



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
BUREAU OF JUSTICE ASSISTANCE
GRANT AWARDED TO
ILLINOIS DEPARTMENT OF CORRECTIONS
SPRINGFIELD, ILLINOIS**

U.S. Department of Justice
Office of the Inspector General
Audit Division

Audit Report GR-50-10-006
September 2010

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EXECUTIVE SUMMARY

The Office of the Inspector General, Audit Division, has completed an audit of the Serious and Violent Offender Reentry Initiative (SVORI) grant number 2002-RE-CX-0001 in the amount of \$2,365,461 (including two supplements) awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to the Illinois Department of Corrections (IDOC). The purpose of the grant program was to support efforts to ensure public safety and reduce victimization by helping returning offenders become productive members of their community, by providing education, job and life skills training, and substance abuse treatment, while carefully monitoring their activities after release.

With the grant funding, IDOC planned to target 200 adult male offenders (18 through 24 years old) and 10 juveniles (14 through 17 years old) who were released through the Illinois Reentry Going Home Project into Chicago's North Lawndale neighborhood and surrounding communities. The Going Home Project was designed to provide 36 months of comprehensive services for offenders reentering society in a three-phase process, which included: (1) institutionally-based programs; (2) community-based transition; and (3) community-based long-term support. Through the Going Home Project, IDOC partnered with various service agencies to address the challenges of recidivism, substance abuse, physical and mental health issues, and to provide support in the areas of workforce participation, housing, family reunification, faith-based support, and mentoring.

OJP provides leadership to federal, state, local, and tribal justice systems, by disseminating knowledge and practices across America, and providing grants for the implementation of crime fighting strategies. OJP works in partnership with the justice community to identify crime-related challenges confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges. BJA provides leadership and assistance to local criminal justice programs that improve and reinforce the nation's criminal justice system. BJA's goals are to reduce and prevent crime, violence, and drug abuse and to improve the way in which the criminal justice system functions.

IDOC was established in 1970 and during its creation, the agency combined administration of all state prisons, juvenile centers, and adult and juvenile parole services under one direction for the first time. As of March 2009, IDOC operated 28 adult correction centers as well as various work camps, boot camps, and eight adult transition centers. IDOC is responsible for the management of about 45,000 adult inmates and the supervision of 35,000 parolees. According to IDOC's website, IDOC's fiscal year (FY) 2008 recidivism rate was 52.3 percent, down from 54.4 percent in FY 2003. The Juvenile Division consisted of six male and one coed Illinois Youth Centers that housed approximately 1,900 incarcerated youths.

On July 1, 2006, the Illinois Department of Juvenile Justice (IDJJ) was formed, which separated IDOC's adult and juvenile corrections systems. IDJJ is responsible for all persons who are under 17 years of age when sentenced to imprisonment and committed to IDJJ. Subsequently, under this organizational realignment, the target population under this grant changed from a mix of adults and juveniles to include only juvenile participants who were sex offenders.

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, made in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures; (4) budget management and control; (5) matching costs; (6) property management; (7) program income; (8) financial status, progress, and metrics reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of subgrantees and contractors. We determined that matching costs and program income were not applicable to this grant. As shown in Table 1, IDOC was awarded a total of \$2,365,461 to implement the grant program. IDOC had drawn down \$2,211,356 as of February 4, 2010.

Table 1. SERIOUS AND VIOLENT OFFENDER REENTRY INITIATIVE GRANT AWARDED TO THE ILLINOIS DEPARTMENT OF CORRECTIONS

GRANT AWARD	AWARD START DATE	AWARD END DATE	AWARD AMOUNT
2002-RE-CX-0001	07-01-2002	06/30/05	\$ 2,000,000
Supplement 1	07-01-2002	06/30/05	348,461
Supplement 2	07-01-2002	06/30/09	17,000
Total:			\$ 2,365,461

Source: Office of Justice Programs

We examined IDOC's accounting records, budget documents, invoices and supporting documentation as well as financial, progress, and metric reports submitted to OJP. Our findings are summarized below.

- We identified significant weaknesses with IDOC's internal controls. For example, we found that the Grant Accountant maintained unofficial financial spreadsheets that did not match the official accounting records. In addition, we determined that the FY 2008 Single Audit Report was released over a month past the extended due date. Moreover, there were cross-cutting issues identified in the statewide Single Audit Report as well as in the individual Financial Audit and Compliance Examination reports for IDOC and IDJJ.
- We reviewed a sample of 317 transactions totaling \$1,551,039 and identified many questionable expenditures that included unauthorized positions, unapproved expenditures, and unsupported costs, particularly contractor personnel expenses. As a result, we identified \$943,041 in questioned costs. In addition, during the OJP grant close-out and reconciliation process, IDOC made a final drawdown that was \$187,155 more than the amount supported by the grantee's official accounting records. As a result, our total dollar-related findings amount to \$1,130,196.
- We found the grantee did not adequately monitor the activities of the contractors it used on grant activities.
- The grantee drew down funds in excess of expenditures and thus held excess cash on hand on several occasions, which would have also allowed the state to potentially earn interest on excess federal funds.
- Financial Status Reports (FSR) were generally submitted on time; however, many were inaccurate because the expenditures recorded on the FSRs did not accurately reflect the expenditures captured within the official accounting records. We also found that 11 of 14 Categorical Assistance Progress Reports were submitted from 3 to 730 days late.
- We were unable to determine that the initial Going Home Project reduced the recidivism rate because IDOC did not maintain statistics on the participants. We were unable to determine if

the goals and objectives of the second juvenile program were met because at the time of our fieldwork, the majority of the program participants were still in the program.

These items are discussed in detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology are discussed in Appendix I.

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INTRODUCTION

The Office of the Inspector General, Audit Division has completed an audit of the Serious and Violent Offender Reentry Initiative (SVORI) grant number 2002-RE-CX-0001 in the amount of \$2,365,461 (including two supplements) awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to the Illinois Department of Corrections (IDOC). The SVORI grant program was developed through a federal partnership with the Departments of Justice, Labor, Health and Human Services, Housing and Urban Development, Education, and Veterans Affairs, as well as the Social Security Administration. The specific grant we reviewed was funded by the Departments of Justice, Labor, and Health and Human Services. The purpose of the grant was to support efforts to ensure public safety and reduce victimization by helping returning offenders become productive members of their community, by providing education, job and life skills training, and substance abuse treatment, while carefully monitoring their activities after release.

With the grant funding, IDOC initially planned to target 200 adult male offenders (18 through 24 years old) and 10 juveniles (14 through 17 years old) who were released through the Illinois Reentry Going Home Project into Chicago's North Lawndale neighborhood and surrounding communities. The Going Home Project was designed to provide 36 months of comprehensive services for offenders reentering society in a three-phase process, which included: (1) institutionally-based programs; (2) community-based transition; and (3) community-based long-term support. Through the Going Home Project, IDOC partnered with various service agencies to address the challenges of recidivism, substance abuse, physical and mental health issues, and to provide support in the areas of workforce participation, housing, family reunification, faith-based support, and mentoring. In 2008, the scope of the grant changed from a mix of adults and juveniles to include only juvenile participants who were sex offenders.

IDOC utilized several contractors to carry out the SVORI mission, including Treatment Alternatives for Safe Communities (TASC), North Lawndale Employment Network (NLEN), the Institute of Clinical Social Workers (ICSW), Alternative Behavior Treatment, Children's Home Association, and others. The primary providers of services under this grant were TASC and NLEN. Between 2003 and 2007, these two contractors provided most of the services and accounted for 49 percent of the total expenditures reimbursed with grant funds.

TASC is a not-for-profit organization that provides behavioral health recovery management services to individuals with substance abuse and

mental health disorders. IDOC’s contractor TASC provided case management services to parolees, which included substance abuse assessments and referrals to substance abuse counselors in order to reduce recidivism, maintain public safety, and to help integrate the offenders back into the community as productive citizens.

NLEN is a not-for-profit organization that targeted 18 through 24-year old offenders returning to the North Lawndale community, which is located on the west side of Chicago, Illinois. IDOC’s contractor NLEN facilitated 4-week training courses, which provided participants with job development, anger management and transitional life skills training.

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, made in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures; (4) budget management and control; (5) matching costs; (6) property management; (7) program income; (8) financial status, progress, and metrics reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of subgrantees and contractors. We determined that matching costs and program income were not applicable to this grant. As shown in Table 2, IDOC was awarded a total of \$2,365,461 to implement the grant program.

Table 2. SERIOUS AND VIOLENT OFFENDER REENTRY INITIATIVE GRANT AWARDED TO THE ILLINOIS DEPARTMENT OF CORRECTIONS

GRANT AWARD	AWARD START DATE	AWARD END DATE	AWARD AMOUNT
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Total:			\$ 2,365,461

Source: Office of Justice Programs

Background

OJP provides leadership to federal, state, local, and tribal justice systems by disseminating knowledge and practices across America and providing grants for the implementation of crime-fighting strategies. OJP works in partnership with the justice community to identify crime-related

challenges confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges. BJA provides leadership and assistance to local criminal justice programs that improve and reinforce the nation's criminal justice system. BJA's goals are to reduce and prevent crime, violence, and drug abuse and to improve the way in which the criminal justice system functions.

IDOC was established in 1970, and during its creation, it combined the administration of all state prisons, juvenile centers, and adult and juvenile parole services under one direction for the first time. As of March 2009, IDOC operated 28 adult correction centers as well as various work camps, boot camps, and eight adult transition centers. IDOC is responsible for the management of about 45,000 adult inmates and the supervision of 35,000 parolees. According to IDOC's website, IDOC's fiscal year (FY) 2008 recidivism rate was 52.3 percent, down from 54.4 percent in FY 2003. The Juvenile Division consisted of six male and one co-ed Illinois Youth Centers that housed approximately 1,900 incarcerated youths.

On July 1, 2006, the Illinois Department of Juvenile Justice (IDJJ) was formed, which separated IDOC's adult and juvenile corrections systems. IDJJ is responsible for all persons who are under 17 years of age when sentenced to imprisonment and committed to IDJJ.

OIG Audit Approach

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide*, relevant Office of Management and Budget (OMB) Circulars, and grant award documents. We tested IDOC's:

- **Internal Control Environment** to determine the adequacy of the grantee's financial management system, accounting records, and policies/procedures, and to assess the risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant.
- **Grant Drawdowns** to determine whether grant drawdowns were adequately supported and in accordance with federal requirements.
- **Grant Expenditures** to determine the accuracy, completeness, and allowability for costs charged to the grant.

