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information for any of its funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for

placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit for the year ended June 30, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary information in the combining General Fund, nonmajor governmental funds, and Agency fund financial statements, the State Compliance Schedules 1 through 11, and the Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the year ended June 30, 2014, in the combining General Fund, nonmajor governmental funds, and Agency fund financial statements and the State Compliance Schedules 1 and 3 through 11 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2014, in the General Fund, nonmajor governmental funds, and Agency fund financial statements and the State Compliance Schedules 1 and 3 through 11 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2014, in the combining General Fund, nonmajor governmental funds, and Agency fund financial statements and the State Compliance Schedules 1 and 3 through 11 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying supplementary information for the year ended June 30, 2013 in the State Compliance Schedules 2 through 11 and the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Department's basic financial statements as of and for the year ended June 30, 2012 (not presented herein), were audited by other auditors whose report thereon dated March 20, 2013, except for Note 13 and State Compliance Schedules 1 and 3 through 11 for which the date is June 24, 2013 expressed a qualified opinion on the Department's basic financial statements. The qualified opinion was based on other auditors' report on the financial statements of the Working Capital Revolving Fund (Correctional Industries). The other auditors' qualified the Correctional Industries opinion because they were unable to obtain sufficient appropriate audit evidence supporting the accounts receivable balance at June 30, 2012. In addition, the other auditors were unable to obtain sufficient appropriate audit evidence associated with revenues from the accounts receivable balances.

The report of the other auditors dated March 20, 2013, except for Note 13 and State Compliance Schedules 1 and 3 through 11 for which the date is June 24, 2013, stated that the supplementary information for the year ended June 30, 2012 in the State Compliance Schedules 1 and 3 through 11 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in their opinion, except for the effects of such adjustments referred to above, if any, as might have been determined to be necessary had they been able to examine evidence regarding the accuracy of the Working Capital Revolving Fund accounts receivable as noted in Schedule 11, was fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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.

Adelfia LLC

Chicago, Illinois

December 31, 2014 except for our report on the Supplementary Information for State Compliance Purposes, Schedule 1 and 3 through 11 as to which the date is April 10, 2015

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)**

	Governmental Activities
	<hr/>
ASSETS	
Unexpended appropriations	\$ 162,303
Cash equity with State Treasurer	1,892
Cash and cash equivalents	14,078
Other receivables, net of \$275 allowance	1,520
Due from other State funds, net of \$5 allowance	3,108
Due from Local government	27
Due from Federal government	64
Due from State of Illinois component units	17
Inventories	21,362
Prepaid expenses	10
Capital assets not being depreciated	59,307
Capital assets being depreciated, net	707,596
Total assets	<hr/> <hr/> 971,284
LIABILITIES	
Accounts payable and accrued liabilities	197,834
Due to other State funds	13,001
Due to Department fiduciary funds	2,015
Due to Local government	3,047
Due to Federal government	9,332
Due to State of Illinois component units	1,092
Unearned revenue	218
Long term obligations:	
Due within one year	9,564
Due subsequent to one year	70,927
Total liabilities	<hr/> <hr/> 307,030
NET POSITION	
Net investment in capital assets	766,676
Unrestricted	(102,422)
Total net position	<hr/> <hr/> \$ 664,254

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, 2014
(Expressed in Thousands)**

Functions/Programs	Program Revenues			Net (Expense) Revenue
Governmental activities	Expenses	Charges for Services	Operating Grants and Contributions	
Public protection and justice	\$ 1,381,471	\$ 63,980	\$ 7,100	\$ (1,310,391)
Interest	32	-	-	(32)
Total governmental activities	\$ 1,381,503	\$ 63,980	\$ 7,100	\$ (1,310,423)
General revenues and transfers				
Appropriations from State Resources				1,314,732
Lapsed appropriations				(9,639)
Receipts collected and transmitted to State Treasury				(22,900)
Interest and investment income				21
Other revenues				9,898
Other expenses				(166)
Capital transfers from other State agencies				44,805
Transfers-out				(3,281)
Total general revenues and transfers				1,333,470
Change in net position				23,047
Net position, July 1, 2013				641,207
Net position, June 30, 2014				\$ 664,254

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014
(Expressed in Thousands)**

	<u>General Fund</u>	<u>Nonmajor funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Unexpended appropriations	\$ 158,723	\$ 3,580	\$ 162,303
Cash and cash equivalents	157	13,921	14,078
Other receivables	-	977	977
Due from other Department funds	-	8,529	8,529
Due from other State funds	-	280	280
Due from Federal government	-	41	41
Due from State of Illinois component units	-	7	7
Inventories	11,411	2,407	13,818
Total assets	<u>\$ 170,291</u>	<u>\$ 29,742</u>	<u>\$ 200,033</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 190,763	\$ 3,198	\$ 193,961
Due to other Department funds	9,744	8,332	18,076
Due to other State funds	10,297	769	11,066
Due to Department fiduciary funds	1,374	159	1,533
Due to Local government	3,047	-	3,047
Due to Federal government	9,279	19	9,298
Due to State of Illinois component units	47	1,043	1,090
Unearned revenue	-	218	218
Total liabilities	<u>224,551</u>	<u>13,738</u>	<u>238,289</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-Federal government	-	41	41
Total deferred inflows of resources	<u>-</u>	<u>41</u>	<u>41</u>
Total liabilities and deferred inflows of resources	<u>224,551</u>	<u>13,779</u>	<u>238,330</u>
FUND BALANCES (DEFICITS)			
Nonspendable for inventories	11,411	2,407	13,818
Restricted	-	2	2
Unrestricted:			
Committed	-	15,961	15,961
Unassigned	(65,671)	(2,407)	(68,078)
Total fund balances (deficits)	<u>(54,260)</u>	<u>15,963</u>	<u>(38,297)</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 170,291</u>	<u>\$ 29,742</u>	<u>\$ 200,033</u>

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)**

Total fund balances-governmental funds \$ (38,297)

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 764,189

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds. 41

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 Position. 17,477

Some liabilities reported in the Statement of Net Position 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	\$ (196)	
Compensated absences	(78,960)	
		<u>(79,156)</u>

Net position of governmental activities \$ 664,254

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

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	<u>General Fund</u>	<u>Nonmajor funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal government	\$ -	\$ 7,079	\$ 7,079
Interest and other investment income	-	21	21
Other	119	8,910	9,029
Other charges for services	126	48,895	49,021
Total revenues	<u>245</u>	<u>64,905</u>	<u>65,150</u>
EXPENDITURES			
Public protection and justice	1,249,848	67,911	1,317,759
Debt service - principal	183	-	183
Debt service - interest	32	-	32
Capital outlays	572	-	572
Total expenditures	<u>1,250,635</u>	<u>67,911</u>	<u>1,318,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,250,390)</u>	<u>(3,006)</u>	<u>(1,253,396)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	1,277,732	37,000	1,314,732
Lapsed appropriations	(1,360)	(8,279)	(9,639)
Receipts collected and transmitted to State Treasury	(185)	(22,715)	(22,900)
Transfers-in	-	8,970	8,970
Transfers-out	(28)	(12,223)	(12,251)
Proceeds from capital lease financing	131	-	131
Net other sources (uses) of financial resources	<u>1,276,290</u>	<u>2,753</u>	<u>1,279,043</u>
Net change in fund balances	<u>25,900</u>	<u>(253)</u>	<u>25,647</u>
Fund balances (deficits), July 1, 2013	(77,553)	16,382	(61,171)
Increase for changes in inventories	(2,607)	(166)	(2,773)
FUND BALANCES (DEFICITS), JUNE 30, 2014	<u>\$ (54,260)</u>	<u>\$ 15,963</u>	<u>\$ (38,297)</u>

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, 2014
(Expressed in Thousands)**

Net change in fund balances	\$ 25,647
Change in inventories	<u>(2,773)</u>
	22,874
 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 outlays in the current period exceeded depreciation.	(35,601)
Some capital assets were transferred in from other State agencies and, therefore, were received at no cost	39,840
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 Position.	183
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 Position, the lease obligation is reported as a liability.	(131)
Internal service funds are used to charge the 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.	334
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.	(49)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenues from the prior year.	21
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	<u>(4,424)</u>
Change in net assets of governmental activities	<u><u>\$ 23,047</u></u>

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014
(Expressed in Thousands)**

	Governmental Activities - Internal Service Fund
	Working Capital Revolving Fund
ASSETS	
Cash equity with State Treasurer	\$ 1,892
Other Receivables, net	543
Due from other Department funds, net	9,547
Due from other State funds, net	2,828
Due from Local government	27
Due from Federal government	23
Due from State of Illinois component units	10
Inventories	7,544
Prepaid expenses	10
Total current assets	<u>22,424</u>
Capital assets being depreciated, net	2,714
Total assets	<u>25,138</u>
LIABILITIES	
Accounts payable and accrued liabilities	3,873
Due to other State funds	1,935
Due to Department fiduciary funds	482
Due to Federal government	34
Due to State of Illinois component units	2
Current portion of long-term obligations	265
Total current liabilities	<u>6,591</u>
Noncurrent portion of long-term obligations	1,070
Total liabilities	<u>7,661</u>
NET POSITION	
Net investment in capital assets	2,683
Unrestricted	14,794
Total net position	<u>\$ 17,477</u>

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION- PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)**

	Governmental Activities - Internal Service Fund
	Working Capital Revolving Fund
OPERATING REVENUES	
Charges for sales and services	\$ 49,657
Total operating revenues	<u>49,657</u>
OPERATING EXPENSES	
Cost of sales and services	26,000
General and administrative	23,495
Depreciation	531
Total operating expenses	<u>50,026</u>
Operating income	<u>(369)</u>
NONOPERATING REVENUES (EXPENSES)	
Other revenues	869
Interest expense	(30)
Other expenses	(136)
Net income/(loss)	<u>334</u>
Net position, July 1, 2013	<u>17,143</u>
NET POSITION, JUNE 30, 2014	<u><u>\$ 17,477</u></u>

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2014
(Expressed in Thousands)**

	Governmental Activities - Internal Service Fund
	<u>Working Capital Revolving Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales and services to third parties	\$ 1,505
Cash received from sales and services to other State funds	49,963
Cash payments to suppliers for goods and services	(39,503)
Cash payments to employees for services	(10,791)
Cash receipts from other operating activities	833
Net cash provided by operating activities	<u>2,007</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Prompt pay interest	(11)
Net cash provided by noncapital financing activities	<u>(11)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,308)
Principal paid on capital debt	(11)
Interest paid on capital debt	(4)
Proceeds from the sale of equipment	15
Net cash used by capital and related financing activities	<u>(1,308)</u>
Net increase in cash and cash equivalents	688
Cash equity with State Treasurer, July 1, 2013	<u>1,204</u>
CASH EQUITY WITH STATE TREASURER, JUNE 30, 2014	<u>\$ 1,892</u>

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2014
(Expressed in Thousands)**

	Governmental Activities - Internal Service Fund
	<u>Working Capital Revolving Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
OPERATING INCOME	\$ (369)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	531
Provision for uncollectible accounts	625
Cash receipts from other nonoperating income	833
Interest income	3
Changes in assets and liabilities:	
Decrease in other receivables	61
Decrease in due from local governments	37
Decrease in due from other funds	1,176
Increase in due from State of Illinois component units	(4)
Increase in inventory	(769)
Decrease in prepaid expenses	23
Decrease in accounts payable and accrued liabilities	(218)
Decrease in intergovernmental payables	(81)
Increase in due to other funds	200
Decrease in due to State of Illinois component units	(1)
Decrease in other liabilities	(40)
Total adjustments	<u>2,376</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,007</u>

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, 2014**

	<u>Agency Fund DOC Resident's Trust</u>
ASSETS	
Cash and cash equivalents	\$ 6,521
Other receivables	1
Due from other Department funds	2,015
Total assets	<u>\$ 8,537</u>
LIABILITIES	
Other liabilities	\$ 8,537
Total liabilities	<u>\$ 8,537</u>

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

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2014

(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 Fund, the CMS vs AFSCME Wages Trust Fund, the Department of 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 Travel and Allowance Revolving Fund, DOC Commissary Funds Fund, DOC Resident's and Employee's Benefit Fund, Moms and Babies 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:

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2014

- 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 and the possibility that the component unit will provide a financial benefit to or impose a financial burden 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 net position, changes in net position, and cash flows 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, 2014 and the changes in net position for the year then ended, and the cash flows in conformity with accounting principles generally accepted in the United States of America.

