

REPORT DIGEST

STATE OF ILLINOIS SUPREME COURT (INCLUDING APPELLATE COURT DISTRICTS 1-5 AND THE ILLINOIS COURTS COMMISSION) FINANCIAL AND COMPLIANCE AUDIT REPORT FOR THE TWO YEARS ENDED JUNE 30, 1995

SYNOPSIS

- The Court did not have adequate controls over processing of invoice payments to reduce the occurrence of duplicate payments and of overpayments to vendors.
- The Court did not comply with the terms of federal and interagency grant agreements.
- The Court did not have written policies and procedures for employee performance evaluations and applications for employment. This finding has existed since 1987.

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

FINDINGS, RECOMMENDATIONS AND AGENCY RESPONSES

LACK OF CONTROL OVER INVOICE PAYMENT PROCESSING

The Supreme Court did not maintain adequate internal controls over processing of invoice payments to reduce the occurrence of duplicate payments and overpayments to vendors. We tested 65 vendor-related refunds during the audit period and noted the following:

- Seven of the refunds tested were the result of duplicate payments made to vendors. These duplicate payments totaled \$4,848.
- Six of the refunds tested were the result of overpayments made to vendors. These overpayments totaled \$8,125.

Good business practices require that internal controls over payment processing be established to ensure against duplicated payments and overpayments. Failure to establish effective procedures to provide assurance that each invoice received has not been previously paid or partially paid, could result in duplicate or incorrect payments made to vendors, which may not be returned to the Court, and may result in a loss of funds. The Court processed \$31,780 in refunds during the audit period other than payroll actions. (Finding 1, page 11)

The Court responded the Administrative Office has reviewed the refunds and related processing procedures and is working, both centrally and with the decentralized Judicial Branch managers, to improve controls over invoice payment processing. The Court further responded it will review the GAS II accounting system provided by Central Management Services to identify potential modifications in this area.

NONCOMPLIANCE WITH GRANT AGREEMENTS

The Court did not comply with all terms required by federal and interagency grant agreements. We noted the following:

- Required reports were filed late.
- Required information was not disclosed during a press release.
- Documentation was not maintained to show that meetings were conducted as required by the grant agreement.

Noncompliance with grant agreements could reduce the potential for the Supreme Court to receive additional funds in the future. (Finding 4, page 14)

The Court responded the Administrative Office has implemented procedures to ensure compliance with grant requirements.

INADEQUATE ADMINISTRATION OF PERSONNEL FUNCTION

The Supreme Court, except for the Administrative Office, did not have written policies and procedures for employee performance evaluations and applications for employment. **This finding has been repeated since 1987.**

- Informal performance evaluations have been conducted as deemed appropriate by the individual divisions of the Supreme Court. A draft of a standard evaluation form has been developed by the Administrative Office and formal policies and procedures have been prepared. However, the Administrative Office is the only division currently using this form to document performance evaluations.

- The Administrative Office utilizes a standard application form for hiring new employees. Other divisions of the Supreme Court do not use a standard application form, but develop an application form specific to the position to be filled.

Good business practices require performance evaluations be performed and documented using a systematic and uniform approach which enhances the development of employees. For example, employees may not be performing as expected because their responsibilities were not communicated to them. In addition, these policies and procedures are necessary to help ensure competent employees are hired and retained to carry out State operations. (Finding 7, page 17)

The Court responded activities and documentation of employee evaluations and applications for employment are conducted at the Court's decentralized locations. The Court also noted the majority of employees of the Judicial Branch must meet certain requirements for employment, such as a law license and a certificate of proficiency for Court reporters. (For previous agency responses, see Digest Footnote 1.)

OTHER FINDINGS

The remaining findings are less significant and are being given attention by the Supreme Court. We will review progress towards the implementation of our recommendations during our next audit. Ms. Kathleen Gazda, Assistant Director Administrative Services Division for the Administrative Office of the Illinois Courts, provided the responses to our recommendations.

AUDITORS' OPINION

The auditors stated the financial statements of the Mandatory Arbitration Fund are fairly presented as of and for the years ended June 30, 1994 and 1995

WILLIAM G. HOLLAND, Auditor General
WGH:GSS:pp

SUMMARY OF AUDIT FINDINGS

Number of This Audit Prior Audit

Audit findings 713

Repeated audit findings 112*

Recommendations implemented or
not repeated 1215

*Prior finding codes 87-23 and 89-30 were combined and presented as one finding in the FY 92/93 audit.

SPECIAL ASSISTANT AUDITORS

The audit was performed by Arthur Andersen, LLP.

DIGEST FOOTNOTE

#1 INADEQUATE ADMINISTRATION OF PERSONNEL FUNCTION - Previous Agency Responses

1993: During the March session, the Supreme Court approved the implementation of performance appraisals for employees of the Administrative Office. The performance appraisals will be performed in June, 1994.

1991: The Supreme Court concurs in the Auditor General's recommendation. The Court's administrative office is currently developing and will put into place a performance appraisal program. At the direction of the Court, its administrative office has developed an application for employment to be used by the office for employment purposes. The application will be made available to all divisions of the judicial branch.

1989: The Supreme Court during the audit period has taken the following steps to implement policies and procedures regarding the administration of its personnel function ...

- The Supreme Court's Administrative Office has developed and implemented a personnel action form which documents the appointments, promotions, demotions, disciplinary suspensions and dismissals of all state paid, judicial branch employees.
- The Supreme Court's Administrative Office has developed an application form for its employees.

1987: The Supreme Court is responsible for the administrative control over its personnel function which includes the personnel under the Supreme Court's direct administration and supervision. Many of the personnel functions listed in this finding were the responsibility of the appellate and circuit courts. The Supreme Court will decide the extent to which it will exercise its general administration and supervisory authority over the other levels of courts in Illinois.

SUPREME COURT

FINANCIAL AND COMPLIANCE AUDIT

For The Two Years Ended June 30, 1995

EXPENDITURE STATISTICS	FY 1995	FY 1994	FY 1993
•Total Expenditures (All Funds)	\$190,828,195	\$178,863,426	\$169,014,045
Expenditures:			
Appropriated Funds	\$190,065,633	\$177,636,510	\$168,688,034
Non-appropriated Funds	\$762,562	\$1,226,916	\$326,011
<u>OPERATIONS TOTAL</u>	\$153,113,295	\$142,944,526	\$138,930,646
% of Total Expenditures	80.24%	79.92%	82.20%
Personal Services	\$126,625,105	\$116,674,751	\$113,024,700
% of Operations Expenditures	82.70%	81.62%	81.35%
Average No. of Employees	2,129	2,082	2,077
Other Payroll Costs (FICA, Retirement)			
% of Operations Expenditures	\$8,272,921 5.40%	\$6,915,363 4.84%	\$6,535,795 4.70%
Contractual Services	\$3,198,935	\$3,246,876	\$3,891,114
% of Operations Expenditures	2.09%	2.27%	2.80%
Mandatory Arbitration Total	\$4,747,824	\$4,506,157	\$4,457,059
% of Operations Expenditures	3.10%	3.15%	3.22%
All Other Operations Items	\$10,268,510	\$11,601,379	\$11,021,978
% of Operations Expenditures	6.71%	8.12%	7.93%
<u>GRANTS TOTAL</u>	\$37,714,900	\$35,918,900	\$30,083,399
% of Total Expenditures	19.76%	20.08%	17.80%
•Cost of Property and Equipment	\$20,215,156	\$18,660,423	\$17,134,428

CHIEF JUSTICE

During Audit Period: Michael A. Bilandic

Currently: Michael A. Bilandic