- **Budget Management and Control** to determine the amounts budgeted, the actual costs for each approved cost category, and to determine if the grantee deviated from the approved budget.
- **Accountable Property** to determine if property was correctly accounted for and used in accordance with the terms and conditions of the grant.
- **Monitoring of Contractors** to determine if contractors were used and if so, to assess compliance with laws, regulations, or guidelines that require contractor monitoring by the grantee.
- **Financial Status, Progress, and Metric Reports** to determine if the required reports were submitted on time and accurately reflected grant activity.
- **Accomplishment of Grant Requirements and Objectives** to determine whether the grantee met or is capable of meeting the grant requirements and objectives, and whether the grantee collected data and developed performance measures to assess accomplishment of the intended objectives.

We found that IDOC was not required to contribute any local matching funds, did not receive or generate program income, and did not award funds to subgrantees. Therefore, we performed no testing in these areas.

FINDINGS AND RECOMMENDATIONS

We identified significant weaknesses in IDOC's internal controls and monitoring of contractors. We also found that drawdowns did not always match expenditures as recorded in the official accounting records and many grant expenditures were unsupported or not identified in the OJP-approved grant budget. Finally, we found that reports were not submitted timely and contained inaccurate information. As a result, we identified \$1,130,196 in dollar-related findings.

Internal Control Environment

We reviewed the auditee's most recent Single Audit Report, financial management system, policies, and procedures to assess the IDOC's risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant. We also interviewed IDOC personnel to further assess risk. We found that the grantee had a separate grants office in Springfield, Illinois, to deal specifically with grants. We also found that the segregation of duties over purchasing and payment of invoices was adequate. In addition, we found that IDOC had broad written procedures for administering grants, procuring and receiving equipment, and paying invoices. We also determined that IDOC had guidelines for approving expenses and creating payment vouchers. In general, however, we found that IDOC's staff neglected to follow federal guidelines for ensuring that costs were adequately documented and that accounting records were supported by source documents. This deficiency is discussed in detail in the Grant Expenditures section of this report.

Single Audit

According to OMB Circular A-133, recipients of federal funds are required to have a Single Audit performed if they expend more than \$500,000 in federal funds in any year. The state of Illinois was required to be audited annually with the report due no later than 9 months after the end of the fiscal year. We reviewed the 2008 Illinois Statewide Single Audit Report and found that the report was released late. The state of Illinois fiscal year is from July 1 through June 30, which would make the Single Audit Report due on March 30 of the following year. The Illinois Office of the Auditor General's staff indicated that it received an extension to June 30, 2009, but was denied another extension it had requested. We found that the state of Illinois' FY 2008 Single Audit Report was released on August 11, 2009, over a month past the extended due date.

Moreover, the independent auditors noted 97 findings and 62 compliance significant deficiencies in the Statewide Single Audit Report. The report included a statewide finding applicable to all federal programs concerning financial reporting. Specifically, the report noted that the state of Illinois did not have an adequate process to permit the timely completion of a complete and accurate schedule of expenditures of federal awards.

IDOC and IDJJ were not specifically identified in the Statewide Single Audit Report; however, findings relating to federal awards were considered cross-cutting issues. IDOC had a department-wide financial audit conducted for the year ended June 30, 2008. Both IDOC and IDJJ also had individual General Office Compliance Examinations conducted for the 2 years ended June 30, 2008. Some of the findings in those reports were similar to the ones contained in our report, including a lack of supporting documentation for expenditures, weaknesses in contract administration, timeliness of report submissions, and issues related to payroll and property management. These similar findings are identified as such in the applicable sections of our report. Appendix II of this report contains more details regarding the statewide single audit and financial and compliance examinations.

Financial Management System

OMB Circular A-133 defines internal control as a process implemented by the entity's management and other personnel designed to provide reasonable assurance that transactions are properly recorded and accounted for and permit the preparation of reliable financial statements and federal reports. The *OJP Financial Guide* states that the recipient is responsible for establishing and maintaining an adequate system of accounting and internal controls, and for ensuring that an adequate system exists for each of its subrecipients. The *OJP Financial Guide* also states that direct recipients should ensure that monitoring of organizations under contract to them is performed in a manner that will ensure compliance with the grantee's overall financial management requirements.

As previously discussed in the Single Audit section of this report, the state of Illinois' statewide report contained a material weakness regarding the State's financial reporting process. In addition, the IDOC and IDJJ Compliance Examinations both reported findings regarding the departments' failure to provide requested financial documentation in a timely manner or at all and inadequate control over voucher processing.

Our review of IDOC's financial management system indicated that although the grantee had written operating procedures that described the internal controls in place over financial transactions, the grantee's

procedures were ineffective. We found that many OJP-reimbursed expenditures were not identified in the OJP-approved grant budget, invoices lacked sufficient supporting documentation, and the Grant Accountant maintained unofficial financial spreadsheets that did not match the official accounting records. These deficiencies are explained in more detail below.

Failure to consistently check expenses against OJP-approved budget - The Grant Accountant at the IDOC location in Springfield, Illinois, stated that she received all grant-related invoices from the Grant Administrator in St. Charles, Illinois, who confirmed that the invoices reflected services rendered and marked the invoices as approved for payment. The Grant Accountant stated that she reviewed the invoices to ensure the invoices included the Grant Administrator's approval and determined whether the expenditures were allowable according to the grant budget, contract terms, and IDOC procurement regulations. Nevertheless, during our review of grant expenditures, we identified several expenditures that were paid by the Grant Accountant but were not included in the OJP-approved grant budget. These unapproved transactions are discussed in more detail in the Grant Expenditures section of this report.

Failure to obtain sufficient supporting documentation - Our grant expenditure testing also revealed that several invoices submitted for reimbursement were not accompanied by adequate supporting documentation. Most of the contractors' invoices were submitted to the grantee with no receipts or evidence that the expenses billed were actually incurred by the contractors. Moreover, the few invoices from the TASC contractor that did contain some supporting documentation were often incorrect. For example, we found TASC included the same support for equipment billed in February 2004 and again in September 2004. Nevertheless, IDOC approved both invoices and reimbursed TASC on both occasions for the full amount requested.

We spoke to the current Grant Administrator about the lack of supporting documentation. She explained that she ran into difficulty when attempting to get contractors to submit supporting timesheets and accurate invoices. She stated that on several occasions she had to adjust invoices and correct errors when contractors billed for services that were not performed. The Grant Administrator also stated that she began conducting more frequent meetings with the contractors in an attempt to ensure the program was being implemented and monitored more effectively. Although the current Grant Administrator became more involved with monitoring the contractors' activities, the grantee did not comply with OJP guidelines to ensure that grant expenditures were properly supported. Our transaction testing, which is discussed in the Grant Expenditure section of this report,

shows that contractors' expenditures were not always supported and these results further demonstrate that the grantee's monitoring activities were not sufficient.

Accounting Records - The *OJP Financial Guide* states that grantees are required to establish and maintain accounting systems and financial records to accurately account for funds awarded to them. An IDOC official explained that the SVORI grant accounting records were maintained in IDOC's official accounting system. The IDOC official further explained that the SVORI grant was identified by specific codes and a subaccount title in the official accounting system, and the accounting system reports supported that statement. We did not find evidence of commingling with other grants.

However, in addition to these official records, the Grant Accountant also maintained separate spreadsheets to monitor budgeted amounts, expenditures, and drawdown requests for the audited grant.¹ The Accountant used the spreadsheets to determine the amount of funds to draw down. The Accountant informed us that she reconciled her records to the official records every quarter using a reconciliation spreadsheet. However, we found that the Accountant's records did not always reconcile to the official accounting records. On several occasions, we found that the timing of transactions as recorded in the grantee's unofficial accounting records did not coincide with the official accounting records. We used the official accounting records to conduct all of our testing.

Grant Drawdowns

The *OJP Financial Guide* establishes methods through which the awarding agency makes payments to grantees. The methods and procedures for payment established by the federal government are designed to minimize the time elapsed between the transfer of funds by the government and the disbursement of funds by the grantee. Recipients should time drawdown requests to ensure that federal cash on hand is the minimum needed to pay for actual or anticipated costs within 10 days. Further, grantees are not permitted to incur additional obligations after the end of the grant. Any funds that remain unobligated by grantees at the end of the grant award period will lapse and revert to the awarding agency.

OJP awarded \$2,365,461 for grant number 2002-RE-CX-0001 (with supplements) and IDOC had drawn down a total of \$2,006,159 as of July 30,

¹ The Grant Accountant's spreadsheets are also referred to as the "unofficial accounting records" in this report.

2009. The Grant Accountant stated that drawdowns were requested on a reimbursement basis based upon actual expenditures as recorded in her unofficial accounting records. We reviewed the Accountant's unofficial accounting records and attempted to reconcile the amounts drawn down to these records to no avail. We found that the unofficial accounting records included transactions that were not recorded in the official accounting records, one drawdown that was not identified in OJP's grant drawdown records, and dates of transactions that were different from the official accounting records. As a result, we did not place reliance on the unofficial accounting records that we were told were used to request draw down amounts. Appendix III illustrates the differences between the expenditures as recorded in the official accounting records to the unofficial accounting records by drawdown.

IDOC's official accounting records indicated it incurred \$2,024,200 in grant expenditures as of July 31, 2009. Because OJP had reimbursed IDOC a total of \$2,006,159, grant-related expenditures exceeded the amount drawn down by \$18,041.

To determine if the grantee's drawdown activities were supported by the grant accounting records, we compared each of the drawdown dates and cumulative drawdown amounts reported by OJP to the grantee's cumulative expenditures recorded in the official accounting system for each drawdown period. We determined that drawdowns did not reconcile to expenditures on many occasions. Although the grantee's cumulative expenditures at the end of the grant period exceeded cumulative drawdowns by \$18,041, we believe the grantee held excess cash on hand on several occasions during the grant period, which would have also allowed the state to potentially earn interest on the excess federal funds. IDOC did not account for any interest earned specific to the SVORI grant; interest is earned on the entire State Treasurer's portfolio and is not allocated to distinct accounts. In addition, the Statewide Single Audit Report had a finding regarding the failure to draw down funds only for immediate cash needs.