Government-wide Statements. The government-wide statement of net position 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 position presents the assets and liabilities of the Department's governmental activities with the difference being reported as net position. 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.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2014

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 of 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)).

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 public protection and justice. The Department's General Fund grouping contains three primary sub-accounts (General Revenue, CMS vs AFSCME Wages Trust, and Travel and Allowance Revolving).

Additionally, the Department administers the following fund types:

Governmental Fund Types:

Special Revenue – These funds are used to account for and report the proceeds of specific revenue sources that are *restricted or committed to expenditure for specific purposes* other than debt service or capital assets. The Department does not have any major special revenue funds to disclose.

Proprietary Fund Types:

Internal Service – This fund accounts for revenues and expenses derived from goods or services produced by manufacturing, food, 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.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2014

(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.

(d) *Shared Fund Presentation*

The financial statement presentation for the General Fund, the CMS vs AFSCME Wages Trust 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.

**STATE OF ILLINOIS
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June 30, 2014

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.

(e) *Eliminations*

Eliminations have been made in the government-wide statement of net position to minimize the “grossing-up” effect on assets and liabilities within the Department. As a result, amounts reported in the funds as departmental interfund receivables and payables have been eliminated in the government-wide statement of net position. Amounts reported in the funds as receivable from or payable to fiduciary funds have been included in the statement of net position 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 departmental 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 the lower of cost or market, principally on the first-in, first-out (FIFO) method. At year-end, physical counts are taken of significant inventories, consisting primarily of food and supplies maintained at the Correctional Centers. For governmental funds, the Department recognizes the costs of material inventories as expenditures when purchased. For proprietary funds, inventories are recorded as expenditures when consumed or sold 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. At year end, unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet, government-wide statement of net position, or proprietary fund statements of net position.

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June 30, 2014

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 and Intangible Assets

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

Capitalization thresholds and the estimated useful lives are as follows:

Capital and Intangible 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
Purchased Computer Software	25,000	10

(j) Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated vacation, holiday 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).

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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 fund balances in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. The following funds comprise nonspendable fund balances for inventories as of June 30, 2014: General Fund and DOC Commissary Funds Fund.

Restricted – This consists of amounts that are restricted for specific purposes; that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The Moms and Babies Fund had a restricted fund balance of \$2 thousand as of June 30, 2014.

Committed – This consists of amounts with self-imposed constraints or limitations that have been placed through enabling legislation imposed by the Illinois State Legislature and the Governor, the highest level of decision making authority. The following funds comprise committed fund balances as of June 30, 2014: Department of Corrections Reimbursement Fund and DOC Resident's and Employee's Benefit Fund. The Department of Corrections Reimbursement Fund is restricted through enabling legislation but has been subject to fund sweeps in previous years and therefore is classified as committed. These committed funds cannot be used for any other purpose unless the Department removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This consists of net amounts that are constrained by the Department's intent to be used for specific purposes, but are neither restricted nor committed. There are no assigned fund balances as of June 30, 2014.

Unassigned – This consists of amounts that are available financial resources and are not designated for a specific purpose. This classification is only reported in the General Fund, except in cases of negative fund balances reported in other governmental funds which are reported as unassigned. The following funds comprise unassigned fund balances as of June 30, 2014: General Fund and DOC Commissary Funds Fund.

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When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed. Unrestricted resources which are committed are generally used before assigned resources, and assigned resources are generally used before unassigned resources.

(l) Net Positions

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

Net Investment in Capital Assets – 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 position that do not meet the definition of “restricted” or “net investment in capital assets.”

(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) Change in Accounting Principle

During the fiscal year ended June 30, 2014, the Department adopted GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The Department reported Unavailable revenue-Federal government as Deferred Inflows of Resources in the financial statements.

(o) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Department has no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*,

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represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Department has only one item that meets the criterion for this category – Deferred Revenues – unavailable.

(p) Future Adoption of GASB Statements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement are effective for the fiscal year ending June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. This Statement also requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of the Statement are effective for fiscal year ended June 30, 2015, with earlier application being encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The

**STATE OF ILLINOIS
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provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68 and are effective for the fiscal year ended June 30, 2015. Management has not determined what impact, if any, this statement will have on its financial statements.

(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, 2014 represent amounts due from other Department and State of Illinois funds.

<u>Fund</u>	<u>Due from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
Nonmajor governmental funds	\$ 8,529	\$ 280	Due from other Department funds for inmate payments, commissary salaries, reimbursements, and pursuant to court order for AFSCME wages trust and other State funds for unreimbursed grant expenditures.
Internal service funds	9,547	2,828	Due from other Department funds and other State funds for purchases of goods and services.
Fiduciary funds	2,015	-	Due from other Department funds for reimbursements of expenditures and accrued inmate payroll.
	<u>\$ 20,091</u>	<u>\$ 3,108</u>	

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The following balances (amounts expressed in thousands) at June 30, 2014 represent amounts due to other Department and State of Illinois funds.

<u>Fund</u>	<u>Due to</u>			<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	<u>Department Fiduciary Funds</u>	
General	\$ 9,744	\$ 10,297	\$ 1,374	Due to other Department funds for purchases, for reimbursements and pursuant to court order for AFSCME wages trust, to other State funds for services provided and to Department fiduciary funds for reimbursements of expenditures and accrued inmate payroll.
Nonmajor governmental funds	8,332	769	159	Due to other Department funds for commissary profits, other State funds for unspent grant proceeds, and to Department fiduciary funds for reimbursements of expenditures.
Internal service funds	-	1,935	482	Due to State funds for operating expense reimbursements and due to Department fiduciary funds for reimbursements of expenditures and accrued payroll.
	<u>\$ 18,076</u>	<u>\$ 13,001</u>	<u>\$ 2,015</u>	

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(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2014, were as follows:

<u>Fund</u>	<u>Transfers in from Other Department Funds</u>	<u>Description/Purpose</u>
Nonmajor governmental funds	\$ 8,970	Transfers from other Department nonmajor governmental funds for commissary profits and salaries
	<u>\$ 8,970</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2014, were as follows:

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General fund	\$ 28	\$ -	Transfers to other Department funds for travel allowance reimbursements
Nonmajor governmental funds	8,942	3,281	Transfers to other Department funds for commissary profits and salaries, pursuant to court order for AFSCME wages trust and start up funds and to other State funds for debt service.
	<u>\$ 8,970</u>	<u>\$ 3,281</u>	

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(c) Balances Due to/from State of Illinois Component Units

The following balances (amounts expressed in thousands) at June 30, 2014 represent amounts due from State of Illinois Component Units for reimbursements for expenses incurred.

<u>Funds</u>	<u>Due From Component Units</u>		
	<u>Illinois Toll Highway Authority</u>	<u>Illinois State University</u>	<u>University of Illinois</u>
Nonmajor governmental funds	\$ -	\$ -	\$ 7
Internal service funds	<u>10</u>	<u>-</u>	<u>-</u>
	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 7</u>

The following balances (amounts expressed in thousands) at June 30, 2014 represent amounts due to State of Illinois Component Units for reimbursements for expenses incurred.

<u>Funds</u>	<u>Due to Component Units</u>					
	<u>Illinois Toll Highway Authority</u>	<u>Chicago State University</u>	<u>Governors State University</u>	<u>Western Illinois University</u>	<u>Southern Illinois University</u>	<u>University of Illinois</u>
General fund	\$ -	\$ 3	\$ 6	\$ 2	\$ 5	\$ 31
Nonmajor governmental funds	-	-	-	-	-	1,043
Internal service funds	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 6</u>	<u>\$ 2</u>	<u>\$ 5</u>	<u>\$ 1,074</u>

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(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2014 was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2014</u>
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	\$ 59,183	\$ -	\$ -	\$ 124	\$ 59,307
Total capital assets not being depreciated	<u>59,183</u>	<u>-</u>	<u>-</u>	<u>124</u>	<u>59,307</u>
Capital assets being depreciated:					
Site improvements	85,876	-	-	5,187	91,063
Buildings and building improvements	1,391,670	161	147	44,899	1,436,583
Equipment	79,768	1,745	5,006	28	76,535
Capital leases – equipment	564	131	197	-	498
Software	<u>161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161</u>
Total capital assets being depreciated	<u>1,558,039</u>	<u>2,037</u>	<u>5,350</u>	<u>50,114</u>	<u>1,604,840</u>
Less accumulated depreciation:					
Site improvements	68,527	2,440	-	2,643	73,610
Buildings and building improvements	714,807	32,162	120	7,863	754,712
Equipment	71,507	1,910	4,975	28	68,470
Capital leases – equipment	296	192	197	-	291
Software	<u>161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161</u>
Total accumulated depreciation	<u>855,298</u>	<u>36,704</u>	<u>5,292</u>	<u>10,534</u>	<u>897,244</u>
Total capital assets being depreciated, net	<u>702,741</u>	<u>(34,667)</u>	<u>58</u>	<u>39,580</u>	<u>707,596</u>
Governmental activity capital assets, net	<u>\$ 761,924</u>	<u>\$ (34,667)</u>	<u>\$ 58</u>	<u>\$ 39,704</u>	<u>\$ 766,903</u>

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Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2014 was charged as follows:

Public protection and justice	<u>\$ 36,704</u>
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(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, 2014 were as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year
Governmental activities					
Compensated absences	\$ 75,880	\$ 76,882	\$ 72,498	\$ 80,264	\$ 9,431
Capital lease obligations	290	131	194	227	133
	<u>\$ 76,170</u>	<u>\$ 77,013</u>	<u>\$ 72,692</u>	<u>\$ 80,491</u>	<u>\$ 9,564</u>

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 office and computer equipment with a historical cost and accumulated depreciation of \$498 thousand and \$291 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. The following is a schedule of future minimum lease payments (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Total
2015	\$ 133	\$ 17	\$ 150
2016	73	6	79
2017	21	1	22
	<u>\$ 227</u>	<u>\$ 24</u>	<u>\$ 251</u>

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2014

(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 2014 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling (217) 785-7202.

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 2014, the employer contribution rate was 40.312%.

Certain Department employees working in the Office of Adult Education and Vocational Services participate 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% of their creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

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, 2013. 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 Central Management Services. Substantially all State employees become eligible for post-employment benefits if

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2014

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.

Public Act 97-0695, effective, July 1, 2012, altered the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act. This Act requires the Director of Central Management Services to, on an annual basis, determine the amount that the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant, survivor, or retired employee. These costs were to be assessed beginning July 1, 2013. However, four putative class actions were filed challenging the validity of this legislation under, among other things, the pension protection clause of the Illinois Constitution of 1970. The four class actions were consolidated in the circuit court of Sangamon County. The circuit court dismissed each of them for failure to state a cause of action, without certifying any classes. The Illinois Supreme Court allowed direct appeal. On July 3, 2014, the Illinois Supreme Court issued an opinion in the retirement health insurance case. The Illinois Supreme Court disagreed with the circuit court and determined the circuit court should not have dismissed the case. The Supreme Court sent the case back to the circuit court for reconsideration. As a result the Sangamon County Circuit Court has directed all pension systems to discontinue withholding, as soon as possible, the retiree and survivor health insurance premiums that have been in effect since July 2013. The refunding of premiums paid since July 2013 is unresolved and will be decided by the courts.

