

LEGISLATIVE
AUDIT
COMMISSION



Review of
Court of Claims
Two Years Ended June 30, 1999

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**REVIEW: 4125
COURT OF CLAIMS
TWO YEARS ENDED JUNE 30, 1999**

**FINDINGS/RECOMMENDATIONS - 4
IMPLEMENTED - 4**

REPEATED RECOMMENDATIONS - 0

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 4

This review summarizes the audit of the Illinois Court of Claims for the two years ended June 30, 1999, filed with the Legislative Audit Commission March 9, 2000. The auditors performed a financial and compliance audit in accordance with State law and the Federal Single Audit Act and OMB Circular A-133. The auditors stated that the financial statements were fairly presented.

The Court of Claims consists of seven judges who are required to be attorneys licensed to practice law in the State of Illinois. The Court of Claims has exclusive jurisdiction to hear all claims regarding any contract with the State of Illinois; torts committed by agents of the State; time unjustly served by innocent persons in Illinois prisons; torts committed by escaped inmates of State-controlled institutions; and recovery of funds deposited with the State pursuant to the Motor Vehicle Financial Responsibility Act. The Court of Claims also administers assistance programs to compensate the families of law enforcement officers, fire fighters, and National Guard members killed in the line of duty, and has the authority to pay awards to innocent victims of violent crimes as authorized by the Crime Victims Compensation Act.

The Honorable Roger A. Sommer served as Chief Justice of the Court through February 8, 1999. At that time, Andrew M. Raucci was appointed Chief Justice of the Court. Judges are appointed to six-year staggered terms by the Governor with the advice and consent of the Senate. In addition, the Court has statutory authority to appoint commissioners to assist the Court as it directs and discharges them at will. Each commissioner is also required to be an attorney licensed to practice law in the State.

Effective January 1999, the Honorable Jesse White, Secretary of State, began serving as Clerk of the Court. The Honorable George Ryan served as Clerk of the Court prior to that time. Katherine Parker served as Deputy Clerk throughout most of the audit period. On May 1, 1999 Ellen Schanzle-Haskins was appointed Deputy Clerk. The Secretary of State provided seven employees who performed administrative, accounting, and clerical duties. In addition, the Secretary provided the Court with courtrooms, chambers, office space, and computer services.

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The Honorable Jim Ryan, Attorney General, appeared for the defense and protection of the interest of the State in all cases filed in the Court and made claims for recoupment by the State during the audit period.

The average number of persons, excluding the seven judges, employed by the Court is as follows:

	FY99	FY98	FY97
Full-Time Employees:			
Court Administrator	1	1	1
Deputy Administrator	1	0	0
Legal Counsel	1	1	1
Secretary	1	1	1
Administrative Clerk	1	1	0
Subtotal	5	4	3
Part-Time Employees:			
Deputy Administrator	0	1	1
Commissioners	16	15	14
Commissioners' Secretaries	5	7	19
Judges' Secretaries	7	7	0
Law Clerks	7	6	6
Subtotal	35	36	40
Total Employees	40	40	43

Appendix A provides information on the number of claims pending against the State, as well as information on the final decisions.

Expenditures From Appropriations

Appendix B presents a summary of appropriations and expenditures for the two-year period under review and FY97. The Court of Claims receives General Revenue Fund appropriations for the ordinary and contingent expenses of the Court. In addition, appropriations are received from other funds to make payments for awards made by the Court in accordance with the Court of Claims Act and the Crime Victims Compensation Act. The General Assembly appropriated a total of \$35,633,596 (\$28,875,330 from the General Revenue Fund) during FY99. In addition, the General Assembly appropriated \$732,471 from the Road Fund and \$6,025,795 from numerous other funds. Total expenditures decreased from \$32,018,769 in FY97 to \$27,718,776 in FY98, and then increased to \$35,380,510 in FY99. The increase in FY99 expenditures was due to a higher volume of cases processed for

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claims related to the Crime Victims Compensation Act. In addition, the average award amount rose by 17% in FY99.

Lapse period expenditures were almost 19% for the agency in FY99. About 67% of lapse period expenditures were payments to crime victims. These payments were deferred until late May, when a supplemental bill was approved to “catch up” award payments.

Property and Equipment

The property balance as of July 1, 1997 was \$115,368, and as of June 30, 1999 increased to \$115,465. According to the audit report these amounts were reconciled to property records submitted to the Office of the Comptroller.

Accountants' Findings and Recommendations

Condensed below are the four findings and recommendations included in the audit report. There are no repeat findings. The following recommendations are classified on the basis of information provided by Matthew J. Finnell, Court Administrator, on September 28, 2000, and a letter received from Ellen Schanzle-Haskins, Deputy Clerk, dated June 22, 2000.