The Grant Accountant explained that discrepancies between drawdown amounts and expenditures were mostly due to differences in the timing of transactions recorded in the general ledger and her unofficial grant records. She also told us that IDOC refunded \$71,706 to OJP on October 21, 2005, to correct drawdowns requested in excess of approved expenditures. She further explained that \$45,730 of grant payroll expenditures for one personal service contractor were erroneously appropriated to the wrong fund during the beginning of the grant, which contributed to some of the discrepancies we found between drawdowns and expenditures. The Accountant also told us that because the \$45,730 posting error was

identified much later, an adjustment was not made to the official accounting records, but the expenditure was taken into account when requesting drawdowns because the transaction was included in her unofficial accounting records.

In November 2009, OJP conducted its grant close-out reconciliation and IDOC later submitted a revised financial status report reporting cumulative total federal outlays of \$2,211,356. Based on this, OJP approved and IDOC drew down an additional \$205,196 in February 2010. OJP then deobligated the remaining \$154,105 and closed out the award. As discussed above, we could only account for \$18,041 of grant expenditures recorded in the grantee's official accounting records that had not been drawn down as of July 31, 2009, one month after the end date of the award. Thus, we could not confirm the validity of the amounts included on IDOC's revised financial status report. As a result, we question the balance of \$187,155 (\$205,196 minus \$18,041) drawn down during the OJP close-out reconciliation process but not supported by the grant accounting records as of July 31, 2009.

Grant Expenditures

IDOC was awarded \$2,365,461 and as previously stated had drawn down \$2,006,159 from OJP as of July 30, 2009. We reviewed IDOC's official accounting records and determined IDOC charged \$2,024,200 towards the SVORI grant as of July 31, 2009. We selected a judgmental sample of 317 of these transactions for testing. To determine if the expenditures were allowable, we compared the expenditures to the OJP-approved grant budget and permissible uses of funds outlined in the *OJP Financial Guide*. To determine if the sampled expenditures were supported, we reviewed accounting system data including payment vouchers and supporting documents such as invoices, receipts, and timesheets. In addition to our fieldwork conducted at IDOC, we went on site to contractors TASC and NLEN to review supporting documents for the invoices they submitted to IDOC.

The 317 sampled transactions totaled \$1,551,039. We found that \$607,998 was allowable because the expenditures were charged to OJP-approved budget cost categories and were adequately supported. The remaining \$943,041 in reviewed expenditures included costs for unauthorized positions, unapproved expenditures, and unsupported costs under the consultant/contractor cost category. The following table summarizes IDOC's grant costs and our testing results.

**TABLE 3. SUMMARY OF TESTING RESULTS AND GRANT COSTS
AS OF JULY 31, 2009**

COST CATEGORY	OJP-APPROVED BUDGET (GAN NO. 20)	AMOUNT CHARGED TO THE AWARD	AUDIT SAMPLE	
			AMOUNT TESTED	QUESTIONED COSTS
Personnel	\$0	\$0	\$0	\$0
Fringe Benefits	0	0	0	0
Travel	36,171	42,861	4,087	0
Equipment	6,794	6,879	3,632	0
Supplies	3,845	2,836	567	0
Construction	0	0	0	0
Consultants/Contracts	2,286,358	1,950,079	1,542,139	943,041
Other	32,293	21,545	614	0
Indirect Costs	0	0	0	0
Totals	\$2,365,461	\$2,024,200	\$1,551,039	\$943,041

Source: OJP Financial Clearance Memoranda, IDOC's accounting records, OIG calculations

Below, we discuss our testing of non-personnel direct costs from IDOC, NLEN, TASC, and other contractors. Following that discussion, we report our testing of contractors' indirect cost and payroll and transactions.

Non-personnel Expenditures

The OJP-approved budget included \$79,103 for IDOC's direct costs, including \$36,171 for travel, \$6,794 for equipment, \$3,845 for supplies, and \$32,293 for other. We tested \$8,900 of IDOC's \$79,103 direct costs and found that all \$8,900 was allowable and properly supported.

The OJP-approved budget included \$2,286,358 for contractual expenditures. IDOC contracted with NLEN, TASC, and others for activities related to the audited grant. The results of our testing of non-personnel contractor costs billed to the audited grant are summarized below.

NLEN - OJP approved \$56,200 that was allocated to NLEN expenditures for participant training and off-site room rental. The approved budget also identified additional contractors by name and service to be provided, but IDOC did not use those contractors and instead used NLEN. According to the OJP budget, the contractors were to be used for vocational placements (\$199,500), job placements (\$15,000), and drug testing (\$9,818). In addition, the OJP budget included costs that were to be expended by IDOC, but were instead services performed by NLEN. IDOC was approved for travel (\$36,171), transportation (\$15,120), clothing incentive (\$10,200), and program participant savings accounts (\$5,000). We did not take exception to the fact that NLEN provided these services

rather than the other contractors or IDOC because NLEN was an approved contractor and OJP had approved the types of costs incurred. In total, NLEN was reimbursed \$137,571 for non-personnel expenditures and we found that \$40,682 was authorized and supported. However, the remaining \$96,889 was unsupported because neither IDOC nor NLEN could provide adequate documentation to support the expenditure of funds. In addition, \$17,644 of the \$96,889 was also unapproved because NLEN charged equipment and job center office rental payments to IDOC each time IDOC held meetings at NLEN. These costs were not included in the OJP-approved budget. Therefore, we questioned these costs. A breakdown of the specific unapproved and unsupported expenses can be found in Appendix IV.

TASC - OJP approved \$10,814 for TASC non-personnel expenditures, including travel (\$3,864) equipment (\$3,350), and supplies (\$3,600).² In total, TASC was reimbursed \$34,132 for its non-personnel expenditures. For travel, equipment, and supplies, TASC exceeded the OJP-approved budget by \$18,650. Of the \$34,132 reimbursed for non-personnel expenditures, we found that \$20,100 was properly supported. However, the remaining \$14,032 was unallowable because the costs were either unsupported or unapproved. For the unsupported costs neither IDOC nor TASC could provide us with adequate documentation. In addition, some of the expenditures were unapproved because TASC charged training and recruitment which were not included in the OJP-approved budget.³

Other Contractors - OJP approved \$1,012,414 for services to be provided by contractors other than NLEN and TASC. We tested \$187,786 in non-personnel expenses from other contractors that provided substance abuse treatment and residential services for the program. We found that \$146,340 of the amount was approved and properly supported. The remaining \$41,446 was not supported by adequate documentation.

The Single Audit Report for the state of Illinois identified the inadequate or lack of on-site monitoring of subrecipients of federal awards as a material weakness. In addition, the IDOC department-wide financial audit and compliance examination included findings regarding weaknesses in

² OJP also approved indirect costs for TASC which are discussed in the following section.

³ The unsupported expenditures totaled \$13,296 and the unapproved expenditures totaled \$4,668. These expenditures do not add up to the \$14,032 in unallowable expenditures because several expenditures were unsupported and unapproved. Instead of double counting these expenditures we counted each one once selecting the higher of the two amounts to come up with the \$14,032 total as indicated in Appendix IV, Questioned Non-Payroll Expenditures.

contract administration, inadequate accounting records, and failure to provide or maintain supporting documentation for expenditures. Finally, IDJJ's compliance examination included findings regarding weaknesses in contract administration and inadequate control over voucher processing.

In summary, we determined OJP approved a total of \$1,444,947 for expenditures excluding contractors' personnel and indirect costs. We tested non-payroll direct cost expenditures totaling \$368,389 and determined that \$216,022 was approved and properly supported. The remaining \$152,367 was unallowable because it consisted of \$22,312 in costs not approved by OJP, \$18,650 in costs in excess of the approved budget amounts, and \$151,631 in unsupported expenditures.⁴

Contractors' Indirect Costs

The OJP Financial Clearance Memoranda did not approve indirect costs specifically for IDOC. However, shown in the "Consultants/Contracts" budget category of Supplement 1 was \$7,481 of indirect costs approved for TASC. During the course of the grant, TASC invoiced IDOC for \$90,136 in indirect costs, which IDOC paid using grant funds.

IDOC received invoices from TASC and approved the charges based on a predetermined rate. TASC simply billed IDOC each month for 1/12th of the overall contract amount. TASC did not adjust for actual expenses as required by its contracts with IDOC.⁵ In addition, when calculating indirect costs, TASC did not deduct office equipment from its indirect costs, which was required by the contracts, and did not always use the approved rate.

As stipulated in the OJP-approved budget, TASC should have only been reimbursed up to \$7,481 for indirect costs. The remaining \$82,655 was an unallowable expense because it far exceeded the OJP-approved budgeted amount for indirect costs attributable to TASC. The *OJP Financial Guide* states that a Grant Adjustment Notice (GAN) is used to request project changes and corrections for any programmatic, administrative, or financial

⁴ The unapproved expenditures, expenditures reimbursed in excess of approved amounts, and the unsupported expenditures do not add up to the \$152,367 in unallowable expenditures because several expenditures were unsupported as well as over the approved budget or unapproved. Instead of double counting these expenditures we counted each one once to come up with the \$152,367 total as indicated in Appendix IV, Questioned Non-Payroll Expenditures.

⁵ The contract between TASC and IDOC states that compensation will be billed monthly and adjustments will be made monthly based upon actual expenditures. The contract further states that monthly compensation shall be calculated on 1/12th of the annual program cost and 1/12th of the annual staffing costs.

change associated with a grant award. We did not find evidence that the grantee received written approval from OJP for the excess amount reimbursed to TASC for indirect costs. Therefore, we question \$82,655.⁶

Contractors' Personnel Expenditures

The *OJP Financial Guide* specifically states that personnel and payroll records shall include the time and attendance reports for all individuals reimbursed under the award. Time and effort reports are also required for consultants. In addition, OMB Circular A-87 states costs must be adequately documented to be allowable under federal awards. Further, charges to federal awards for salaries and wages will be based on documented payrolls approved by a responsible official. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes under certain circumstances. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that are prepared at least semi-annually and signed by the employee or supervisory official. OMB Circular A-87 further states where employees work on multiple activities or cost objectives or federal and non-federal awards, a distribution of their salaries will be supported by personnel activity reports or another approved substitute system. NLEN employees worked on multiple activities. In contrast, TASC and the other contractors' employees worked solely on the IDOC grant.⁷

We did not find any time certifications and very few personal activity reports at IDOC for TASC or NLEN employees, and there was no indication of another approved substitute system. The independent IDOC and IDJJ Compliance Examination reports both had findings regarding lack of supporting documentation, timesheets not submitted in compliance with the State Officials and Employees Ethics Act, failure to maintain required personnel and payroll documentation, and inadequate control over voucher processing.