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' CAFR. 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 benefits 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 Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2014

(9) Fund Balances

At June 30, 2014, the Department's fund balances were classified as follows:

	General Fund	Non-major Governmental Funds	Total
Nonspendable:			
Inventory	\$ 11,411	\$ 2,407	\$ 13,818
Restricted purposes:			
Public protection and justice	-	2	2
Committed purposes:			
Public protection and justice	-	15,961	15,961
Unassigned	(65,671)	(2,407)	(68,078)
Total fund balances	\$ (54,260)	\$ 15,963	\$ (38,297)

(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.

The Department's risk management activities for self-insurance, unemployment insurance and workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Department; and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2014.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

Notes to Financial Statements

June 30, 2014

(11) Commitments and Contingencies

(a) Operating leases

The Department leases certain office facilities and equipment, under the terms of noncancelable operating lease agreements that require 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 \$9,697 for the year ended June 30, 2014.

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

Year Ending June 30	Amount
2015	\$ 2,594
2016	768
2017	698
2018	700
2019	369
	<u>\$ 5,129</u>

(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, 2014 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.

SUPPLEMENTARY INFORMATION

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMBINING SCHEDULE OF ACCOUNTS-
GENERAL FUND
JUNE 30, 2014
(Expressed in Thousands)**

	General Revenue Account	AFSCME Wages Trust Account	CMS VS Trust Account	Travel and Allowance Revolving Account	Eliminations	Total
ASSETS						
Unexpended appropriations	\$ 158,723	\$ -	\$ -	\$ -	-	\$ 158,723
Cash and cash equivalents	-	-	-	157	-	157
Due from other Department funds	98	-	-	88	(186)	-
Inventories	11,411	-	-	-	-	11,411
Total assets	\$ 170,232	\$ -	\$ -	\$ 245	\$ (186)	\$ 170,291
LIABILITIES						
Accounts payable and accrued liabilities	\$ 190,751	\$ -	\$ -	\$ 12	-	\$ 190,763
Due to other Department funds	9,585	328	-	17	(186)	9,744
Due to other State funds	10,297	-	-	-	-	10,297
Due to Department fiduciary funds	1,374	-	-	-	-	1,374
Due to Local government	3,047	-	-	-	-	3,047
Due to Federal government	9,279	-	-	-	-	9,279
Due to State of Illinois component units	47	-	-	-	-	47
Total liabilities	224,380	328	-	29	(186)	224,551
FUND BALANCES (DEFICITS)						
Nonspendable for Inventories	11,411	-	-	-	-	11,411
Unassigned	(65,559)	(328)	-	216	-	(65,671)
Total fund balances (deficits)	(54,148)	(328)	-	216	-	(54,260)
Total liabilities and fund balances (deficits)	\$ 170,232	\$ -	\$ -	\$ 245	\$ (186)	\$ 170,291

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)**

	General Revenue Account	CMS VS AFSCME Wages Trust Account	Travel and Allowance Revolving Account	Eliminations	Total
REVENUES					
Other	\$ 58	\$ -	\$ 61	\$ -	\$ 119
Other charges for services	126	-	-	-	126
Total revenues	<u>184</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>245</u>
EXPENDITURES					
Public protection and justice	1,249,815	-	33	-	1,249,848
Debt service - principal	183	-	-	-	183
Debt service - interest	32	-	-	-	32
Capital outlays	572	-	-	-	572
Total expenditures	<u>1,250,602</u>	<u>-</u>	<u>33</u>	<u>-</u>	<u>1,250,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,250,418)</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>(1,250,390)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	1,277,732	-	-	-	1,277,732
Lapsed appropriations	(1,360)	-	-	-	(1,360)
Receipts collected and transmitted to State Treasury	(185)	-	-	-	(185)
Transfers-out	-	-	(28)	-	(28)
Proceeds from capital lease financing	131	-	-	-	131
Net other sources (uses) of financial resources	<u>1,276,318</u>	<u>-</u>	<u>(28)</u>	<u>-</u>	<u>1,276,290</u>
Net change in fund balances	<u>25,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,900</u>
Fund balances (deficits), July 1, 2013	(77,441)	(328)	216	-	(77,553)
Increase (decrease) for changes in inventories	(2,607)	-	-	-	(2,607)
FUND BALANCES (DEFICITS), JUNE 30, 2014	<u>\$ (54,148)</u>	<u>\$ (328)</u>	<u>\$ 216</u>	<u>\$ -</u>	<u>\$ (54,260)</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	Special Revenue				Total
	Department of Corrections Reimbursement	DOC Commissary Funds	DOC Resident's and Employee's Benefit	Moms and Babies	
ASSETS					
Unexpended appropriations	\$ 3,580	\$ -	\$ -	\$ -	\$ 3,580
Cash and cash equivalents	17	6,408	7,494	2	13,921
Other receivables, net	932	45	-	-	977
Due from other Department funds	1,826	17	6,686	-	8,529
Due from other State funds	280	-	-	-	280
Due from Federal government	41	-	-	-	41
Due from State of Illinois component units	7	-	-	-	7
Inventories	-	2,407	-	-	2,407
Total assets	<u>\$ 6,683</u>	<u>\$ 8,877</u>	<u>\$ 14,180</u>	<u>\$ 2</u>	<u>\$ 29,742</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 2,380	\$ 811	\$ 7	\$ -	\$ 3,198
Due to other Department funds	-	7,848	484	-	8,332
Due to other State funds	769	-	-	-	769
Due to Department fiduciary funds	7	-	152	-	159
Due to Federal government	19	-	-	-	19
Due to State of Illinois component units	1,043	-	-	-	1,043
Unearned revenue	-	218	-	-	218
Total liabilities	<u>4,218</u>	<u>8,877</u>	<u>643</u>	<u>-</u>	<u>13,738</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-Federal government	41	-	-	-	41
Total deferred inflows of resources	<u>41</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41</u>
Total liabilities and deferred inflows of resources	<u>4,259</u>	<u>8,877</u>	<u>643</u>	<u>-</u>	<u>13,779</u>
FUND BALANCES (DEFICITS)					
Nonspendable for Inventories	-	2,407	-	-	2,407
Restricted	-	-	-	2	2
Committed	2,424	-	13,537	-	15,961
Unassigned	-	(2,407)	-	-	(2,407)
Total fund balances (deficits)	<u>2,424</u>	<u>-</u>	<u>13,537</u>	<u>2</u>	<u>15,963</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 6,683</u>	<u>\$ 8,877</u>	<u>\$ 14,180</u>	<u>\$ 2</u>	<u>\$ 29,742</u>

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)**

	Special Revenue					Total
	Department of Corrections Reimbursement	DOC Commissary Funds	DOC Resident's and Employee's Benefit	Moms and Babies		
REVENUES						
Federal government	\$ 7,079	\$ -	\$ -	\$ -	\$ -	7,079
Interest and other investment income	-	4	17	-	-	21
Other	7,884	-	1,025	1	-	8,910
Other charges for services	-	48,895	-	-	-	48,895
Total revenues	<u>14,963</u>	<u>48,899</u>	<u>1,042</u>	<u>1</u>	<u>1</u>	<u>64,905</u>
EXPENDITURES						
Public protection and justice	23,932	39,791	4,186	2	-	67,911
Total expenditures	<u>23,932</u>	<u>39,791</u>	<u>4,186</u>	<u>2</u>	<u>2</u>	<u>67,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,969)</u>	<u>9,108</u>	<u>(3,144)</u>	<u>(1)</u>	<u>(1)</u>	<u>(3,006)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	37,000	-	-	-	-	37,000
Lapsed appropriations	(8,279)	-	-	-	-	(8,279)
Receipts collected and transmitted to State Treasury	(22,715)	-	-	-	-	(22,715)
Transfers-in	5,271	-	3,699	-	-	8,970
Transfers-out	(3,281)	(8,942)	-	-	-	(12,223)
Net other sources (uses) of financial resources	<u>7,996</u>	<u>(8,942)</u>	<u>3,699</u>	<u>-</u>	<u>-</u>	<u>2,753</u>
Net change in fund balances	<u>(973)</u>	<u>166</u>	<u>555</u>	<u>(1)</u>	<u>(1)</u>	<u>(253)</u>
Fund balances, July 1, 2013	3,397	-	12,982	3	-	16,382
Decrease for changes in inventories	-	(166)	-	-	-	(166)
FUND BALANCES, JUNE 30, 2014	<u>\$ 2,424</u>	<u>\$ -</u>	<u>\$ 13,537</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 15,963</u>

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)**

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
DOC Resident's Trust				
ASSETS				
Cash and cash equivalents	\$ 5,601	\$ 16,809	\$ 15,889	\$ 6,521
Other receivables	14	-	13	1
Due from other Department funds	1,759	9,036	8,780	2,015
Total assets	\$ 7,374	\$ 25,845	\$ 24,682	\$ 8,537
LIABILITIES				
Other liabilities	\$ 7,374	\$ 17,052	\$ 15,889	\$ 8,537
Total liabilities	\$ 7,374	\$ 17,052	\$ 15,889	\$ 8,537

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

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 Appropriations, Expenditures and Lapsed Balances
 - Fiscal Year 2014
 - Fiscal Year 2013
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances by Object – All Funds
 - Comparative Schedule of Expenditures by Correctional Center – All Funds
 - Schedule of Changes in State Property
 - 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 (Unaudited)

- Analysis of Operations (Unaudited):
 - Agency Functions and Planning Program (Unaudited)
 - Average Number of Employees (Unaudited)
 - State Housing Benefits (Unaudited)
 - Analysis of Employee Overtime (Unaudited)
 - Annual Cost Statistics and Notes (Unaudited)
 - Participating Educational Institutions (Unaudited)
 - Emergency Purchases (Unaudited)
 - Memorandums of Understanding (Unaudited)
 - Inmate Assaults on Staff at Adult Correctional Centers (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)

The Independent Auditor's Report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states Schedules 1 and 3 through 11 for the year ended June 30, 2014 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The

accompanying supplementary information for the year ended June 30, 2013 in the State Compliance Schedules 2 through 11 and the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2014

Fourteen Months Ended August 31, 2014

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2014	Lapse Period Expenditures July 1, 2014 to August 31, 2014	Total Expenditures	Balances Lapsed
Public Act 98-0050					
APPROPRIATED FUNDS					
GENERAL REVENUE FUND - 0001					
General Office:					
Lump sums and other purposes	\$ 8,883,300	\$ 8,881,243	\$ -	\$ 8,881,243	\$ 2,057
Lump sum, operations	1,264,577,700	1,121,235,542	142,689,301	1,263,924,843	652,857
Payments to local government employees	692,500	236,249	261,623	497,872	194,628
Permanent improvement - lump sum	2,910,600	1,178,284	1,645,987	2,824,271	86,329
	<u>1,277,064,100</u>	<u>1,131,531,318</u>	<u>144,596,911</u>	<u>1,276,128,229</u>	<u>935,871</u>
Adult Field Services:					
Awards & grants - lump sum	668,000	227,836	16,084	243,920	424,080
	<u>668,000</u>	<u>227,836</u>	<u>16,084</u>	<u>243,920</u>	<u>424,080</u>
Total General Revenue Fund	<u>1,277,732,100</u>	<u>1,131,759,154</u>	<u>144,612,995</u>	<u>1,276,372,149</u>	<u>1,359,951</u>
DEPARTMENT OF CORRECTIONS					
REIMBURSEMENT FUND - 0523					
General Office:					
Lump sums and other purposes	37,000,000	25,145,846	3,574,734	28,720,580	8,279,420
Total Department of Corrections Reimbursement Fund	<u>37,000,000</u>	<u>25,145,846</u>	<u>3,574,734</u>	<u>28,720,580</u>	<u>8,279,420</u>
TOTAL APPROPRIATED FUNDS	<u>\$ 1,314,732,100</u>	<u>\$ 1,156,905,000</u>	<u>\$ 148,187,729</u>	<u>\$ 1,305,092,729</u>	<u>\$ 9,639,371</u>

Notes:

The information reflected in this schedule was taken from the State Comptroller's record. Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2013

