



Office of the County Auditor  
**Shelly A. Banks, C.P.A.**

Cook County Auditor  
69 West Washington, Suite 2200 • Chicago, Illinois 60602 • (312) 603-1500

**TONI PRECKWINKLE**

PRESIDENT

**Cook County Board  
of Commissioners**

EARLEAN COLLINS

1st District

ROBERT STEELE

2nd District

JERRY BUTLER

3rd District

STANLEY MOORE

4th District

DEBORAH SIMS

5th District

JOAN PATRICIA MURPHY

6th District

JESUS G. GARCIA

7th District

EDWIN REYES

8th District

PETER N. SILVESTRI

9th District

BRIDGET GAINER

10th District

JOHN P. DALEY

11th District

JOHN A. FRITCHEY

12th District

LARRY SUFFREDIN

13th District

GREGG GOSLIN

14th District

TIMOTHY O. SCHNEIDER

15th District

JEFFREY R. TOBOLSKI

16th District

ELIZABETH ANN DOODY GORMAN

17th District

October 21, 2014

The Honorable Toni Preckwinkle, President  
And Board of Cook County Commissioners  
118 N. Clark Street, Room 537  
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Chief Judge Juvenile Justice Special Revenue Fund in accordance with the [Cook County Auditor Ordinance](#).

Our objectives were designed to evaluate the Chief Judge Juvenile Justice Fund account balance at November 30, 2013, and the related probation salary reimbursement process administered by the Administrative Office of the Illinois Courts (AOIC).

Please refer to the following audit report for the results of the audit. The audit report contains two (2) audit findings. The [Executive Summary](#) provides an overview of the audit and the conclusions reached.

We express our appreciation for the assistance of all department staff extended to Afaf Qayyum during the course of our audit. We have discussed our findings with the relevant County management staff and would be pleased to discuss our recommendations in greater detail in order to assist management with their implementation of our recommendations.

Respectfully Submitted,

Shelly A. Banks, CPA  
Cook County Auditor

cc: Andrea Gibson, Budget Director  
Lawrence Wilson, Comptroller  
James Anderson, Chief Financial Officer Office of the Chief Judge



COOK COUNTY GOVERNMENT  
OFFICE OF THE COUNTY AUDITOR

Chief Judge Juvenile Justice Fund

Internal Audit Report

Report Date: October 2014

Issued By:  
Shelly A. Banks, County Auditor

Audit Conducted By:  
Afaf Qayyum, Field Auditor IV  
William Carroll, Audit Supervisor

## EXECUTIVE SUMMARY

We have completed an audit of the Chief Judge's Juvenile Justice Special Revenue Fund for the period ended November 30, 2013. Our audit included analyzing the fund's revenues and expenditures since its inception to determine the cause of the negative fund balance of \$15,336,195 as of November 30, 2013.

The scope and objectives of our audit were designed to evaluate the Chief Judge Juvenile Justice Fund account balance at November 30, 2013 and the related probation salary reimbursement process administered by the Administrative Office of the Illinois Courts (AOIC).

We concluded that the large deficit fund balance in the Chief Judge Juvenile Justice Fund was not the result of a process problem of the funds received from the AOIC for salary reimbursement. In fact, the deficit is due to the insufficiency of the sole source of revenue to cover the expenditures of the fund.

The two findings and recommendations noted during our audit were discussed with the management of the appropriate departments. Their responses are included in the [findings summary section](#) of our report.

## BACKGROUND

The Chief Judge Juvenile Justice Fund was established to receive supplemental funding for additional juvenile officer positions. This funding was made available through the Juvenile Justice Reform Act (Public Act 90-590). Revenues are received from the Illinois Supreme Court, Administrative Office of the Illinois Courts (AOIC).

Each year the Illinois Supreme Court approves the State's Fiscal Year probation funding formula. Using this formula, the AOIC determines the probation reimbursement allocation amount for the Circuit Court of Cook County. For the State's Fiscal Year (SFY) 2014, which runs from July 1, 2013 through June 30, 2014, the total allocation for Cook County was \$21,359,063. The budgeted amount of \$21,359,063 is then broken down further by department and revenue type. The following is the 2014 allocation by department and revenue type:

Adult Probation - Total Award	\$12,213,442
Award Allocation	
Grants-in-Aid	\$6,013,442
Salary Subsidy	\$3,200,000
Pre-Trial	\$3,000,000
Social Service - Total Award	\$4,636,676
Award Allocation	
Grants-in-Aid	\$3,513,676
Salary Subsidy	\$1,123,000
Juvenile Probation -Total Award	\$4,508,945
Award Allocation	
Grant-in-Aid	\$2,508,945
Salary Subsidy	\$2,000,000

All the budgeted funds for the above departments and revenue types are credited to the Public Safety Fund (1100) when received with the exception of the funds received for the Juvenile Probation, Grant-in-

Aid allocation. The funds received for the Juvenile Probation, Grant-in-Aid allocation are distributed between the Public Safety Fund (1100) and the Chief Judge Juvenile Justice Fund (1836). The amount credited to Chief Judge Juvenile Justice Fund (1836) from the Juvenile Probation, Grant-in-Aid allocation is the only source of revenue for the fund.