We were provided time and effort reports while on-site at NLEN and TASC. In brief, TASC and NLEN charged IDOC for positions not approved by OJP, and IDOC used grant funds to reimburse the contractors. We also found that in general, TASC and NLEN did not submit time and effort reports

⁶ This amount is included in Appendix V.

⁷ IDOC entered into personal service contracts with four individuals to provide program assistance and supervision to ensure the reentry grant program was operating efficiently and in accordance with grant guidelines.

or semi-annual certifications with its invoices to IDOC. We believe TASC and NLEN contractors should have been reimbursed under the contracts entered into with IDOC for valid and supported payroll expenses, but IDOC should not have requested OJP reimbursement for costs not identified in the OJP-approved budget.

The following table summarizes the contractor payroll costs charged to the grant and the allowable and unallowable costs. The table also shows unsupported costs.

Table 4. CONTRACTOR PAYROLL COSTS

DESCRIPTION	TASC	NLEN	OTHER CONTRACTORS	TOTAL
Amount Authorized for OJP Approved Positions	\$316,903	\$291,164	\$304,966	\$913,033
Amount Charged to the Award	\$235,217	\$491,204	\$366,092	\$1,092,513
Amount Supported for Approved Positions	\$58,184	\$142,063	\$184,247	\$384,494
Difference (Questioned Costs)	\$177,033	\$349,141	\$181,845	\$708,019
Approved Position Payroll Unsupported	\$83,980	\$0	\$105,134	\$189,114
Unauthorized Positions Payroll Supported	\$52,835	\$188,680	\$68,074	\$309,589
Unauthorized Positions Payroll Unsupported	\$40,218	\$160,461	\$8,637	\$209,316
Total Amount Questioned	\$177,033	\$349,141	\$181,845	\$708,019

Source: OIG Analysis of OJP Financial Clearance Memoranda; IDOC Official Accounting Records; and TASC, NLEN, and other contractors' time and effort reports

OJP approved a total of \$913,033 for salaries and benefits for the contractors TASC, NLEN, and other contractors. In turn, contractors TASC,

NLEN, and four other personal service contractors invoiced \$1,092,513 to IDOC and IDOC billed this amount to the OJP grant. We tested the entire amount and determined \$384,494 was allowable and adequately supported for OJP-approved positions. We found that \$708,019 was unallowable because \$518,905 (\$309,589 plus \$209,316) was reimbursed for unauthorized positions and \$189,114 was unsupported. Of the \$518,905, \$209,316 was also unsupported for a total of \$398,430 in unsupported costs. These expenditures are discussed in more detail by contractor below and include the figures reported in Table 4.

TASC – OJP approved \$316,903 for TASC salaries and fringe benefits for specific positions. IDOC requested and received \$235,217 from OJP for payroll expenditures reported by TASC, of which \$58,184 was allowable and adequately supported. However, we question the remaining \$177,033 because it included \$93,053 (\$52,835 plus \$40,218) for two unauthorized supervisor positions and \$83,980 that was not supported by adequate documentation. Further, of the \$93,053 charged for the unauthorized positions, \$40,218 was also unsupported.

NLEN – OJP approved \$291,164 for NLEN salaries and fringe benefits for specific positions. IDOC requested and received \$491,204 in reimbursements for NLEN salaries and fringe benefits, of which \$142,063 was for OJP-approved positions and we found the charges were supported. We question the remaining \$349,141 (\$188,680 plus \$160,461) because it was used for positions not approved by OJP. In addition, \$160,461 of that amount was not adequately supported.

Other Contractors – OJP approved \$304,966 for two personal service contract positions, including fringe benefits. IDOC requested and received \$366,092 in reimbursement for related salaries and fringe benefits, of which \$184,247 was for OJP-approved positions, and we found the charges were supported. However, we question the remaining \$181,845 that included \$105,134 that was not supported by adequate documentation and \$76,711 (\$68,074 plus \$8,637) for positions not approved by OJP. We determined that \$68,074 of the \$76,711 was supported by timesheets and \$8,637 was not supported by timesheet documentation.

During the exit conference, IDOC officials asked if there was a specific timeframe during which many of the unsupported or unapproved contractor costs occurred. We replied that the majority of unsupported costs occurred at the beginning of the grant through the end of the Going Home Program in 2007. The Grant Administrator also stated that it was believed that a former NLEN employee destroyed some documents and took other information related to the grant with him when he left NLEN. During the audit, NLEN

officials had also provided us with the same explanation. At the exit conference, an IDOC official agreed to follow-up on the unsupported costs to determine if additional documentation could be found.

Budget Management and Control

The OJP Financial Guide states that movement of dollars between approved budget categories is allowed up to 10 percent of the total budget amount provided there is no change in project scope. When the cumulative changes exceed 10 percent of the total award amount or change the scope of the project, prior approval from the awarding agency is required. IDOC changed the scope of the grant, modified the budget, and received prior approval from OJP.

As shown in Table 5, IDOC's original approved budget contained amounts for travel, equipment, supplies, and other categories while the majority of funds were approved for contractual expenditures. Travel and equipment were the only categories where it initially appeared the grantee exceeded the approved budget by nominal amounts in comparison to the total approved budget. Overall, the total grant expenditures as reported in IDOC's accounting system appeared to be less than the total grant amount budgeted.

TABLE 5. BUDGET MANAGEMENT AND CONTROL

COST CATEGORY	ORIGINAL GRANT BUDGET	COMBINED SUPPLEMENTAL BUDGETS	GAN No. 20	COMBINED TOTAL BUDGET	ACTUAL COST AS OF JULY 31, 2009	AMOUNT EXCEEDING THE CATEGORY BUDGET
Personnel	-	-		-	-	-
Fringe Benefits	-	-		-	-	-
Travel	\$24,385	\$17,000	(\$5,214)	\$36,171	\$42,861	(\$6,690)
Equipment	\$11,851		(\$5,057)	\$6,794	\$6,879	(\$85)
Supplies	\$5,610		(\$1,765)	\$3,845	\$2,836	-
Construction	-	-	-	-	-	-
Contract/Consultant Includes TASC: Travel - \$1,488 Equipment \$3,350 Supplies - \$3,600 Indirect Costs - \$7,481	\$1,786,759	\$348,461	\$151,138	\$2,286,358	\$1,950,079	-
Other	\$171,395	-	(\$139,102)	\$32,293	\$21,545	-
TOTAL DIRECT COSTS	\$2,000,000	\$365,461	-	\$2,365,461	\$2,024,200	-
Indirect Costs	-	-	-	-	-	-
TOTAL	\$2,000,000	\$365,461	-	\$2,365,461	\$2,024,200	\$6,775
FEDERAL FUNDS	\$2,000,000	\$365,461		\$2,365,461	\$2,024,200	-
LOCAL MATCH	-	-		-	-	-

Source: Office of Justice Programs and IDOC

However, upon further review of the specific details under the Contract/Consultant cost category, it appears that although IDOC's total contractor costs did not exceed the overall amount budgeted to that cost category, IDOC contractor costs often exceeded amounts specifically budgeted to individual contractors or for specific types of costs, such as contractor personnel or indirect costs. Appendix V contains a summary of these costs. We have questioned the majority of these transactions as unapproved costs in the Grant Expenditures section of this report. IDOC did not notify OJP of the changes for specific cost categories within its contractor costs and did not notify OJP of its intent to use additional contractors.

Accountable Property

OMB Circular A-133 requires grantees to implement controls to ensure property and equipment purchased with federal funds are properly safeguarded. Further, the *OJP Financial Guide* requires physical inventories should be conducted every 2 years and reconciled against accounting

records. IDOC's Compliance Examination report included a material weakness related to inaccurate and inadequate property/fixed asset recordkeeping and inadequate controls over inventory. In addition, the IDJJ Compliance Examination report included a finding related to inaccurate and inadequate equipment and capital asset recordkeeping. As discussed below, we identified problems with IDOC's property management.

We reviewed the grantee's official accounting records to determine what funds were used for equipment transactions, and we reviewed contractor invoices to obtain descriptions and serial numbers for items purchased. According to its official accounting records, IDOC spent \$6,879 in grant funds for equipment. In addition, according to Supplement 1, TASC was approved \$3,350 for equipment and we found that TASC spent \$8,487 for this purpose. The OJP-approved budgets did not show any funds for equipment for NLEN, but this contractor was reimbursed \$1,056 for its equipment purchases. IDOC's contracts with TASC required the contractor to turn over to IDOC any equipment purchased at the end of the contract.

We found that IDOC's property records were incomplete and inaccurate because IDOC did not record in its inventory report all accountable property purchased with grant funding. IDOC provided us with a property inventory report for grant number 2002-RE-CX-0001. The report included 13 accountable property items. In addition to reviewing this list, we reviewed grant invoices to identify any additional property items. We found that a total of 20 accountable items valued at \$13,800 were purchased using grant funds. Therefore, seven items were not on IDOC's property report and were not identified as federally funded. For example:

- NLEN was reimbursed \$1,056 by IDOC for one computer purchased by an NLEN employee. However, the documentation attached to the invoice was not from a vendor and did not support the purchase of a computer. NLEN could not provide any other evidence that a computer was actually purchased, but did provide evidence that it turned over a computer to IDOC. However, we were unable to verify the existence of this computer and it did not appear to be listed on IDOC's property listing.
- TASC was reimbursed \$1,802 for the cost of two computers. TASC's supporting documentation listed two computer serial numbers but neither were turned over to IDOC at the end of the grant or reported on IDOC's inventory report. We were unable to verify the existence of the two computers.

Finally, we physically verified 7 of the 20 accountable items located at the IDOC facility in St. Charles, Illinois. Due to the lack of known identifiers such as serial numbers and custodians, we did not attempt to physically inspect the remaining items. In general, we questioned any unallowable property expenditures selected for testing in the Grant Expenditures section of the report.

Monitoring Contractors

The *OJP Financial Guide* states that direct recipients (IDOC) should ensure that monitoring of organizations under contract to them is performed in a manner that will ensure compliance with their overall financial management requirements. IDOC utilized the services of several contractors with the Going Home Project. IDOC contracted with three main contractors who provided case management, social services, employment assistance, and anger management services for the program participants.⁸ The remaining contractors were used to provide transitional housing for program participants for the Going Home Project and juvenile program. Four other contractors were also used to manage the Going Home Project. The four contractors submitted time and attendance reports to IDOC.