Fourteen Months Ended August 31, 2013

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2013	Lapse Period Expenditures July 1, 2013 to August 31, 2013	Total Expenditures	Balances Lapsed
Public Act 97-0731					
APPROPRIATED FUNDS					
GENERAL REVENUE FUND - 0001					
General Office:					
Personal services	\$ 17,365,100	\$ 16,372,008	\$ 993,029	\$ 17,365,037	\$ 63
Social Security/Medicare contributions	1,289,300	1,214,815	74,477	1,289,292	8
Contractual services	7,752,900	6,038,540	1,618,389	7,656,929	95,971
Travel	220,500	130,744	89,398	220,142	358
Commodities	266,600	146,359	101,076	247,435	19,165
Printing	9,900	5,458	2,864	8,322	1,578
Equipment	18,400	12,955	181	13,136	5,264
Electronic data processing	6,609,600	5,044,239	1,395,325	6,439,564	170,036
Telecommunications services	3,400,000	361,584	2,189,039	2,550,623	849,377
Operation of automotive equipment	129,500	94,618	34,796	129,414	86
Lump sums and other purposes	6,682,400	6,682,192	-	6,682,192	208
Tort claims	5,100	4,462	448	4,910	190
Payments to local government employees	713,800	400,611	167,452	568,063	145,737
Permanent improvement - lump sum	3,000,000	1,644,036	1,111,737	2,755,773	244,227
	<u>47,463,100</u>	<u>38,152,621</u>	<u>7,778,211</u>	<u>45,930,832</u>	<u>1,532,268</u>
School District:					
Personal services	11,848,600	11,237,818	610,754	11,848,572	28
Student member/inmate compensation	7,300	5,570	1,102	6,672	628
Teachers retirement	3,000	2,786	100	2,886	114
Social Security/Medicare contributions	839,400	795,330	44,058	839,388	12
Contractual services	7,210,300	5,073,757	2,023,991	7,097,748	112,552
Travel	7,500	2,601	2,066	4,667	2,833
Commodities	105,600	50,092	55,416	105,508	92
Printing	29,000	12,417	12,218	24,635	4,365
Telecommunications services	5,500	453	572	1,025	4,475
Operation of automotive equipment	2,200	2,050	89	2,139	61
	<u>20,058,400</u>	<u>17,182,874</u>	<u>2,750,366</u>	<u>19,933,240</u>	<u>125,160</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2013

Fourteen Months Ended August 31, 2013

Public Act 97-0731 APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through June 30, 2013	Lapse Period Expenditures July 1, 2013 to August 31, 2013	Total Expenditures	Balances Lapsed
Adult Field Services:					
Personal services	52,440,300	50,273,050	2,164,518	52,437,568	2,732
Student member/inmate compensation	56,000	45,548	10,110	55,658	342
Social Security/Medicare contributions	3,907,000	3,739,258	163,349	3,902,607	4,393
Contractual services	34,671,100	28,139,430	6,476,803	34,616,233	54,867
Travel	241,500	171,833	44,122	215,955	25,545
Travel/allowance, prisoners	37,200	33,001	4,118	37,119	81
Commodities	194,800	119,637	46,037	165,674	29,126
Printing	6,200	3,048	2,983	6,031	169
Equipment	35,200	16,492	17,727	34,219	981
Telecommunications services	6,698,100	5,881,498	641,618	6,523,116	174,984
Operation of automotive equipment	1,741,100	1,447,932	292,757	1,740,689	411
Awards and grants	4,400,000	2,200,000	291,871	2,491,871	1,908,129
Awards & grants - lump sum	1,868,000	1,353,251	16,918	1,370,169	497,831
	<u>106,296,500</u>	<u>93,423,978</u>	<u>10,172,931</u>	<u>103,596,909</u>	<u>2,699,591</u>
Correctional Centers - Consolidated:					
Personal services	672,994,200	630,772,371	42,111,723	672,884,094	110,106
Student member/inmate compensation	7,006,400	6,047,820	929,240	6,977,060	29,340
Social Security/Medicare contributions	50,290,000	46,659,032	3,162,367	49,821,399	468,601
Contractual services	188,397,300	153,538,047	33,967,499	187,505,546	891,754
Travel	575,100	350,617	176,925	527,542	47,558
Travel/allowance, prisoners	653,000	589,254	52,387	641,641	11,359
Commodities	72,397,500	59,500,158	12,459,059	71,959,217	438,283
Printing	473,800	356,510	40,463	396,973	76,827
Equipment	1,791,700	463,701	1,140,474	1,604,175	187,525
Telecommunications services	2,302,900	1,640,414	620,047	2,260,461	42,439
Operation of automotive equipment	3,131,500	2,412,263	591,209	3,003,472	128,028
Lump sum, operations	5,038,300	5,036,889	588	5,037,477	823
	<u>1,005,051,700</u>	<u>907,367,076</u>	<u>95,251,981</u>	<u>1,002,619,057</u>	<u>2,432,643</u>
Total General Revenue Fund	<u>1,178,869,700</u>	<u>1,056,126,549</u>	<u>115,953,489</u>	<u>1,172,080,038</u>	<u>6,789,662</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2013

Fourteen Months Ended August 31, 2013

Public Act 97-0731 APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through June 30, 2013	Lapse Period Expenditures July 1, 2013 to August 31, 2013	Total Expenditures	Balances Lapsed
DEPARTMENT OF CORRECTIONS REIMBURSEMENT FUND - 0523 General Office: Lump sums and other purposes	33,000,000	20,069,727	4,879,744	24,949,471	8,050,529
Total Department of Corrections Reimbursement Fund	33,000,000	20,069,727	4,879,744	24,949,471	8,050,529
TOTAL APPROPRIATED FUNDS	1,211,869,700	1,076,196,276	120,833,233	1,197,029,509	14,840,191
NON-APPROPRIATED FUND					
CMS VS AFSCME WAGES TRUST - 0168 General Office: Lump sum, operations	-	-	7,304,529	7,304,529	-
	-	-	7,304,529	7,304,529	-
TOTAL NON-APPROPRIATED FUND	-	-	7,304,529	7,304,529	-
GRAND TOTAL - ALL FUNDS	\$ 1,211,869,700.00	\$ 1,076,196,276.00	\$ 128,137,762.00	\$ 1,204,334,038.00	\$ 14,840,191.00

Notes:
The information reflected in this schedule was taken from the State Comptroller's record.
Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES,
AND LAPSED BALANCES BY OBJECT - ALL FUNDS

For the Fiscal Years Ended June 30, 2014, 2013, and 2012

	Fiscal Year		
	2014	2013	2012
	P.A. 98-0050	P.A. 97-0731	P.A. 96-0042, 96-0046 & 96-0890
ALL FUNDS			
<u>Appropriations (Net After Transfers)</u>	\$ 1,314,732,100	\$ 1,211,869,700	\$ 1,255,424,700
<u>Expenditures</u>			
Personal services	857,755,343	771,086,528	789,193,283
Retirement	2,135,458	1,663,630	1,147,250
Social Security/Medicare contributions	62,439,346	56,533,852	57,798,640
Group insurance	1,545,137	1,405,173	781,892
Contractual services	274,242,429	259,783,843	261,184,212
Travel	1,158,447	1,140,782	1,010,948
Travel and allowances for committed, paroled, and discharge prisoners	739,059	798,801	761,102
Commodities	63,544,628	73,247,012	70,895,652
Equipment	4,265,432	4,135,068	5,685,822
Electronic data processing	68,946	8,266	33,275
Telecommunications services	8,021,840	11,438,087	16,955,240
Operation of automotive equipment	4,269,589	4,887,080	7,272,110
Lump sums and other purposes	480,577	731,373	1,123,417
Awards and grants	24,115,664	9,747,035	11,071,559
Permanent improvements	157,629	75,000	4,653
Refunds	153,205	347,979	4,122
Total Expenditures	<u>1,305,092,729</u>	<u>1,197,029,509</u>	<u>1,224,923,177</u>
Lapsed Balances	<u>\$ 9,639,371</u>	<u>\$ 14,840,191</u>	<u>\$ 30,501,523</u>

Notes:

The information reflected in this schedule was taken from the State Comptroller's record.

Fiscal Year 2012 expenditures and lapsed balances do not reflect interest payments approved and submitted after August.

The comparative schedule of net appropriations, expenditures, and lapsed balances by object code does not include State Officers' salaries paid by the Office of the Comptroller. For the years ended June 30, 2014, 2013, and 2012, State Officers' salaries were as follows:

	Fiscal Year		
	2014	2013	2012
Director	\$ 150,228	\$ 150,228	\$ 150,228
Assistant Director	127,739	127,739	127,739
	<u>\$ 277,967</u>	<u>\$ 277,967</u>	<u>\$ 277,967</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS
COMPARATIVE SCHEDULE OF EXPENDITURES BY CORRECTIONAL CENTER - ALL FUNDS

For the Fiscal Years Ended June 30, 2014, 2013 and 2012

	Fiscal Year		
	2014	2013	2012
	P.A. 98-0050	P.A. 97-0731	P.A. 97-0053, 97-0065 & 97-0642
CORRECTIONAL CENTER:			
Big Muddy River	\$ 33,923,433	\$ 31,278,761	\$ 31,453,838
Centralia	34,294,028	32,386,525	31,491,120
Danville	30,322,228	29,204,438	29,803,305
Decatur	20,723,755	19,686,544	19,831,612
Dixon	59,419,400	56,138,235	56,236,499
Dwight	-	25,081,466	36,674,469
East Moline	29,281,366	26,959,270	26,213,201
Graham	43,574,240	39,669,535	39,402,294
Hill	31,969,626	29,691,553	30,169,071
Illinois River	35,004,931	33,361,899	33,763,102
Jacksonville	37,283,297	35,311,342	35,965,088
Lawrence	41,522,571	39,376,005	38,722,311
Lincoln	23,069,648	20,996,634	22,306,829
Logan	48,639,909	35,501,891	31,680,950
Menard	81,415,974	75,387,448	74,009,618
Pinckneyville	46,503,049	43,769,962	42,907,923
Pontiac	69,293,568	59,576,136	54,356,136
Robinson	25,498,276	23,812,878	23,972,792
Shawnee	38,313,261	34,992,089	33,420,446
Sheridan	52,207,126	46,862,019	45,293,082
Southwestern Illinois	26,613,964	25,602,717	27,061,306
Stateville	120,158,173	108,842,828	106,156,686
Tamms	-	5,037,476	25,174,877
Taylorville	24,794,126	23,408,461	23,666,141
Vandalia	33,155,730	31,523,821	31,299,181
Vienna	36,800,153	34,858,118	33,564,450
Western Illinois	36,972,949	34,301,006	35,357,019
	<u>\$ 1,060,754,781</u>	<u>\$ 1,002,619,057</u>	<u>\$ 1,019,953,346</u>
Total	<u>\$ 1,060,754,781</u>	<u>\$ 1,002,619,057</u>	<u>\$ 1,019,953,346</u>

The information reflected in this schedule for Fiscal Year 2013 was taken from the State Comptroller's record.

The information reflected in this schedule for Fiscal Year 2014 was taken from Agency records and was not available from the State Comptroller's record since appropriations were not made for each correctional center.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

SCHEDULE OF CHANGES IN STATE PROPERTY

For the Fiscal Years Ended June 30, 2013 and 2014

	Equipment	Land and Land Improvements	Buildings	Site Improvements	Capital Lease Equipment	Total
Balance at July 1, 2012	\$ 149,314,142	\$ 68,446,346	\$ 1,512,918,204	\$ 86,984,656	\$ 134,625	\$ 1,817,797,973
Additions	208,787,780	-	334,687	308,317	336,000	209,766,784
Deletions	201,175,667	-	242,744	-	21,000	201,439,411
Net Transfers (3)	(8,664,889)	(7,895,258)	(105,020,061)	-	-	(121,580,208)
Balance at June 30, 2013	\$ 148,261,366	\$ 60,551,088	\$ 1,407,990,086	\$ 87,292,973	\$ 449,625	\$ 1,704,545,138
Balance at July 1, 2013	\$ 148,261,366	\$ 60,551,088	\$ 1,407,990,086	\$ 87,292,973	\$ 449,625	\$ 1,704,545,138
Additions	3,161,683	-	38,214	-	182,000	3,381,897
Deletions	1,835,926	-	120,325	-	134,000	2,090,251
Net Transfers	(7,867,925)	124,080	42,541,179	5,187,533	-	39,984,867
Balance at June 30, 2014	\$ 141,719,198	\$ 60,675,168	\$ 1,450,449,154	\$ 92,480,506	\$ 497,625	\$ 1,745,821,651

Notes: (1) This schedule has been reconciled to property reports (C-15 Agency Report of State Property) submitted to the Office of the State Comptroller.