Implemented

- 1. Strengthen controls over cash receipts and refunds by the following:**
 - **Performing independent, monthly reconciliations between the Court's cash receipts and deposit records and the Comptroller's deposit records.**
 - **Segregating duties to ensure effective internal controls over the recordkeeping and custody of cash receipts.**
 - **Making timely deposits of receipts into the State Treasury.**

Findings: The Court of Claims did not have adequate controls over cash receipts and refunds. Cash receipts and refunds were received by the Court then deposited into the State Treasury. The following control deficiencies were noted:

- Cash receipts records were not reconciled to the Court's or the Comptroller's deposit records monthly. The Court misclassified two filing fee deposits overstating receipts reported to the Comptroller by \$2,061. The auditors also noted some mathematical inaccuracies and an unreconcilable difference between Court and Comptroller reports totaling \$447 in FY99.
- Inadequate segregation of duties over cash receipts.
- One receipt totaling \$15 was deposited 30 days late.

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Court personnel state that adequate segregation of duties was not maintained and monthly reconciliations were not performed due to understaffing. Other cash receipts exceptions were due to errors, oversight, and lack of proper reconciliations.

Implemented - concluded

Response: Implemented. The staff of the Deputy Clerk's Office has now, with assistance from the Auditor General's staff, put into place a plan to segregate the duties of recordkeeping and custody of cash receipts, has endeavored to make timely deposits of receipts into the State Treasury, and has formulated a plan with the assistance of the Court Administrator's staff to perform monthly reconciliations between the Court's cash receipts and deposit records and the Comptroller's deposit records. (Deputy Clerk Response)

- 2. Ensure that all equipment under the Court's jurisdiction is recorded accurately on property records; file the Agency Report of Fixed Assets in a timely manner in accordance with SAMS; and prepare and submit the required annual property reports to DCMS in accordance with DCMS rules.**

Findings: The Court did not comply with applicable regulations and did not maintain sufficient controls over fixed asset reporting. The auditors noted the following:

- Agency property records were inaccurate. One capital lease, valued at \$11,990, was not recorded on property records. One property deletion, which was valued at \$3,275, was not removed from property records. Six of 37 property items could not be traced to property records, and one item was not recorded at the proper cost on Agency property records.
- The Court did not timely file the quarterly Agency Report of Fixed Assets. During the audit period, seven of eight reports were filed four to 144 days late.
- The Court did not file the required property listing with DCMS of all equipment items valued in excess of \$500.

Court personnel state that inaccuracies in property records were due to human error, and that reports and property listing were not filed timely due to oversight and lack of staff.

Response: Implemented. To comply with the recommendations, the Court has reassigned inventory responsibilities to a less overburdened person. (Court of Claims Response)

- 3. Include all refunds on the Certification forms to ensure compliance with the Crime Victims Compensation program.**

Findings: The Court did not properly complete the Eligible State Payment Certification forms for the Crime Victims Compensation Grant resulting in an over-award of more than

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\$12,000. The Court did not include all refunds received in the calculation of State funded payments eligible for reimbursement.

Response: Implemented. Since being made aware of this oversight, the Court has established a means for properly reporting all such refunds for future certification periods. In addition, the Court developed a Corrective Action Plan to ensure compliance with the federal grant agreement. (Court of Claims Response)

4. Strengthen controls over personal services by conducting annual performance evaluations of all full-time employees, and establishing appropriate controls over daily attendance. Document approval of employee leave time and reconcile attendance records with leave requests to ensure accurate timekeeping records.

Findings: The Court did not have adequate controls over personal services. The auditors noted that the Court did not conduct performance evaluations of full-time employees. Court personnel stated that they have not evaluated employees because the Court does not have formal evaluations procedures.

The Court did not exercise adequate controls over employee attendance. No leave requests or authorizations for employee time off were required for two of three employees tested. In addition, the Court used a negative timekeeping system, which only required documentation of employee absences rather than documenting daily attendance.

Response: Implemented. The Court will conduct annual performance evaluations of all full-time employees. Performance evaluations may have been conducted annually during the audit period by the Chief Justice on a form approved by him. The Court acknowledges that completed forms were not placed in the personnel files maintained at the main office in Springfield. The Court pointed out that it has only five full-time employees who are all located in the same small building. Negative timekeeping is not necessarily inaccurate, and no significant errors were found, and the Court has not experienced problems with the method used. However, the Court will strengthen its timekeeping methods, but not necessarily to the extent recommended. (Court of Claims Response)

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in

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State services or to insure the integrity of State records. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY98 and FY99, the Court of Claims filed no affidavits for n emergency purchases.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Court of Claims indicated on June 28, 1999 that the Court had no officers or employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