Many of the discrepancies we found within our testing occurred because IDOC failed to ensure contractors were in compliance with financial management requirements. IDOC did not ensure expenditures were adequately supported or allowable under the approved grant budget. In addition, IDOC's contracts with TASC and NLEN allowed for expenditures that were not authorized in the approved OJP budget. In other instances IDOC reimbursed contractors for expenses that were not based on actual expenditures. For example, TASC billed IDOC and was reimbursed for 1/12th of its contractual rates regardless of the amount of expenses the organization actually incurred. During our analysis we found that TASC was reimbursed for more than their actual expenses in almost every cost category.

We also found that the grantee did not evaluate the contractors' financial management systems as required by the *OJP Financial Guide* and did not formally evaluate the contractors' processes and procedures for administering the contracts and adhering to their terms and conditions.

According to the current Grant Administrator, the original Grant Administrator would not allow her to question the contractors regarding the

⁸ In addition to the previously discussed contractors TASC and NLEN, IDOC also contracted with the Institute for Clinical Social Workers for these types of services.

financial aspects of the award. When the current Grant Administrator took over the management of the award, she held weekly meetings with the Going Home Project contractors to review program participant case files and to review expenditures to ensure expenses were fully supported and justified. The current Grant Administrator maintained all records for the juvenile program. However, it was up to each Parole and Placement Resource Unit to monitor the transitional housing contractors, which are located throughout the state of Illinois. The current Grant Administrator stated that she had very little contact with the Parole and Placement Resource Units, but they submitted reports regarding the juveniles' status and progress at the transitional housing units.

Based on the weaknesses identified throughout this report, we believe the grantee did not monitor its contractors in an effective manner. We recommend OJP work with IDOC if future awards are awarded to ensure guidelines are developed and implemented to adequately and effectively monitor contractors.

Reports

We reviewed IDOC's Financial Status Reports (FSRs), Categorical Assistance Progress Reports (progress reports), and Progress Metrics Reports (metrics reports) for grant number 2002-RE-CX-0001. The state of Illinois' Single Audit Report had a statewide finding that it did not have an adequate process in place to permit the timely completion of a complete and accurate schedule of expenditures of federal awards. In addition, IDOC's Compliance Examination report included two findings regarding inadequate controls over grant reporting and failure to timely prepare and submit required reports. As discussed in detail below, we identified weaknesses in IDOC's reporting activities.

Financial Status Reports

According to the *OJP Financial Guide*, FSRs should be submitted within 45 days of the end of the calendar quarter. Funds or future awards may be withheld if reports are not submitted or if reports are submitted late. We reviewed all 28 of the FSRs submitted during the award. Generally, we found the reports to be submitted in a timely manner. However, as shown in Table 6, there were four reporting periods where the reports were late.

TABLE 6. LATE FINANCIAL STATUS REPORT HISTORY

REPORT PERIOD FROM - TO DATE	Date Due	DATE SUBMITTED	DAYS LATE
10/1/2002-12/31/2002	2/14/2003	2/18/2003	4
1/1/2003-3/31/2003	5/15/2003	7/3/2003	49
4/1/2006-6/30/2006	8/14/2006	10/12/2006	59
10/1/2007-12/31/2007	2/14/2008	3/3/2008	18

Source: OIG Analysis of IDOC FSRs and OJP FSR Submission Data

We also reviewed all 28 FSRs for accuracy and found that while some of the reports accurately reflected the grant-funded expenditures for the reporting period, many of the FSRs did not accurately reflect expenditures, as noted in Table 7. As previously reported, the IDOC Grant Accountant stated that \$45,730 in payroll expenses were erroneously paid from another fund during the period covered by the June 30, 2003, report. This error did not affect just one FSR, but was carried forward to following periods.

TABLE 7. FINANCIAL STATUS REPORT ACCURACY⁹

FSR No.	FSR REPORT PERIOD END DATE	GRANT EXPENSES PER FSRs	GRANT EXPENSES PER ACCOUNTING RECORDS	DIFFERENCE BETWEEN FSRs & ACCOUNTING RECORDS	CUMULATIVE SPENDING PER FSR	CUMULATIVE ACCOUNTING RECORD	DIFFERENCE BETWEEN CUMULATIVE SPENDING PER FSR AND CUMULATIVE ACCOUNTING RECORDS
1	9/30/2002	\$0	\$0	\$0	\$0	\$0	0
2	12/31/2002	2,796	2,796	0	2,796	2,796	0
3	3/31/2003	0	0	0	2,796	2,796	0
4	6/30/2003	69,460	23,600	45,860	72,256	26,396	45,860
5	9/30/2003	21,246	1,240	20,007	93,503	27,636	65,866
6	12/31/2003	49,607	43,891	5,716	143,110	71,527	71,583
7	3/31/2004	92,339	115,204	(22,865)	235,449	186,732	48,718
8	6/30/2004	90,460	93,318	(2,858)	325,910	280,050	45,860
9	9/30/2004	67,669	67,669	0	393,579	347,719	45,860
10	12/31/2004	81,924	81,924	0	475,503	429,643	45,860
11	3/31/2005	65,350	65,350	0	540,853	494,993	45,860
12	6/30/2005	60,042	60,042	0	600,895	555,035	45,860
13	9/30/2005	74,758	74,758	0	675,653	629,793	45,860
14	12/31/2005	73,350	73,350	0	749,002	703,143	45,860
15	3/31/2006	141,613	141,613	0	890,615	844,755	45,860
16	6/30/2006	186,929	186,929	0	1,077,544	1,031,684	45,860
17	9/30/2006	88,377	92,005	(3,627)	1,165,921	1,123,689	42,232
18	12/31/2006	141,147	137,519	3,627	1,307,068	1,261,208	45,860
19	3/31/2007	153,417	153,418	(1)	1,460,485	1,414,626	45,860
20	6/30/2007	102,014	47,933	54,081	1,562,500	1,462,359	100,141
21	9/30/2007	0	107,578	(107,578)	1,562,500	1,570,137	(7,637)
22	12/31/2007	50,293	27,643	22,649	1,612,793	1,570,227	42,566
23	3/31/2008	321	321	0	1,613,113	1,570,547	42,566
24	6/30/2008	0	0	0	1,613,113	1,570,423	42,690
25	9/30/2008	5,527	5,527	0	1,618,640	1,576,074	42,566
26	12/31/2008	21,506	21,506	0	1,640,146	1,597,580	42,566
27	3/31/2009	170,691	170,690	0	1,810,837	1,785,030	25,806
28	6/30/2009	\$383,759	\$119,634	\$264,126	\$2,194,596	\$1,904,864	\$289,732

Source: OIG Analysis of IDOC FSRs and Accounting Records

⁹ Differences in total amounts are due to rounding, e.g., the sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded.

Categorical Assistance Progress Reports

According to the *OJP Financial Guide*, progress reports are due semi-annually on January 30 and July 30. The OJP Grants Management System (GMS) included a schedule of progress report due dates with a grace period. As seen in Table 8, there were 14 semi-annual progress reports due for the audited grant. We found 3 reports were submitted on time and the remaining 11 reports were late from 3 to 730 days. As a result, OJP held or froze funding four times until the delinquent reports were submitted. We were unable to determine why several progress reports between July 2002 and June 2007 were submitted late because they were the responsibility of the original Grant Administrator, and he was no longer employed by the state of Illinois. We discussed with the current Grant Administrator the untimely reports submitted after June 2007, and she said the untimeliness was a matter of her time management.

TABLE 8. CATEGORICAL ASSISTANCE PROGRESS REPORT HISTORY

RPT No.	REPORT PERIOD FROM – TO DATES	Due Date	OVERDUE STATUS DATE (REPORT DUE DATE + GRACE PERIOD)	DATE SUBMITTED	DAYS LATE
1	07/01/2002 - 12/31/2002	01/30/2003	02/14/2003	04/08/2003	53
2	01/01/2003 – 06/30/2003	07/30/2003	08/14/2003	08/07/2003	0
3	07/01/2003 – 12/31/2003	01/30/2004	02/14/2004	02/20/2004	6
4	01/01/2004 – 06/30/2004	07/30/2004	08/14/2004	07/30/2004	0
5	07/01/2004 – 12/31/2004	01/30/2005	02/14/2005	02/14/2007	730
6	01/01/2005 – 06/30/2005	07/30/2005	08/14/2005	06/28/2007	683
7	07/01/2005 – 12/31/2005	01/30/2006	02/14/2006	06/28/2007	499
8	01/01/2006 – 06/30/2006	07/30/2006	08/14/2006	07/11/2007	331
9	07/01/2006 – 12/21/2006	01/30/2007	02/14/2007	07/31/2007	167
10	01/01/2007 – 06/30/2007	07/30/2007	08/14/2007	01/18/2008	157
11	07/01/2007 – 12/31/2007	01/30/2008	02/14/2008	02/26/2008	12
12	01/01/2008 – 06/30/2008	07/30/2008	08/14/2008	08/17/2008	3
13	07/01/2008 – 12/31/2008	01/30/2009	02/14/2009	02/01/2009	0
14	01/01/2009 – 06/30/2009	07/30/2009	08/14/2009	10/14/2009	61

Source: OIG Analysis of IDOC Progress Reports and OJP Report Submission Data

We reviewed the last four progress reports and determined that the reports contained information regarding actual accomplishments related to the grant objectives. One report indicated slippage of four program participants who were returned to an IDJJ facility. Overall there was no reported slippage of the established objectives, and there were no reported cost overruns or high unit costs. The grantee submitted a request to change

the project scope, which was approved by OJP on May 1, 2008. We found there was documentation in the case files to support the progress reports. However, the documentation was not correlated with each of the progress reports, and we did not attempt to match the reports with the data.