(2) This summary schedule was prepared using State property records required by the Illinois Administrative Code (Code). The capitalization policy in the Code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles.

(3) This amount includes adjustments to July 1, 2013 balances to reconcile amounts reported in the June 30, 2012 compliance examination report and the balances reported in the C-15 Agency Report of State Property.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For the Fiscal Years Ended June 30, 2014, 2013, and 2012

	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
<u>Fund 0001 - General Revenue Fund</u>			
General Office:			
Jury duty	\$ 285	\$ 403	\$ -
Concession and vending revenue	4,875	4,530	10,676
Prior year refunds	718,846	83,547	279,103
Miscellaneous	57,801	58,046	78
Adult Field Services:			
Dormant trust accounts	3,832	3,193	249
Jury duty	20	86	4,185
Prior year refunds	-	7,201	-
Correctional Centers:			
Jury duty	5,808	4,745	4,615
Dormant trust accounts	34,234	26,291	1,400
Copy fees, subpoena fees, and contraband	2,381	1,190	3,373
Rent, jury duty, phone calls, pallets, and recycling	18,065	11,757	25,820
Witness fees	834	864	11,220
Replacement badges	615	984	-
Involuntary withholding collection	-	-	48,518
Prior year refunds	-	29,880	-
Miscellaneous	55,667	34,034	19,071
Total - Fund 0001	<u>903,263</u>	<u>266,751</u>	<u>408,308</u>
<u>Fund 0168 - CMS VS AFSCME Wages Trust</u>			
Court and anti-trust distribution	-	7,632,918	-
<u>Fund 0523 - Department of Corrections Reimbursement Fund</u>			
Court ordered reimbursement	-	3,950	97,282
Inmate maintenance recovered	1,104,343	1,411,721	1,786,257
Illinois Department of Public Health	178,249	185,419	228,997
Library reimbursement	95,859	90,386	100,419
Inmate reimbursement - miscellaneous	682,088	764,228	802,136
Recovered workers' compensation	9,276	9,474	10,263
U.S. Department of Justice	5,930,442	6,024,693	6,599,245
National Institute of Justice	-	-	95,887
Illinois Criminal Justice Information Authority	817,492	953,174	556,992
Illinois Department of Human Services	257,790	73,583	262,338
Private organizations	304,599	309,489	278,151
College tuition reimbursement	963	1,771	1,660
Social Security Administration	237,200	268,200	298,400
Illinois Community College Board	2,249,664	1,864,623	2,968,299
Telephone commissions	5,922,132	5,794,665	4,858,326
Illinois Emergency Management Agency	54,520	-	97,998
Inmate commissary sales profit	4,445,611	4,884,437	8,945,691
University of Illinois	28,568	39,567	93,679
Reimbursements	236,670	267,607	228,125
Miscellaneous	145,249	32,583	-
Prior year refunds	7,087	8,440	1,144
Total - Fund 0523	<u>22,707,802</u>	<u>22,988,010</u>	<u>28,311,289</u>
Total All Funds	<u>\$ 23,611,065</u>	<u>\$ 30,887,679</u>	<u>\$ 28,719,597</u>

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER

For the Fiscal Years Ended June 30, 2014 and 2013

	Fund 0001 General Revenue Fund	Fund 0168 CMS VS AFSCME Wages Trust	Fund 0523 Department of Corrections Reimbursement Fund	Total
Receipts per Department records	\$ 903,263	\$ -	\$ 22,707,802	\$ 23,611,065
Deposits in-transit to the State Comptroller:				
Beginning of year	-	-	-	-
End of year	-	-	-	-
Other adjustments	-	-	14,352 (a)	14,352
Deposits recorded by the State Comptroller	\$ 903,263	\$ -	\$ 22,722,154	\$ 23,625,417
<u>Fiscal Year 2013</u>				
Receipts per Department records	\$ 266,751	\$ 7,632,918	\$ 22,988,010	\$ 30,887,679
Deposits in-transit to the State Comptroller:				
Beginning of year	-	-	-	-
End of year	-	-	(7,281)	(7,281)
Other adjustments	481,963 (b)	-	22,090 (c)	504,053
Deposits recorded by the State Comptroller	\$ 748,714	\$ 7,632,918	\$ 23,002,819	\$ 31,384,451

(a) Deposits to another fund erroneously

(b) Other adjustments include unrecorded prior refunds of \$481,868 and unrecorded receipt of \$95.

(c) Other adjustments include unrecorded receipts of \$19,439 and adjustments to Comptroller's deposits of \$2,651 not yet reflected.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Fiscal Years Ended June 30, 2014 and 2013

The Department of Corrections' (Department) explanations for significant fluctuations in expenditures greater than 25% of total expenditures for that category and \$250,000 as presented in the Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances by Object – All Funds (Schedule 3) are detailed below.

Retirement

Expenditures for retirement increased by \$471,828 in fiscal year 2014 and increased by \$516,380 in fiscal year 2013. Both significant changes were due to the increase in the calculated contribution rates in each fiscal year.

Group insurance

Expenditures for group insurance increased by \$623,281 in fiscal year 2013 due to changes in the type of coverage the employees select, the number of insured, and the insurance rates.

Equipment

Expenditures for equipment decreased by \$1,550,754 in fiscal year 2013. The Department entered into a vehicle leasing program in 2013 and the related vouchers were processed as contractual services instead of direct purchases that would have been processed under equipment.

Telecommunications Services

Expenditures for telecommunications services decreased by \$3,416,247 in fiscal year 2014 from 2013 due to lesser repair and maintenance charges, rental or lease charges of telephone, installation services, and acquisition of telephone, data, radio and other communication equipment.

Expenditures for telecommunications services decreased by \$5,517,153 in fiscal year 2013 from fiscal year 2012. During fiscal year 2012, the Department purchased Star-com radios and associated equipment for the Stateville and Pontiac Correctional Centers for the operation within the facilities and with other State agencies. In addition, the Department also replaced the existing ultra-high frequency radios to narrowband width in order to comply with Federal Communications Commission's ruling.

Operation of automotive equipment

Expenditures for operations of automotive equipment decreased by \$2,385,030 in fiscal year 2013 due to lesser repair and maintenance for vehicles since the Department entered into a vehicle leasing program during the year.

Lump sums and other purposes

Expenditures for operations of lump sum and other purposes were payments of interest to vendors in compliance with the State Prompt Payment Act. During the fiscal year 2014 and 2013, interest payments decreased by \$250,796 and \$392,044, respectively, resulting from vouchers being processed more timely compared to the previous years.

Awards and grants

Expenditures for awards and grants increased by \$14,368,629 in fiscal year 2014 primarily due to settlement payments of a claim that started in January 2014.

Refunds

Expenditures for refunds increased by \$343,857 in fiscal year 2013 primarily due to the refund of Federal funds based on the grant audit.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Fiscal Years Ended June 30, 2014 and 2013

The Department of Corrections' (Department) explanations for significant fluctuations greater than 25% of total receipts for that category and \$250,000 as presented in the Comparative Schedule of Cash Receipts (Schedule 6) are detailed below.

General Revenue Fund - 0001

General Office - Prior year refunds increased by \$635,299 or 760% during fiscal year 2014 mainly due to a timing difference for unrecorded prior year refunds of \$481,868 as of June 30, 2013. The Department has no control over the timing of refunds, and may change significantly between years.

Department of Corrections Reimbursement Fund - 0523

Illinois Criminal Justice Information Authority receipts increased by \$396,182 or 71% during fiscal year 2013 due to an increase in reimbursable expenditures.

Illinois Community College Board receipts decreased by \$1,103,676 or 37% during fiscal year 2013 mainly due to the grant for fiscal year 2011 that was received in fiscal year 2012.

Receipts from inmate commissary sales profit decreased by \$4,061,254 or 45% in fiscal year 2013 mainly from changes that happened in fiscal year 2012. During fiscal year 2011, not all profits were remitted timely to this fund, resulting in an influx of approximately \$2,000,000 in fiscal year 2012 to bring it up to date. In addition, during fiscal year 2013, a new profit calculation was implemented that entailed a 7% reduction of profits deposited into this fund.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Fiscal Years Ended June 30, 2014 and 2013

The Department of Corrections' (Department) explanations for significant lapse period spending greater than 25% of total expenditures for that category and \$250,000 as presented in the Schedule of Appropriations, Expenditures and Lapsed Balances for fiscal years 2014 and 2013, Schedule 1 and Schedule 2, respectively, are detailed below.

Fiscal Year 2014

General Revenue Fund - 0001

General Office - Payments to local government employees

Payments of fees and salaries (whole or part) of local government employees did not occur until the lapse period of fiscal year 2014. Due to competing priorities, such as restricting overtime and processing invoices where interest as mandated by the State Prompt Payment Act is applicable, it was determined to be in the Department's best interest to process these vouchers during lapse period.

General Office - Permanent improvement - lump sum

The majority of the fiscal year 2014 lapse period spending was charges for repair or maintenance of buildings and fixtures totaling approximately \$1,158,000, and purchases of materials and repair parts totaling approximately \$213,000. Given the numerous capital needs, the Department reserves funding for emergent issues, such as spring storms and other projects that run the risk of jeopardizing its operations, if not addressed promptly. With twenty-five facilities and hundreds of buildings in total, payments for these capital projects were processed at year-end.

Fiscal Year 2013

General Revenue Fund - 0001

General Office - Telecommunication Services

The significant lapse period expenditures were due to invoices from the vendors for radios not received by the Department until August 2014. The payment for telecommunications services were held until the end of the fiscal year, after the Department's determination of the available funding levels for these invoices.

General Office - Permanent improvement - lump sum

Capital projects are some of the most burdensome and difficult procurements the Department conducts. Several factors are considered such as construction period required for the projects, timing of approval of these projects, and whether or not the weather will allow for the work to continue without interruptions. The Department tries to evenly distribute these projects throughout the year, but given the numerous capital needs, the Department reserves funding for emergent issues, such as spring storms and other projects, that run the risk of jeopardizing its operations, if not addressed promptly. With twenty-five facilities and hundreds of buildings in total, payments for these capital projects were processed at year-end.

School District - Contractual Services

The Department performs reconciliation of payments made against the contracts at year-end and any adjustments are made on the June voucher. This process resulted in significant lapse period spending as obligations are increased or decreased in order to coordinate the payments of these June invoices.

Correctional Centers - Equipment

The Department typically holds this line for budgetary purposes since it is one of the least sensitive lines when it comes to critical operations. By no means does that translate into a notion that equipment is non-essential, but in regards to payroll, food, clothing and medical care, funding for equipment must be preserved to cover the budgetary deficits. Once the deficits are addressed, funding for critical and essential equipment purchases is released and the facilities move forward with procuring the items needed.

Correctional Centers - Telecommunications Services

Telecommunications services are provided mainly by the Department of Central Management Services, Bureau of Communication and Computer Services. Due to these services being classified as inter-agency transactions and exempt from State Prompt Payment Act, the Department opted to process payments for telecommunications services at year-end and after all other more critical budgetary deficits (payroll, food, and clothing and medical care) had been addressed in full.

STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS

ANALYSIS OF ACCOUNTS RECEIVABLE

(Unaudited)

For the Fiscal Years Ended June 30, 2014 and 2013

Accounts receivable for the Department consist primarily of receivables from federal and State grant reimbursements and formula payments due from grantor agencies and payments for the purchases of goods and services. The principal grantor agencies are other State agencies; therefore, the Department's receivables are all considered fully collectible.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

ANALYSIS OF OPERATIONS

AGENCY FUNCTIONS AND PLANNING PROGRAM

(Unaudited)

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 Corrections' school district was transferred to the Department of Juvenile Justice. The Department of Corrections' retained the Adult Education and Vocational Services area which provides the services to the adult population.

Salvador A. Godinez was first appointed Director on May 2, 2011, and then reappointed on March 20, 2014. The Director's office is located at the Concordia Complex, 1301 Concordia Court, P.O. Box 19277, Springfield, Illinois 62794-9277.

As of the report date, the Department operates the following adult correctional centers, which are listed by security level:

Security Level

Maximum

Medium

Center Name

Menard, Pontiac, Stateville, and Logan
Big Muddy River, Centralia, Danville, Dixon,
Graham, Hill, Illinois River, Lawrence,
Lincoln, Pinckneyville, Shawnee, Sheridan,
and Western Illinois

<u>Security Level</u>	<u>Center Name</u>
Minimum	Decatur, East Moline, Jacksonville, Robinson, Southwestern Illinois, Taylorville, Vandalia, and Vienna
Work Camp	East Moline, Jacksonville (Greene County & Pittsfield), Shawnee (Hardin County), Southwestern, and Western Illinois (Clayton)
Medium Security Unit	Menard and Pontiac
Minimum Security Unit	Stateville
Impact Incarceration Program	Pinckneyville (DuQuoin) and Vienna (Dixon Springs)
Transitional	Crossroads Adult Transition Center, Fox Valley Adult Transition Center, North Lawndale Adult Transition Center, and Peoria Adult Transition Center
Mental Health Unit	Pontiac
Psychiatric Unit	Dixon
Special Treatment Center	Dixon

During the audit period, the Department also operated Tamms Correctional Center (maximum and work camp), Dwight Correctional Center (maximum), Decatur Adult Transition Center, Southern Illinois Adult Transition Center, and West Side Adult Transition Center. Tamms Correctional Center closed on January 4, 2013; Dwight Correctional Center closed on March 26, 2013. Decatur, Southern Illinois, and West Side Adult Transition Centers closed on January 4, 2013.

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 Adult Transition 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 four major programs:

1. Bureau of Operations
2. Adult Institutions/Adult Transition Centers
3. Parole
4. Program Services

Nearly 85-90% of the Department's efforts relate to the Bureau of Operations and Adult Institutions/Adult Transition Centers programs. The Bureau of Operations includes intelligence, investigations, and the central office functions. Included within Program Services is Women and Family Services.

The Department establishes, reviews, and updates its 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 Adult Education Division submits annual vocational and special education reports to the Illinois State Board of Education. Long-range planning goals are submitted to the Program Services Unit. 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 audits by Internal Audit and institution staff. An annual review of programs, performed by program staff, is also reported at the end of each fiscal year.

The Department utilizes its Annual Report and management meetings and discussions to depict its progress toward the above objectives.

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AVERAGE NUMBER OF EMPLOYEES

(Unaudited)

The following table, prepared from Department records, presents the average number of employees by the divisions and the Correctional Centers (excluding Illinois Correctional Industries) for the fiscal years ended June 30, 2014 and 2013.

<u>Division</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>
General Office	240	227
Education Services	180	159
Statewide and Field Services	523	571
 <u>Correctional Centers</u>		
Big Muddy River	301	389
Centralia	351	355
Danville	274	273
Decatur	201	199
Dixon	515	517
Dwight	-0-	294
East Moline	273	261
Southwestern Illinois	210	221
Graham	395	386
Hill	277	272
Illinois River	299	294
Jacksonville	367	372
Lawrence	368	363
Lincoln	225	203
Logan	383	351

<u>Correctional Centers (continued)</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>
Menard	816	803
Pinckneyville	423	420
Pontiac	695	619
Robinson	234	232
Shawnee	360	332
Sheridan	415	385
Tamms	-0-	249
Stateville	1,070	1,028
Taylorville	224	221
Vandalia	337	332
Vienna	361	327
Western Illinois	345	334
Total average full-time employees	<u>10,662</u>	<u>10,989</u>

The following table, prepared from Department records, presents the average number of correctional officers for the fiscal years ended June 30, 2014 and 2013. Correctional officers are included in the total average full time employees presented above.

<u>Correctional Centers</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>
Big Muddy River	231	224
Centralia	281	284
Danville	220	218
Decatur	132	129
Dixon	411	403
Dwight	-0-	231
East Moline	197	187
Southwestern Illinois	160	166
Graham	302	303
Hill	219	217
Illinois River	229	229
Jacksonville	286	285
Lawrence	292	287
Lincoln	176	159
Logan	287	274
Menard	615	613
Pinckneyville	331	320

<u>Correctional Centers (continued)</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>
Pontiac	574	517
Robinson	180	178
Shawnee	274	253
Sheridan	317	299
Stateville	828	813
Tamms	-0-	191
Taylorville	167	164
Vandalia	246	245
Vienna	264	240
Western Illinois	273	263
Total average correctional officers	<u>7,492</u>	<u>7,692</u>

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STATE HOUSING BENEFITS

(Unaudited)

The Department houses employees on the grounds of many of its correctional facilities in guard dormitories or houses/trailers. Currently there are approximately 16 employees living in dormitory rooms and approximately 43 employees living in houses/trailers. This total increased from approximately 57 at June 30, 2012. 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 Service 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.

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ANALYSIS OF EMPLOYEE OVERTIME

(Unaudited)

Certain employees are eligible for overtime if the hours worked during the day exceed the employees standard work hours. Correctional Officers receive a $\frac{1}{4}$ -hour of overtime for each day they stand for roll call. The roll call overtime is paid at time and one half. Correctional Lieutenants receive $1\frac{1}{2}$ times normal pay but do not stand roll call.

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 $1\frac{1}{2}$ 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 2014 and 2013.

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ANALYSIS OF EMPLOYEE OVERTIME

For the Fiscal Year Ended June 30, 2014

(Unaudited)

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
<i>General Office</i>	12,090	\$ 635,527	-	\$ -	12,090	\$ 635,527
<i>Education Services</i>	418	\$ 22,356	94	\$ 4,159	512	\$ 26,515
<i>Statewide & Field Services</i>	20,434	\$ 1,156,362	7,303	\$ 291,489	27,737	\$ 1,447,851
Big Muddy	14,510	\$ 716,763	18,726	\$ 607,268	33,236	\$ 1,324,031
Centralia	27,405	\$ 1,314,878	14,814	\$ 471,076	42,219	\$ 1,785,954
Danville	25,253	\$ 1,228,873	18,402	\$ 572,446	43,655	\$ 1,801,319
Decatur	22,538	\$ 1,119,418	18,280	\$ 605,844	40,818	\$ 1,725,262
Dixon	72,849	\$ 3,605,259	44,666	\$ 1,505,695	117,515	\$ 5,110,954
East Moline	28,390	\$ 1,329,232	41,053	\$ 1,291,922	69,443	\$ 2,621,154
Graham	29,914	\$ 1,471,363	24,971	\$ 793,687	54,885	\$ 2,265,050
Hill	23,224	\$ 1,086,406	15,001	\$ 486,504	38,225	\$ 1,572,910
Illinois River	22,622	\$ 1,072,881	32,864	\$ 1,033,254	55,486	\$ 2,106,135
Jacksonville	33,684	\$ 1,744,739	24,113	\$ 798,471	57,797	\$ 2,543,210
Lawrence	54,125	\$ 2,558,285	22,833	\$ 728,219	76,958	\$ 3,286,504
Lincoln	19,799	\$ 885,169	6,559	\$ 206,467	26,358	\$ 1,091,636
Logan	101,033	\$ 4,538,955	14,179	\$ 430,439	115,212	\$ 4,969,394
Menard	69,705	\$ 3,355,023	50,246	\$ 1,651,786	119,951	\$ 5,006,809
Pinckneyville	36,237	\$ 1,759,287	31,051	\$ 993,191	67,288	\$ 2,752,478
Pontiac	46,808	\$ 2,270,746	27,866	\$ 886,388	74,674	\$ 3,157,134
Robinson	22,951	\$ 1,087,453	17,509	\$ 573,588	40,460	\$ 1,661,041
Shawnee	18,237	\$ 933,925	16,170	\$ 529,348	34,407	\$ 1,463,273
Sheridan	27,515	\$ 1,329,973	20,927	\$ 666,679	48,442	\$ 1,996,652
Southwestern Illinois	9,963	\$ 487,462	13,924	\$ 479,265	23,887	\$ 966,727
Stateville	166,423	\$ 8,268,978	96,114	\$ 3,265,667	262,537	\$ 11,534,645
Taylorville	16,597	\$ 799,269	13,811	\$ 440,754	30,408	\$ 1,240,023
Vandalia	26,276	\$ 1,272,004	19,873	\$ 638,869	46,149	\$ 1,910,873
Vienna	24,132	\$ 1,305,403	24,039	\$ 808,665	48,171	\$ 2,114,068
Western Illinois	24,603	\$ 1,215,747	31,363	\$ 1,057,674	55,966	\$ 2,273,421
ADULT TOTAL	964,793	\$ 46,757,491	659,354	\$ 21,523,166	1,624,147	\$ 68,280,657
DEPARTMENT TOTAL	997,735	\$ 48,571,736	666,751	\$ 21,818,814	1,664,486	\$ 70,390,550
<i>Correctional Industries</i>	11,380	\$ 548,044	2	\$ 58	11,382	\$ 548,102
GRAND TOTAL	1,009,115	\$ 49,119,780	666,753	\$ 21,818,872	1,675,868	\$ 70,938,652

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ANALYSIS OF EMPLOYEE OVERTIME

For the Fiscal Year Ended June 30, 2013

(Unaudited)

<u>Division</u>	<u>Overtime Hours Paid</u>	<u>\$ Value of Overtime Hours Paid</u>	<u>Compensatory Hours Used</u>	<u>\$ Value of Compensatory Hours Used</u>	<u>Total Overtime & Compensatory Hours</u>	<u>Total \$ Value of Overtime & Compensatory Hours</u>
<i>General Office</i>	11,804	\$ 479,680	-	\$ -	11,804	\$ 479,680
<i>Education Services</i>	266	\$ 11,053	6	\$ 190	272	\$ 11,243
<i>Statewide & Field Services</i>	28,908	\$ 1,499,539	5,966	\$ 216,284	34,874	\$ 1,715,823
Big Muddy	15,362	\$ 693,612	18,725	\$ 551,879	34,087	\$ 1,245,491
Centralia	24,855	\$ 1,062,042	13,502	\$ 391,456	38,357	\$ 1,453,498
Danville	21,996	\$ 995,591	18,465	\$ 555,623	40,461	\$ 1,551,214
Decatur	19,971	\$ 924,746	19,989	\$ 619,631	39,960	\$ 1,544,377
Dixon	69,450	\$ 3,122,948	44,998	\$ 1,354,229	114,448	\$ 4,477,177
Dwight	72,231	\$ 3,109,269	5,051	\$ 142,196	77,282	\$ 3,251,465
East Moline	27,948	\$ 1,224,024	45,992	\$ 1,310,581	73,940	\$ 2,534,605
Graham	26,219	\$ 1,177,997	24,879	\$ 734,607	51,098	\$ 1,912,604
Hill	22,742	\$ 1,006,936	16,194	\$ 487,666	38,936	\$ 1,494,602
Illinois River	24,801	\$ 1,113,004	33,549	\$ 982,904	58,350	\$ 2,095,908
Jacksonville	30,558	\$ 1,481,254	25,625	\$ 791,850	56,183	\$ 2,273,104
Lawrence	56,158	\$ 2,462,368	24,548	\$ 723,150	80,706	\$ 3,185,518
Lincoln	32,886	\$ 1,360,024	7,665	\$ 210,270	40,551	\$ 1,570,294
Logan	43,753	\$ 1,944,901	23,769	\$ 711,730	67,522	\$ 2,656,631
Menard	60,334	\$ 2,729,059	47,008	\$ 1,419,989	107,342	\$ 4,149,048
Pinckneyville	33,305	\$ 1,472,422	28,587	\$ 857,380	61,892	\$ 2,329,802
Pontiac	77,705	\$ 3,474,299	37,189	\$ 1,057,260	114,894	\$ 4,531,559
Robinson	17,451	\$ 767,285	16,050	\$ 478,906	33,501	\$ 1,246,191
Shawnee	37,081	\$ 1,636,524	20,311	\$ 586,532	57,392	\$ 2,223,056
Sheridan	37,210	\$ 1,648,404	25,882	\$ 776,832	63,092	\$ 2,425,236
Southwestern Illinois	7,078	\$ 320,463	12,258	\$ 373,426	19,336	\$ 693,889
Stateville	193,001	\$ 8,682,359	124,881	\$ 3,842,348	317,882	\$ 12,524,707
Tamms	1,344	\$ 62,086	1,798	\$ 60,789	3,142	\$ 122,875
Taylorville	20,292	\$ 948,255	11,614	\$ 347,239	31,906	\$ 1,295,494
Vandalia	23,558	\$ 1,071,989	21,363	\$ 624,769	44,921	\$ 1,696,758
Vienna	53,155	\$ 2,405,221	31,319	\$ 958,722	84,474	\$ 3,363,943
Western Illinois	24,909	\$ 1,146,433	27,582	\$ 844,715	52,491	\$ 1,991,148
ADULT TOTAL	1,075,353	\$ 48,043,515	728,793	\$ 21,796,679	1,804,146	\$ 69,840,194
DEPARTMENT TOTAL	1,116,331	\$ 50,033,787	734,765	\$ 22,013,153	1,851,096	\$ 72,046,940
<i>Correctional Industries</i>	12,553	\$ 595,842	323	\$ 9,865	12,876	\$ 605,707
GRAND TOTAL	1,128,884	\$ 50,629,629	735,088	\$ 22,023,018	1,863,972	\$ 72,652,647

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ANNUAL COST STATISTICS

(Unaudited)

	2014			2013		
	Rated Capacity June 30, 2014	Average Daily	Average Yearly	Rated Capacity June 30, 2013	Average Daily	Average Yearly
		Population	Cost per Resident ⁽¹⁾		Population	Cost per Resident ⁽¹⁾
Adult Institutions:						
Maximum Security			\$			\$
Dwight	-	-	-	684	754	33,263
Logan	1,074	1,980	24,545	1,074	1,754	20,212
Menard	3,098	3,758	21,630	3,098	3,642	20,651
Pontiac	1,800	2,021	34,233	1,800	1,905	31,252
Stateville	3,162	4,047	29,660	3,162	3,910	27,791
Tamms	-	-	-	700	125	40,300
Total - Maximum Security	9,134	11,806	27,029	10,518	12,090	25,557
Medium Security						
Big Muddy River	952	1,903	17,785	952	1,907	16,399
Centralia	950	1,557	21,998	950	1,579	20,481
Danville	896	1,845	16,407	896	1,860	15,680
Dixon	1,430	2,353	25,201	1,430	2,398	23,370
Graham	1,174	1,948	22,339	1,174	1,983	19,982
Hill	896	1,835	17,406	896	1,829	16,223
Illinois River	1,011	2,125	16,441	1,011	2,102	15,859
Lawrence	2,257	2,367	17,537	2,257	2,368	16,589
Pinckneyville	2,434	2,462	18,878	2,434	2,478	17,636
Shawnee	1,046	2,111	18,109	1,046	2,107	16,559
Sheridan	1,304	2,063	25,278	1,304	1,883	24,855
Western Illinois	1,102	2,114	17,449	1,102	2,072	16,509
Total - Medium Security	15,452	24,683	19,581	15,452	24,566	18,332

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ANNUAL COST STATISTICS

(Unaudited)

	2014			2013		
	Rated Capacity June 30, 2014	Average Daily Population	Average Yearly Cost per Resident ⁽¹⁾	Rated Capacity June 30, 2013	Average Daily Population	Average Yearly Cost per Resident ⁽¹⁾
Minimum Security						
Decatur	500	716	\$ 28,917	500	693	\$ 28,382
East Moline	688	1,428	20,485	688	1,400	19,204
Jacksonville	1,100	1,538	24,225	1,100	1,590	22,172
Lincoln	500	1,009	22,790	500	995	21,041
Robinson	600	1,212	21,007	600	1,212	19,619
Southwestern Illinois	600	711	37,477	600	695	36,800
Taylorville	600	1,202	20,602	600	1,205	19,393
Vandalia	1,100	1,670	19,823	1,100	1,680	18,730
Vienna	925	1,804	20,360	925	1,912	18,185
Total - Minimum Security	6,613	11,290	22,756	6,613	11,382	21,236
Adult Transition Centers (ATC)						
State-operated						
Decatur*	-	-	-	80	66	16,751
Fox Valley	100	129	16,673	100	124	16,278
Peoria	200	233	17,334	200	223	16,865
Southern Illinois*	-	-	-	60	43	17,903
West Side*	-	-	-	190	87	30,790
Total - ATC State-operated	300	362	17,098	630	543	19,030

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ANNUAL COST STATISTICS

(Unaudited)

	2014			2013		
	Rated Capacity June 30, 2014	Average Daily Population	Average Yearly Cost per Resident ⁽¹⁾	Rated Capacity June 30, 2013	Average Daily Population	Average Yearly Cost per Resident ⁽¹⁾
Contractual						
Crossroads	250	364	\$ 20,585	250	335	\$ 22,367
North Lawndale	200	173	28,227	200	180	27,129
Total - ATC Contractual	<u>450</u>	<u>537</u>	<u>23,047</u>	<u>450</u>	<u>515</u>	<u>24,031</u>
Total	<u>31,949</u>	<u>48,678</u>		<u>33,663</u>	<u>49,096</u>	
(Under)/over capacity		<u>16,729</u>			<u>15,433</u>	

(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.

Other Notes:

To account for the increase in expenses, please recognize that the wages went from frozen to unfrozen in fiscal year 2014. Furthermore, they had been frozen since the end of fiscal year 2011.

The chart above does not parcel out satellite units or facilities that may be the responsibility of the parent institution.

With the closures going into effect in fiscal year 2013, the security level of certain facilities was changed.

The table above reflects the security level as of June 30, 2014.

* Closed January 4, 2013

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NOTES TO ANNUAL COST STATISTICS

(Unaudited)

The average daily population of adult institutions (maximum, medium and minimum security) has decreased from 48,038 for fiscal year 2013 to 47,779 for fiscal year 2014. This represents a decrease of 259 inmates for fiscal year 2014. The rated capacity of adult institutions at June 30, 2014 was 31,231.

The average yearly cost per resident is summarized as follows for fiscal years 2014 and 2013:

	2014	2013
Adult Institution	\$ 22,204	\$ 20,871
Adult Transition Centers (exclude Crossroads and North Lawndale)	17,098	19,030

The Department also maintains work camps and impact incarceration camps (“Boot Camps”) at the following locations:

Work Camps

East Moline
Jacksonville (Greene County & Pittsfield)
Shawnee (Hardin County)
Southwestern
Vandalia
Western Illinois (Clayton)

Boot Camps

Pinckneyville (DuQuoin)
Vienna (Dixon Springs)

Adult Transition Centers

Approximately 928 inmates are housed in four 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 ATC are expected to become employed or to 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.

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PARTICIPATING EDUCATIONAL INSTITUTIONS

(Unaudited)

The Department provided post-secondary academic and vocational training programs to enrolled inmates at educational facilities through contractual agreements with the following colleges during the audit period:

<u>Educational Institution</u>	<u>Educational Facilities Served</u>
Danville Area Community College	Danville
Kaskaskia College	Centralia
Lake Land Community College	Big Muddy River, Dixon, East Moline, Graham, Hill, Illinois River, Jacksonville, Lawrence, Pinckneyville, Robinson, Shawnee, Sheridan, Southwestern Illinois, Taylorville, Vandalia, Vienna, and Western Illinois
Richland Community College	Decatur, Lincoln, Logan, and Pontiac

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EMERGENCY PURCHASES

(Unaudited)

The Department reported the following emergency purchases (excluding those related to Illinois Correctional Industries) to the Office of the Auditor General during fiscal years 2014 and 2013:

Description	Estimated Amount	Actual Amount
Fiscal Year 2014		
Waste removal services for the Stateville Correctional Center.	65,000	63,721
Repair of two generators at the Pontiac Correctional Center.	30,000	29,358
Repair of air conditioning units at the Vienna Correctional Center.	80,000	77,492
Replacement of damaged cables at the entire southeast cluster of housing units at the Dixon Correctional Center.	25,000	21,032
Repair of water line for the guard tower located in the recreational yard area close to the entrance gates at the Big Muddy River Correctional Center.	-	5,000
Repair of hot water line for the resident building at the Big Muddy River Correctional Center.	-	4,199
Purchase of ammunition for the training academy.	271,350	701,705
Replacement of the water heater in the boiler house at the Lawrence Correctional Center.	-	34,894
Substance abuse services to offenders at the Southwestern Illinois Correctional Center.	770,000	719,335
Repair of sewer system in the Pinckneyville Correctional Center.	31,185	31,185
Clinical post release case management services to women inmates in the Moms and Babies Program at the Decatur Correctional Center.	34,963	21,093
Repair of power supply in the entire southeast cluster of housing units at the Dixon Correctional Center.	-	21,032

Description	Estimated Amount	Actual Amount
Fiscal Year 2014 (Continued)		
Repair of yard fence at the Logan Correctional Center.	-	4,095
Purchase of uniforms for cadet classes.	582,850	469,794
Extension of portable kitchen lease while repair of kitchen was in process at the Shawnee Correctional Center.	57,000	-
A 90-day continuation of the Global Positioning Services (GPS) for parolees/and or committed felons with the current vendor.	1,500,000	-
Repair for condensation leak at the north cell house at the Pontiac Correctional Center.	20,000	19,470
Repair of generators at the Vienna Correctional Center.	30,000	17,948
Repair of water heater at the Pittsfield Work Camp at the Jacksonville Correctional Center.	15,000	18,934
Repair and replacement of boilers in four housing units at the Lawrence Correctional Center.	28,000	36,200
Removal of waste from the Shawnee Correctional Center.	-	14,820
Replacement of box machine at the Danville Correctional Center.	-	27,849
Upgrade of the existing boiler control system at the Pontiac Correctional Center.	89,500	89,500
Replacement of boiler valves due to leakage at the Pontiac Correctional Center.	49,000	44,120
Replacement of steam traps at the Pontiac Correctional Center.	91,000	80,862
Installation of insulation blankets for 15 locations at the Pontiac Correctional Center.	56,000	-
Replacement of the hot water heater at the Pontiac Correctional Center.	17,000	12,010
Cleaning and disinfection of the sewer in the north cell house at the Pontiac Correctional Center.	15,000	19,500
Replacement of heater pumps at the Southwestern Illinois Correctional Center.	19,187	19,187
Total Fiscal Year 2014	\$ 3,877,035	\$ 2,604,335