Progress Metrics Reports

The grantee was also required to submit metrics reports, which were due at the same time as the progress reports listed in Table 8. The metrics reports included performance measures relating to the number of offenders: (1) in the target population; (2) assessed or evaluated as requiring services while incarcerated; (3) received services while incarcerated; (4) participated in any of the service categories post-prison release; (5) employed during first 6 months post-prison release; (6) received mental health treatment; (7) experienced substance abuse; (8) maintained stable housing conditions post-release; (9) received faith-based organization assistance; (10) completed the program; and (11) rearrested or incarcerated within 1 year of release from prison. We were unable to determine what information the original Grant Administrator used to prepare these reports. We reviewed the last four metrics reports, which were prepared by the current Grant Administrator. Metrics report number 11 corroborated the information provided in the corresponding progress report, which indicated IDOC was closing down the Going Home Project. Metrics report numbers 12 through 14 contained information regarding the juvenile participants. However, we did not review the documentation that was used to prepare these reports because the supporting documentation for the two programs was not filed in any organized manner. There was also no criteria that required the grantee to maintain supporting documentation for the reports.

Program Performance and Accomplishments

According to the award documentation, the SVORI grant program was designed to provide funding to state and local units of government to develop and implement an institutional and community corrections-based offender reentry program through collaborative partnerships with government, social service, faith-based, and community organizations to reduce recidivism, increase public safety, and successfully reintegrate serious and violent offenders back into the community. Reentry programs were to be sustained for a 36-month period and were required to partner with a state adult or juvenile correctional agency.

The purpose of this grant was for IDOC to use grant funds to develop and implement a serious and violent offender reentry project. The Illinois Reentry Going Home Project focused its efforts on increasing public safety by

reducing the rate of recidivism among 200 adult males aged 18 to 24 years, and among 10 juveniles aged 14 to 17 years who were to be released to the North Lawndale neighborhood and surrounding communities of Chicago. Through the Going Home Project, IDOC partnered with various service agencies, such as TASC and NLEN, to address the challenges of recidivism, substance abuse, and physical and mental health, as well as to provide support services. The Going Home Project was designed to provide 36 months of comprehensive services for offenders reentering society in a three-phase process, which included: (1) institutionally-based programs; (2) community-based transition; and (3) community-based long-term support.

The goals of the Going Home Project were to: (1) prevent repeat offenders; (2) enhance public safety; (3) redeploy and leverage existing community resources by fostering linkages and accessing currently provided services within the North Lawndale area; (4) assist the offender to avoid crime, engage in pro-social community activities, and meet family responsibilities; and (5) ensure program sustainability. The objectives of the award were specific to each goal and detailed the steps IDOC planned to take to accomplish its goals.

The current Grant Administrator told us that some but not all of the goals and objectives had been implemented. According to an IDOC official, the previous Grant Administrator wrote extremely detailed grant goals and objectives that were not necessarily obtainable as written.

The original goals and objectives as identified by grant officials were consistent with the goals and objectives listed in the grant award documentation, but the program objectives changed as the grant progressed. The focus changed from the Going Home Project that targeted adults and youths who would return to the North Lawndale neighborhood and surrounding areas to juveniles throughout the state. When the Juvenile Division became a separate department within the state of Illinois (the Illinois Department of Juvenile Justice), the target population of participants changed specifically to juvenile participants who were sex offenders and had nowhere else to go. The new direction was to allow juveniles more opportunities for early intervention through the use of effective strategies and programs developed to reduce the 47 percent recidivism rate of the juvenile population. The grantee received OJP approval to make these significant changes to the original grant program. The goals and objectives were similar to those in the original award, but the targeted population changed to juveniles being paroled. IDJJ did not continue to use TASC or NLEN when the focus of the program changed because TASC and NLEN

focused on the Chicagoland area and the grant now included juveniles in halfway homes throughout the state.

Performance measure requirements were listed on the Instructions for Completing OJP Categorical/Discretionary Assistance Progress Reports. Performance indicators were included in the supplemental applications for the Going Home Project, and performance measures were included in the scope adjustment approved by OJP. In addition, the grantee agreed to submit metrics reports and participate in a data collection process measuring output and outcomes.

We were unable to verify the program performance and accomplishments because supporting documentation was not always correlated with the required reports. In addition, as previously stated, the original Grant Administrator was no longer employed by the state of Illinois so we could not ask him about his methods of reporting performance and accomplishments.

However, it was not clear that the initial Going Home Project reduced the recidivism rate because IDOC did not maintain statistics on the participants. IDOC documents indicated 105 participants (or 49 percent) were unsuccessful.¹⁰ We reviewed criminal history information for the 214 Going Home Project participants and found that 92 participants (almost 43 percent) were either charged or convicted of new crimes in the state of Illinois after participating in the program. Of that, 38 were in custody, 29 were on parole, 3 re-entered into the system, 4 were on work release custody, and 18 were discharged from the IDOC system.

We were unable to determine if the goals and objectives of the second juvenile program were met because at the time of our fieldwork the majority of the program participants were still in the program. The Grant Administrator stated that as long as the participant did not violate his parole and continued in the program, she considered the person a successful participant.

Compliance with Grant Requirements

We reviewed the special conditions of the grant award and two supplements and found that IDOC was generally in compliance with the special conditions. However, we found that the state of Illinois was not in compliance with Special Condition Number 3, single audit reporting

¹⁰ IDOC, TASC or NLEN staff referred to a participant as “unsuccessful” when for example an individual was re-arrested, dropped out, or showed no interest in class.

requirements because the state of Illinois did not release its FY 2008 Single Audit Report on time. The state of Illinois and separate IDOC and IDJJ compliance and financial reports were published in August and September 2009. This was discussed in the Single Audit section of this report.

Views of Responsible Officials

We discussed the results of our review with grantee officials throughout the audit and at a formal exit conference. Their comments on specific issues have been included in the appropriate sections of the report. At the exit conference, IDOC officials expressed their concern about the questioned costs we identified and indicated that it appeared that they had experienced some difficulty with specific contractors.

Conclusion

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, made in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments. We identified significant weaknesses in IDOC's internal controls and monitoring of contractors. We also found that drawdowns did not always match expenditures as recorded in the official accounting records and many grant expenditures were unsupported or not listed in the approved grant budget. Finally, we found that reports were not submitted timely and contained inaccurate information. In total, our audit identified \$1,130,196 in dollar-related findings.

The audited grant and supplements have recently ended. However, we believe that the grantee needs to make improvements to its grant management practices and procedures so that future grants are not at risk for fraud, waste, and abuse.

Recommendations

We recommend that the Office of Justice Programs:

1. Require the grantee to ensure that only official accounting records are used to request grant drawdowns.
2. Remedy the \$187,155 in questioned costs related to the February 2010 drawdown for which IDOC's accounting records did not provide adequate support, and ensure that the grantee reconciles the official accounting records to the final Financial Status Report.

3. Remedy the \$152,367 in unallowable and unsupported non-personnel expenditures.
4. Remedy the \$82,655 in unallowable contractor's indirect costs.
5. Remedy the \$708,019 in unallowable and unsupported payroll expenditures.
6. Ensure that IDOC records all grant-funded accountable property in its property management records.
7. Develop and implement adequate procedures for monitoring contractors.
8. Ensure that the grantee develops procedures to submit timely and accurate required reports.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, made in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures; (4) budget management and control; (5) matching costs; (6) property management; (7) program income; (8) financial status, progress, and metrics reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of subgrantees and contractors. We determined that matching costs and program income were not applicable to this grant.

This was an audit of the Serious and Violent Offenders Reentry Initiative grant number 2002-RE-CX-0001 (including two supplements). Our audit concentrated on, but was not limited to, the award of the grant on June 26, 2002, through the post-award final transaction on February 4, 2010. The IDOC had a total of \$2,006,159 in drawdowns through July 30, 2009.¹¹ As of February 4, 2010, IDOC had drawn down \$2,211,356.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide* and the award documents.

In conducting our audit, we performed sample testing in two areas: grant expenditures and property management. In this effort, we initially employed a judgmental sampling designed to obtain broad exposure to numerous facets of the grant reviewed, such as a mix of dollar amounts and expenditure categories. Initial review of the records indicated several transactions were not approved in OJP's Financial Clearance Memoranda and

¹¹ The grant end date was June 30, 2009.

transactions were missing supporting documentation. As a result, we expanded our testing to include the highest dollar value transactions and several judgmentally selected transactions. We also included all transactions related to TASC and NLEN because these two contractors combined accounted for 49 percent of total federal funds received from OJP under this grant. In addition, we reviewed all personal service contractors paid with grant funding, 317 grant expenditures, and 20 items of accountable equipment. This non-statistical sample design does not allow projection of the test results to the universe from which the samples were selected.

In addition, we reviewed all drawdowns; assessed the timeliness and accuracy of FSRs, metrics, and progress reports; evaluated performance to grant objectives; and evaluated the grantee's monitoring of contractors. However, we did not test the reliability of the financial management system as a whole.

**STATE OF ILLINOIS 2008 STATEWIDE SINGLE AUDIT,
IDOC DEPARTMENT-WIDE FINANCIAL AUDIT AND
GENERAL OFFICE COMPLIANCE EXAMINATION, AND
ILLINOIS DEPARTMENT OF JUVENILE JUSTICE
GENERAL OFFICE COMPLIANCE EXAMINATION**

The state of Illinois Statewide Single Audit Report for the year ended June 30, 2008, was released by the State of Illinois, Office of the Auditor General, on August 11, 2009. According to the report, the State expended \$17.3 billion from federal awards in FY 2008, of which the Department of Justice provided \$74,855,000 in federal funding. The single audit report included a matter involving internal control for the Schedule of Expenditures of Federal Awards that was reported as a material weakness applicable to all federal programs. It also reported on certain matters involving internal controls over compliance that were considered significant deficiencies. In all, the single audit report contained 97 findings, of which 58 were repeat findings. One of the repeat findings involved multiple agencies (not IDOC) that had a material weaknesses due to inadequate or lack of on-site monitoring of subrecipients of federal awards. In addition, the Single Audit Report had three findings regarding drawdowns and interest earned (inaccurate interest liability calculations, failure to include interest calculation methodology in the Treasury State Agreement, and failure to draw funds only for immediate cash needs).

We also reviewed the IDOC department-wide financial audit for the year ended June 30, 2008, and the General Office Compliance Examination report for the 2-year period ended June 30, 2008. The auditors reported that IDOC's year-end financial reporting contained numerous inaccuracies and incomplete data. The report contained 47 findings, of which 19 were repeat findings. Some of the findings relevant to the General Office examination were in our opinion similar to those we found while reviewing the SVORI grant, including inadequate controls over grant reporting, weaknesses in contract administration, and failure to timely prepare and submit required reports to mandated entities. Their report also discussed IDOC and IDJJ, and it was reported that IDOC maintained the adult facility resident portion of the Resident's and Employee's Benefit Fund and IDJJ maintained the juvenile resident facility portion and both used one consolidated bank account and commingled their financial activities in the general ledger. The independent auditors reported that IDOC and IDJJ were two separate and distinct agencies whose funds should not be commingled, especially without adequate accounting records and adequate supporting documentation.

In addition, we reviewed the IDJJ's General Office Compliance Examination report for the 2-year period ended June 30, 2008. This report contained 25 findings and 4 of the findings were considered to be material weaknesses in IDJJ's internal controls. Several of the 25 findings that were reported were similar to the conditions we found, including: (1) inaccurate and inadequate equipment and capital asset records; (2) inadequate controls over grant reporting; (3) timesheets not submitted in compliance with the State Officials and Employees Ethics Act; (4) failure to maintain required personnel and payroll documentation; (5) weaknesses in contract administration; (6) inadequate control over voucher processing; and (7) failure to timely prepare and submit required reports to mandated entities.

Finally, both IDOC and IDJJ Compliance Examination reports contained a finding that the departments failed to provide requested engagement documentation in a timely manner or at all and there was a lack of cooperation during the audit.

**EXPENDITURES PER OFFICIAL ACCOUNTING AND
UNOFFICIAL ACCOUNTING RECORDS BY OJP DRAWDOWN**

DATE OF DRAWDOWN PER OJP	AMOUNT DRAWN PER OJP	GRANT EXPENDITURES PER OFFICIAL ACCOUNTING RECORDS FOR DRAWDOWN PERIOD	GRANT EXPENDITURES PER GRANT ACCOUNTANT'S UNOFFICIAL ACCOUNTING RECORDS PER DRAWDOWN PERIOD ¹²
7/9/2003	\$ 27,371	\$ 26,396	26,526
8/22/2003	69,353	1,240	58,402
2/24/2004	43,483	84,278	126,046
5/12/2004	92,340	93,140	73,133
7/20/2004	90,460	53,753	53,489
11/3/2004	67,669	75,196	85,084
3/2/2005	281,924	124,116	81,299
10/21/2005 ¹³	(71,706)	-	-
11/4/2005	81,285	204,188	265,552
2/15/2006	172,055	159,286	162,102
5/1/2006	124,971	139,133	82,266
7/24/2006	95,435	113,745	193,724
11/1/2006	91,880	106,333	90,747
1/5/2007	170,583	85,990	78,657
4/5/2007	200,000	147,832	161,062
9/10/2007	69,865	155,511	146,120
3/5/2008	6,000	611	611
8/20/2008	2,500	-	-
9/18/2008	7,500	5,527	16,700
11/3/2008	17,643	21,506	10,333
2/3/2009	55,594	55,594	101,229
3/18/2009	100,000	131,856	69,461
4/22/2009	69,000	37,407	-
6/24/2009	60,753	82,227	-
7/24/2009	80,200	119,336	-
Total¹⁴	\$2,006,159	\$2,024,200	\$1,882,543

¹² This chart depicts the difference between the OJP drawdowns and the Grant Accountant's unofficial accounting records. The OJP draw down date does not necessarily reflect the same dates as those reflected in the Grant Accountant's unofficial accounting records.

¹³ IDOC refunded \$71,706 on October 21, 2005. According to the Grant Accountant, this refund was made because they realized that they previously requested funds from OJP for expenses that were not approved.

¹⁴ Differences in total amounts are due to rounding.

QUESTIONED NON-PAYROLL EXPENDITURES

CATEGORY	UNSUPPORTED COSTS	UNAPPROVED COSTS	QUESTIONED COSTS
Residential (Other Contractors):			
Children's Home Association	\$16,760	\$0	\$16,760
Fresh Start	930	0	930
Henry's Sober Living	1,404	0	1,404
Institute for Clinical Social Workers	1,861	0	1,861
Nexus	20,491	0	20,491
Residential (Other Contractors) Totals	\$41,446	0	\$41,446
NLEN:			
Travel	\$1,153	\$0	\$1,153
Equipment	7,394	7,394	7,394
Initial Placement Fee	30,300	0	30,300
30-Day Placement Fee	12,500	0	12,500
90-Day Placement Fee	1,300	0	1,300
Drug Testing	135	0	135
Anger Management	11,128	0	11,128
Right Thinking Class	5,250	0	5,250
Working it Out	5,500	0	5,500
Getting the Edge	1,750	0	1,750
Gear up Workshop	6,000	0	6,000
Getting the Grasp It Workshop	750	0	750
Ready for Work	500	0	500
Job Center Rental to IDOC	10,250	10,250	10,250
Church Rental Sinai	800	0	800
Seminar Materials	829	0	829
Clothing Incentive	1,350	0	1,350
NLEN Totals	\$96,889	\$17,644	\$96,889
TASC:			
Travel	\$6,271	\$0	\$6,271
Training	2,332	3,068	3,068
Commodities	962	0	962
Equipment	2,131	0	2,131
Recruitment	1,600	1,600	1,600
TASC Totals	\$13,296	\$4,668	\$14,032
Grand Totals	\$151,631	\$22,312	\$152,367

EXCESS EXPENDITURES OVER APPROVED BUDGET

COST CATEGORY	OJP APPROVED BUDGET (GAN No. 20)	AMOUNT CHARGED TO THE AWARD	EXCEEDS OJP APPROVED CATEGORIES
Personnel	-	-	-
Fringe Benefits	-	-	-
Travel (IDOC)	\$36,171	\$42,861	(\$6,690)
Equipment (IDOC)	6,794	5,798	N/A
Supplies (IDOC)	3,845	2,836	N/A
Construction	-	-	-
Contract/Consultant	13 ¹⁵		
Placement Resources: (various contractors listed)	421,860		
Actual:			
Initial Job Placement (NLEN)		33,800	
30-Day Placement (NLEN)		13,000	
90-Day Placement (NLEN)		1,300	
Various Contractors Housing & Treatment	151,138	598,897	(73,986)
Substance Abuse Treatment: (various contractors listed)	242,338		
Actual: Drug Test (NLEN)		1,200	N/A
Mental Health Treatment:	20,000	-	N/A
NLEN - Salaries/Benefits	291,164	491,204	(200,040)
NLEN Modules:	56,200		
Anger Management Class		18,317	
Right Thinking Class		10,250	
Working It Out Class		10,250	
Getting the Edge		2,500	
Gear Up Workshop		6,000	
Getting the Grasp It Class		750	
Ready For Work Class		1,000	
Job Center Office Space		10,250	
United Baptist Church		12,117	
Mt. Sinai Office Space		800	
Seminar Materials		927	(16,961)
BAJR	43,190	-	N/A
Chicago Project	133,875	-	N/A
TASC - Salaries	273,153	235,217	N/A
TASC – Supplement 1	43,750	-	-
TASC - Travel	1,488	10,039	(8,551)
TASC - Equipment	3,350	8,487	(5,137)
TASC - Supplies	3,600	8,562	(4,962)
TASC - Indirect Costs	7,481	90,136	(82,655)
Personal Service Contracts	304,966	366,092	(61,126)

¹⁵ The summary amounts approved in the Financial Clearance Memoranda did not reconcile to the detail in the narratives. As a result, we adjusted the amount by \$13.

COST CATEGORY	OJP APPROVED BUDGET (GAN No. 20)	AMOUNT CHARGED TO THE AWARD	EXCEEDS OJP APPROVED CATEGORIES
Not Authorized by OJP:			
NLEN – Travel		2,057	(2,057)
NLEN – Equipment	-	7,394	(7,394)
TASC – Training	-	3,068	(3,068)
TASC – Recruitment	-	1,600	(1,600)
IDOC Advertising	-	2,096	(2,096)
Other Costs (IDOC)	32,293	21,545	N/A
Housing Allowance		-	N/A
Utilities		-	N/A
Emergency Housing		-	N/A
Program Transportation		-	N/A
Work Transportation		-	N/A
(Actual Transportation - NLEN)		2,336	N/A
Clothing		-	N/A
(Actual Clothing – NLEN)		1,350	N/A
Stipends		-	N/A
IDA		-	N/A
(Actual IDA – NLEN)		-	N/A
Copy Machine		-	N/A
TOTAL	\$2,365,461	\$2,024,200	N/A¹⁶

¹⁶ We have questioned the majority of these transactions as unapproved costs in the Grant Expenditures section of this report.

SCHEDULE OF DOLLAR-RELATED FINDINGS

	<u>AMOUNT</u>	<u>PAGES</u>
QUESTIONED COSTS: ¹⁷		
Unsupported Post-Award Drawdown	\$187,155	10
Non-personnel Expenditures		
Unapproved Costs (\$22,312)		
Exceeded Approved Budget (\$18,650)		
Unsupported Transactions (\$151,631)	152,367	11-13
Contractor's Indirect Costs Exceeding Approved Budget	82,655	13-14
Contractors' Personnel Expenditures	708,019	14-17
Unapproved Positions (\$518,905)		
Unsupported Transactions (\$398,430)		
TOTAL DOLLAR-RELATED FINDINGS:	\$1,130,196	

Questioned Costs are monies spent that, at the time of the audit, do not comply with legal requirements, or are unsupported, or are unnecessary or unreasonable. They can be recoverable or non-recoverable.

¹⁷ The unapproved expenditures, expenditures reimbursed in excess of approved amounts, and the unsupported expenditures do not add up to the unallowable expenditure totals because several expenditures were unsupported as well as unapproved. Instead of double counting these expenditures we counted each one once to come up with a questioned cost total.

AUDITEE RESPONSE



Illinois
Department of
Corrections

Pat Quinn
Governor

Michael P. Randle
Director

1301 Concordia Court • P.O. Box 19277
Springfield IL 62794-9277

Telephone: (217) 558-2200
TDD: (800) 526-0844

August 17, 2010

Ms. Carol S. Taraszka, Regional Audit Manager
Office of the Inspector General
Chicago Regional Audit Office
500 West Madison Street, Suite 1121
Chicago, Illinois 60661

Dear Ms. Taraszka:

The Serious and Violent Offender Reentry Initiative (SVORI) grant awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) provided the Illinois Department of Corrections (IDOC) the opportunity to implement a variety of comprehensive services for offenders reentering society. The IDOC is committed to administering this and all other grants with the utmost efficiency and effectiveness and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The IDOC, as such, provides the following responses to the Draft Audit Report dated July 29, 2010 related to the SVORI grant awarded to IDOC under grant number 2002-RE-CX-0001.