Description	Estimated Amount	Actual Amount
Fiscal Year 2013		
Purchase of two ice cube machines at the Menard Correctional Center.	\$ -	\$ 36,662
Repair power generators that supply five housing units and the facility warehouse, which were damaged in a severe storm, at the Dixon Correctional Center.	56,000	52,009
Replace sewage digester which was damaged in storm at the Dixon Correctional Center.	35,000	32,973
Replace failed compressor unit that supplies cooling capabilities to housing unit at the Robinson Correctional Center.	48,000	45,767
Installation of fencing for protective custody yard and segregation yard due to conversion of the Logan Correctional Center to women.	39,653	46,316
Rent eight refrigerated trailers to store Menard Correctional Center's frozen food, while the leak in the roof of the Cold Storage Building and corresponding flooding was repaired.	537,000	-
Replace collapsed sewer line under the dish machine in the Dietary Building at the Joliet Correctional Center.	50,000	19,933
Purchase of clinical pre-release and post-release case management services for adult female offenders at the Decatur Correctional Center, Logan Correctional Center, and Fox Valley Adult Transition Center.	35,000	37,974
Purchase of clinical pre-release and post-release case management services for adult male offenders at the Westside Adult Transition Center.	51,216	40,004
Substance abuse treatment services to adult male inmates at the Westside Transition Center.	62,241	-
Support for Sheridan Correctional Center clients upon re-entry into the community.	45,000	55,040
Purchase of care contract providing support for Sheridan Correctional Center clients upon re-entry into the community.	45,000	56,250
Repair of pumps at Vienna Correctional Center damaged by severe drought in southern Illinois.	42,000	43,063
A 90-day extension for substance abuse treatment services to female offenders at the Dwight Correctional Center.	50,092	41,471
Replacement of the dishwasher at the Stateville Correctional Center.	103,957	103,957
Purchase of bulk fuel for the Stateville Correctional Center.	65,000	61,479

Description	Estimated Amount	Actual Amount
Fiscal Year 2013 (Continued)		
Replacement of heater at the Danville Correctional Center.	120,000	-
Replacement of the tanks and heating tubes at the Big Muddy River Correctional Center.	60,000	56,301
Lease of portable kitchen, damaged by fire, in the Hardin County Work Camp's kitchen.	74,000	-
Purchase of foam trays due to lock down at the Menard Correctional Center.	-	102,470
A 90-day emergency extension for substance abuse screening and assessment service for adult female offenders at the Dwight Correctional Center.	50,092	40,570
Replacement of the ice machines damaged by a kitchen fire at the Hardin County Work Camp.	9,000	-
Purchase of foam trays due to lock down at the Stateville Correctional Center.	32,000	29,413
Repair of leaking boiler tubes and an inoperable gas valve due to exposure to water at the Logan Correctional Center.	30,500	31,172
Purchase of surveillance camera of all areas prior to conversion to a women facility at the Logan Correctional Center.	6,102	6,102
Replacement of compressor for the freezer in the warehouse at the Big Muddy River Correctional Center.	4,000	3,733
Replacement of commercial washers at the Robinson Correctional Center.	-	46,650
Replacement of hot water storage tank at the Southwestern Illinois Correctional Center.	62,000	52,800
Purchase of floor chemical, no rinse stripper and floor sealer for the Menard Correctional Center.	27,000	26,888
Repair of boilers at the Hill Correctional Center.	-	28,200
Replacement of the commercial washer and dryer at the Centralia Correctional Center.	25,000	24,250
Repair of 17 heat pumps in the Health Care Building at the Centralia Correctional Center.	90,000	88,277
Purchase of classification folders for the records office at the Stateville Correctional Center.	107,835	107,835
Repair of dishwashing machine at the Robinson Correctional Center.	-	95,456

Description	Estimated Amount	Actual Amount
Fiscal Year 2013 (Continued)		
Purchase of foam trays due to lock down at the Menard Correctional Center.	29,413	29,413
Electronic Detention/Monitoring Services for parolees and/or committed felons.	7,200,000	-
Replacement of dishwashing machine at the Jacksonville Correctional Center.	125,000	100,982
Extension of contract to provide recovery home services that are aimed to reduce recidivism and incarceration costs.	5,288,918	-
Purchase of a 400 gallon water heater in the gym at the Graham Correctional Center.	-	29,244
Repair of segregation touchscreen computer system to operate the doors, lights, exhaust fans, and intercoms at the Shawnee Correctional Center.	31,558	31,558
Repair services for lighting at the Dixon Correctional Center.	20,000	-
Replacement of industrial size conveyor-type dishwasher with exhaust system for the Dietary Department at the Graham Correctional Center.	120,000	107,487
One water heater was completely down and the second was not able to provide hot water to all of the housing units at the Dwight Correctional Center.	25,000	25,000
Repair of water main break by the inmate kitchen at the Vienna Correctional Center.	20,000	12,648
Repair services for lighting at the Dixon Correctional Center.	-	2,193
Replacement of generator for the Control Room's door control panel, intercom system, and emergency lighting at the Dixon Correctional Center.	40,000	-
Purchase of air conditioning unit in the Vocational Building that houses computer equipment at the Danville Correctional Center.	62,000	63,026
Replacement of emergency generator for housing unit at the Dixon Correctional Center.	-	37,177
Replacement of sewer system at the Menard Correctional Center.	24,636	24,661
Purchase of air handling units, cooling coils, condensing units, and all necessary accessories for a complete system at the Menard Correctional Center.	12,956	12,622
Total Fiscal Year 2013	\$ 14,962,169	\$ 1,889,026

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

MEMORANDUMS OF UNDERSTANDING

(Unaudited)

<u>Fiscal Year</u>	<u>Memorandums of Understanding</u>	<u>Parties Involved Other Than the Department</u>	<u>Dates Involved</u>	<u>Description of Memorandum Requirements</u>
2014	Responsible processing of replacement Social Security number (SSN) cards.	Social Security Administration (SSA)	02/10/14 - 02/09/19	Establishment of an effective, secure, and efficient means for each party's field staff to process applications from certain inmates for replacement Social Security number (SSN) cards needed by inmates to obtain employment upon their release, thereby enhancing their employment opportunities and successful reintegration into society. Staff will provide the servicing SSA field office a list of authorized officials with whom they should work; follow established covered institution policy and procedures to verify the identify of every inmate when received into custody; no more than 120 days prior to the release from the covered institution advise applicable individuals of appropriate procedures for obtaining a replacement SSN card; receive and review applicable forms; properly file and maintain the information and SSN card.
2013	Storage and handling of emergency keys to the Tamms Correctional Center	Illinois State Police (ISP)	07/10/13 - Indefinitely	The terms and conditions whereby ISP will safeguard and provide access to an emergency set of keys to the Tamms Correctional Center.
2013	Utilization of the firing range at the Stateville Correctional Center by the Metropolitan Correctional Institution Chicago	Metropolitan Correctional Institution Chicago (Representative of the United States Government)	09/09/13 - 01/01/18	The Metropolitan Correctional Institution Chicago request to use the Stateville Correctional Center's firing range. The firing range is to be used by authorized personnel of the Metropolitan Correctional Institution Chicago for firearms training.

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

**INMATE ASSAULTS ON STAFF
AT ADULT CORRECTIONAL CENTERS**

(Unaudited)

<u>Security Level</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>
Maximum Security		
Dwight	-	10
Logan (Female)	41	18
Menard	40	36
Pontiac	100	146
Stateville	95	59
Tamms (closed)	-	11
Medium Security		
Big Muddy River	21	20
Centralia	4	5
Danville	3	7
Dixon	63	59
Graham	33	10
Hill	2	2
Illinois River	17	12
Lawrence	31	28
Lincoln (Female)	-	6
Logan (Male)	-	9
Pinckneyville	32	24
Shawnee	17	12
Sheridan	10	6
Western Illinois	12	28
Minimum Security		
Decatur	1	0
East Moline	7	9
Jacksonville	13	5
Lincoln (Male)	8	2
Robinson	5	2
Southwestern Illinois	1	1
Taylorville	-	-
Vandalia	5	3
Vienna	17	11
Total	578	541

**STATE OF ILLINOIS
DEPARTMENT OF CORRECTIONS**

**DEPARTMENT-WIDE FINANCIAL AUDIT
For the Year Ended June 30, 2014 and
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

SERVICE EFFORTS AND ACCOMPLISHMENTS

(Unaudited)

Mission and Organization

The Illinois Department of Corrections (Department) is responsible for providing care, custody, treatment and rehabilitation for adult offenders committed by the courts. During the engagement period the Department operated twenty-seven correctional facilities, five work camps, and seven adult transition centers. During the same period, the Department closed two of the correctional facilities and three of the adult transition centers. To help oversee and provide guidance to the Department, there is also an Adult Advisory Board and a sub-committee on women offenders.

Achievements and Accountability

- Constructed holding cell at the Cook County Court House. The Department worked collaboratively with the Cook County Sheriff's Office and court services to build a holding cell at the Cook County Court House. The forty-five inmate holding cell improves operating efficiencies, saving taxpayers each fiscal year.
- Implemented Public Act 97-0697. The Department implemented an incentive-based system for awarding supplemental sentence credits through rehabilitative programming to the offender population.
- Initiated facility closures in order to save taxpayers millions. The Department closed two correctional facilities and three transition centers in an effort to lower expenses.

Strategic Initiatives and Priorities

- Continue GPS and Electronic Monitoring for Sex Offenders on Parole: sex offenders on parole status will continue to be monitored through GPS and Electronic Monitoring devices. All sex offenders released from a correctional facility are monitored electronically throughout their time on parole.
- Continue support and development of information technology upgrades related to Offender 360 and the RANA Tool. The Department has maintained its work related to getting these programs finalized and launched. In doing so, the Department is poised to garner better efficiency in its operations, have better accountability and more transparent operations, and utilize a tool that will better assess the needs of its offenders placed in its custody.

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: The Department is responsible for providing care, custody, treatment, and rehabilitation for adult offenders committed by the courts.

Objectives: Reduce recidivism, the number of people who return to prison within three years of release.
Continually improve staff and offender safety and security.

Funds: General Revenue Fund, Working Capital Revolving Fund, Department of Corrections Reimbursement Fund

Statutory Authority: 730 ILCS 5/

Input Indicators	Fiscal Year <u>2012 Actual</u>	Fiscal Year <u>2013 Actual</u>	Fiscal Year 2014 Target/ <u>Projected</u>	Fiscal Year <u>2014 Actual</u>	Fiscal Year 2015 Target/ <u>Projected (b)</u>
Total expenditures - all sources (in thousands) (a)	\$1,281,903.9	\$1,245,266.5	\$1,225,540.4	\$1,355,491.1	\$1,298,738.4
Total expenditures - state appropriated funds (in thousands)	\$1,281,903.9	\$1,245,266.5	\$1,225,540.4	\$1,355,491.1	\$1,298,738.4
Average monthly full-time equivalents	11,233.0	11,082.0	10,822.0	10,847.0	11,068.0
Output Indicators					
Percentage of adults reincarcerated within 3 years of release	47.1%	45.5%	43.5%	43.5%	43.5%

Output Indicators (Continued)	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target/ Projected</u>	<u>Fiscal Year 2014 Actual</u>	<u>Fiscal Year 2015 Target/ Projected (b)</u>
Number of parolees returned to prison each month as a percent of average daily parole population	40.8%	33.9%	32.9%	31.4%	31.4%
Number of offenders transferred to a lower security level due to good behavior (per 1,000 offenders per month)	1.8	1.4	1.2	1.2	1.2
Number of offenders whose security level was increased due to discipline for problem behavior (per 1,000 offenders per month)	2.8	2.6	2.7	2.5	2.5
Number of contraband confiscations (per 1,000 offenders per month)	29.0	30.6	31.6	30.5	30.5

Output Indicators (Continued)	Fiscal Year <u>2012 Actual</u>	Fiscal Year <u>2013 Actual</u>	Fiscal Year 2014 Target/ <u>Projected</u>	Fiscal Year <u>2014 Actual</u>	Fiscal Year 2015 Target/ <u>Projected (b)</u>
Number of offender-on-staff assaults (per 1,000 staff per month)	3.2	4.6	4.5	4.5	4.5
Number of offender-on-offender assaults (per 1,000 offenders per month)	3.1	3.7	3.6	3.6	3.6

Notes:

- a. The fiscal year 2015 expenditure for the General Revenue Fund portion is the enacted appropriation of \$1,219,559.3 plus the spending in Department of Corrections Reimbursement Fund (Fund 523) and the Working Capital Revolving Fund (Fund 301). The Department will be seeking a supplemental appropriation. However, the amount has not been determined at this time.
- b. The fiscal year 2015 data is subject to change pending further review by the Department staff.