1. The Illinois Department of Corrections (IDOC) concurs. The IDOC has emphasized the importance to staff of creating and maintaining only official accounting records. The IDOC will ensure that only official accounting records are utilized to request grant drawdowns and, as such, requests this recommendation be closed.
2. The Illinois Department of Corrections (IDOC) concurs. The IDOC will work closely with the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to remedy the \$187,155 in questioned costs related to the February 2010 drawdown. Adequate support will be provided and the official accounting records will be reconciled to the final Financial Status Report. Estimated implementation date: December 31, 2010.
3. The Illinois Department of Corrections (IDOC) concurs. The IDOC will work closely with the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to remedy the \$152,367 in questioned costs related to the non-personnel expenditures. Estimated implementation date: December 31, 2010.
4. The Illinois Department of Corrections (IDOC) concurs. The IDOC will work closely with the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to remedy the \$82,655 in questioned costs related to contractor's indirect costs. Estimated implementation date: December 31, 2010

5. The Illinois Department of Corrections (IDOC) concurs. The IDOC will work closely with the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to remedy the \$708,019 in questioned costs related to payroll expenditures. Estimated implementation date: December 31, 2010.
6. The Illinois Department of Corrections (IDOC) concurs. The IDOC is requiring staff to properly record all grant-funded accountable property in the appropriate property management records and, as such, requests this recommendation be closed.
7. The Illinois Department of Corrections (IDOC) concurs. The IDOC has developed and implemented adequate procedures for monitoring contractors. Staff are required to ensure appropriate records are maintained and supporting documentation is readily available for review and, as such, requests this recommendation be closed.
8. The Illinois Department of Corrections (IDOC) concurs. The IDOC has procedures in place to ensure that required reports are submitted timely and accurately. The IDOC has emphasized the importance and will ensure that staff follow these established procedures and, as such, requests this recommendation be closed.

As stated previously, the Illinois Department of Corrections (IDOC) is committed to ensuring the grant process is administered and conducted appropriately and accurately. The IDOC will implement the appropriate corrective action(s) necessary to address and remedy any outstanding issues at the conclusion of the audit as identified in the final report. If you have any questions or concerns, please feel free to contact Brett A. Finley, Chief Internal Auditor, at (217) 558-2200, extension 4485.

Sincerely,

Michael P. Randle
Director

cc: Jeffery A. Haley, Deputy Director, Office of Audit, Assessment & Management
Linda J. Taylor, Lead Auditor, Office of Audit, Assessment, & Management
Christina Davis-Wade, Audit Liaison Specialist, Office of Audit, Assessment & Management
Gladys C. Taylor, Acting Assistant Director, IDOC
Brett A. Finley, Chief Internal Auditor, IDOC
Bryan Gleckler, Chief Financial Officer, IDOC

OFFICE OF JUSTICE PROGRAMS RESPONSE



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

August 26, 2010

MEMORANDUM TO: Carol S. Taraszka
Regional Audit Manager
Office of the Inspector General
Chicago Regional Audit Office

FROM: /s/
Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, Bureau of Justice Assistance, Grant Awarded to the Illinois Department of Corrections, Springfield, Illinois*

This memorandum is in response to your correspondence, dated July 29, 2010, transmitting the subject draft audit report for the Illinois Department of Corrections (IDOC). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **eight** recommendations and **\$1,130,196** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

- 1. We recommend that OJP require the grantee to ensure that only official accounting records are used to request grant drawdowns.**

We agree with the recommendation. We will coordinate with the IDOC to obtain a copy of implemented procedures to ensure that only official accounting records are used to request grant drawdowns.

2. **We recommend that OJP remedy the \$187,155 in questioned costs related to the February 2010 drawdown for which IDOC'S accounting records did not provide adequate support, and ensure that the grantee reconciles the official accounting records to the final Financial Status Report.**

We agree with the recommendation. We will coordinate with the IDOC to remedy the \$187,155 in questioned costs related to the February 2010 drawdown for which IDOC'S accounting records did not provide adequate support, and ensure that the grantee reconciles the official accounting records to the final Financial Status Report.

3. **We recommend that OJP remedy the \$152,367 in unallowable and unsupported non-personnel expenditures.**

We agree with the recommendation. We will coordinate with the IDOC to remedy the \$152,367 in unallowable and unsupported non-personnel expenditures.

4. **We recommend that OJP remedy the \$82,655 in unallowable contractor's indirect costs.**

We agree with the recommendation. We will coordinate with the IDOC to remedy the \$82,655 in unallowable contractor's indirect costs.

5. **We recommend that OJP remedy the \$708,019 in unallowable and unsupported payroll expenditures.**

We agree with the recommendation. We will coordinate with the IDOC to remedy the \$708,019 in unallowable and unsupported payroll expenditures.

6. **We recommend that OJP ensure that IDOC records all grant-funded accountable property in its property management records.**

We agree with the recommendation. We will coordinate with the IDOC to obtain a copy of implemented procedures ensuring that all grant-funded accountable property items are recorded in IDOC's property management records.

7. **We recommend that OJP develop and implement adequate procedures for monitoring contractors.**

We agree with the recommendation. We will coordinate with the IDOC to develop and implement adequate procedures for monitoring its contractors.

8. **We recommend that OJP ensure that the grantee develops procedures to submit timely and accurate required reports.**

We agree with the recommendation. We will coordinate with the IDOC to obtain a copy of implemented procedures developed to ensure that required reports are accurate and timely submitted.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

cc: Jeffery A. Haley
Deputy Director, Audit and Review Division
Office of Audit, Assessment, and Management

cc: Amanda LoCicero
Budget Analyst
Bureau of Justice Assistance

Judy Poston
Program Manager
Bureau of Justice Assistance

Richard P. Theis
Assistant Director
Audit Liaison Group
Justice Management Division

OJP Executive Secretariat
Control Number 20101638

OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

We provided the Illinois Department of Corrections (IDOC) and Office of Justice Programs (OJP) our draft audit report for review and comment. The response that we received from the IDOC has been incorporated into our report as Appendix VII, and the response that we received from OJP has been incorporated into our report as Appendix VIII. In our analysis below, we respond to any relevant comments and detail the actions necessary to close each of the recommendations.

Recommendation Number:

1. **Resolved.** In response to the draft report, OJP agreed with the recommendation and will coordinate with IDOC to obtain a copy of implemented procedures to ensure that only official accounting records are used to request grant drawdowns. The grantee stated that IDOC management met with the accounting staff on August 12, 2010, to emphasize the importance of creating and maintaining only official accounting records and to ensure that only those records are used to request grant drawdowns.

To close this recommendation, please provide us with a copy of the implemented procedures to ensure that only official accounting records are used to request grant drawdowns.

2. **Resolved.** In response to the draft report, OJP agreed with the recommendation and will coordinate with IDOC to remedy the questioned costs related to the February 2010 drawdown and ensure that the grantee reconciles the official accounting records to the final Financial Status Report. IDOC stated that it will work closely with OJP/BJA to remedy the \$187,155 in questioned costs. Specifically, IDOC stated that adequate support will be provided and the official accounting records will be reconciled to the final Financial Status

Report and anticipates completion by approximately December 31, 2010.

To close this recommendation, please provide us with evidence that the \$187,155 in questioned costs has been appropriately remedied.

3. **Resolved.** In response to the draft report, OJP agreed with the recommendation and will coordinate with IDOC to remedy the questioned costs. In its response, IDOC stated that it will work closely with OJP to remedy the \$152,367 in questioned costs related to the non-personnel expenditures and anticipates completion by approximately December 31, 2010.

To close this recommendation, please provide us with evidence that the \$152,367 in unallowable and unsupported non-personnel expenditures has been appropriately remedied.

4. **Resolved.** In response to the draft report, OJP agreed with the recommendation and stated that it will coordinate with IDOC to remedy the unallowable contractor's indirect costs. IDOC stated that it will work with OJP/BJA to remedy the \$82,655 in questioned costs related to the contractor's indirect costs.

To close this recommendation, please provide us with evidence that the \$82,655 in unallowable contractor's indirect costs has been appropriately remedied.

5. **Resolved.** In response to the draft report, OJP agreed with the recommendation and will coordinate with IDOC to remedy the unsupported payroll expenditures. IDOC stated that it will work closely with OJP/BJA to remedy the \$708,019 in questioned costs related to payroll expenditures.

To close this recommendation, please provide us with evidence that the \$708,019 in unallowable and unsupported payroll expenditures has been appropriately remedied.

6. **Resolved.** In response to the draft report, OJP agreed with the recommendation and will coordinate with IDOC to obtain a copy of implemented procedures ensuring that all grant-funded accountable property items are recorded in IDOC's property management records. IDOC stated that it is requiring staff to properly record all grant-funded accountable property in the appropriate property management records. The grantee also provided (under separate cover) IDOC

Administrative Directive 02.28.120, Grant Accounting and Fiscal Activity, which indicates all property control procedures shall be the same as those for Property Control and Vehicles Directives in Sections 02.70 and 02.75.

To close this recommendation, please provide IDOC Administrative Directives 02.70 and 02.75 and supporting documentation that shows IDOC recorded all grant-funded accountable property in its property management records.

7. **Resolved.** In response to the draft report, OJP agreed with the recommendation and will coordinate with IDOC to develop and implement adequate procedures for monitoring contractors. In its response, IDOC stated that it has developed and implemented adequate procedures for monitoring contractors and provided (under separate cover) IDOC's Administrative Directive 02.20.182, Contract Monitoring. This Directive broadly defines the responsibilities for monitoring services rendered and discusses the monitoring process and reporting procedures.

To close this recommendation, please provide evidence that IDOC's procedures are being implemented.

8. **Resolved.** In response to the draft report, OJP agreed with the recommendation and will coordinate with IDOC to obtain a copy of implemented procedures developed to ensure that the required reports are accurate and timely submitted. IDOC stated that it has procedures in place to ensure that required reports are submitted timely and accurately, and will ensure that staff follow these established procedures. IDOC also provided (under separate cover) Administrative Directive 02.50.101, Requests for Grants, that states the program manager shall ensure all state and federal requirements of the grant are met, including preparation of monthly or quarterly program reports. However, this directive does not discuss the accuracy and timeliness of reports.

To close this recommendation, please provide evidence that the grantee developed and implemented procedures to ensure that it submits timely and accurate required reports.