Each month the Office of the Chief Judge prepares a separate invoice voucher for each department and revenue type as listed above. For the Juvenile Probation, Grant-in-Aid allocation, a separate invoice voucher is prepared for the salary reimbursement applicable to the Public Safety Fund (1100) and the salary reimbursement applicable to the Chief Judge Juvenile Justice Fund (1836). Each invoice voucher submitted to the AOIC specifies the amount of salary reimbursement for a particular month and year.

Using the invoice vouchers prepared by the Office of the Chief Judge, the Comptroller’s Office records the accounts receivable and corresponding revenue entry for each fund in JD Edwards. As the payments/reimbursements are received from the AOIC, an entry is made in JD Edwards to record the cash and reduce the accounts receivable.

## AUDIT SCOPE AND OBJECTIVES

Our objectives were designed to evaluate the Chief Judge Juvenile Justice Fund account balance and the related probation salary reimbursement process administered by the Administrative Office of the Illinois Courts (AOIC). Our objectives included determining if:

- The amount reimbursed by the Administrative Office of the Illinois Courts (AOIC) for probation salaries was based on a budget.
- The payments received from the AOIC identified the department and revenue type for salary reimbursement.
- The payments received for salary reimbursement were recorded to the proper fund and allocated correctly by the Cook County Comptroller’s office.
- The accounts receivable balance due from the AOIC at November 30, 2013 is collectible.
- Invoice vouchers were prepared on a monthly basis and submitted to the AOIC.
- The invoice vouchers submitted to the AOIC were properly supported.

## AUDIT RESULTS

Based on our audit, we concluded that the large deficit fund balance in the Chief Judge Juvenile Justice Fund (1836) was not the result of a process problem of the funds received from the AOIC for salary reimbursement. In fact, the deficit is due to the insufficiency of the sole revenue source to cover the expenditures of the fund. Presented below is a roll forward of the fund balance since its inception.

Fund Balance – Inception FY 1999	-
Payroll Difference (Actual/Reimbursed)	(7,704,854)
State Funds Exhausted (Revenue Written-Off)	(3,022,195)
Fringe Benefits/Miscellaneous Expenditures	(3,049,602)
Cook County Administration	<u>(1,559,544)</u>
Fund Balance at November 30, 2013	<u>(15,336,195)</u>

As the analysis indicates, the funds received from the AOIC fall substantially short of the actual payroll expenditures by \$7,704,854 and another \$3,022,195 in anticipated revenue was written off because it exceeded the total funds awarded by the AOIC. The remaining two categories were not salary related and therefore, not eligible for reimbursement from the AOIC.

In addition, our audit of the \$10.3 million accounts receivable balance in the Chief Judge Juvenile Justice Fund (1836) at the end of November 30, 2013, reveals that approximately \$8.5 million of the balance is uncollectible. Our analysis of the accounts receivable balance indicates that it includes balances as far back as January 2010 thru the current year and that all budgeted funds from the AOIC for that time period have been received. Therefore, after taking into account AOIC funds collected after November 30, 2013, we conclude that approximately \$8.5 million of the account receivable balance is uncollectible.

When factoring in the \$8.5 million in uncollectable receivables and the \$2.4 million in deferred revenue as of November 30, 2013, the deficit fund balance in the Chief Judge Juvenile Justice Fund is nearly \$21.4 million. Based on this analysis, the deficit fund balance will continue to grow in future periods because the revenue source is not sufficient to cover the expenditures of the fund.

## FINDINGS SUMMARY

### **Finding #1:**

The Chief Judge Juvenile Justice Special Revenue Fund accounts for more than the original intended purpose of hiring additional officers. The Juvenile Justice Special Revenue Fund was created many years ago when the State of Illinois agreed to provide supplemental funding for additional juvenile officers positions. Through the years, it appears that the fund has evolved into a subsidy to reimburse probation officer salaries as opposed to an allocation for the specific purpose of hiring additional probation officers.

### **Recommendation:**

We recommend discontinuing the use of the Chief Judge Juvenile Justice Special Revenue Fund since the fund's structure no longer appears to meet the original purpose of hiring additional probation officers. The activity in the special revenue fund could be accounted for in the public safety fund.

### **Management Responses:**

#### **Budget and Management and Comptroller's Office Combined Response:**

The Department of Budget and Management Services and the Comptroller's Office concur with the recommendation for Finding #1 to discontinue the use of the Chief Judge Juvenile Justice Special Revenue Fund (538 fund). In the 2015 budget recommendation, there will be no 538 fund, and all expenses and revenues previously accounted for in this fund will be shifted to the Public Safety fund.

#### **Office of the Chief Judge Response:**

The original structure of the Special Revenue Fund No. 538 was recommended by the county in the late 1990s to account for new funds available from the state to provide additional staff resources for the Juvenile Probation and Court Services Department. The supplemental state funding was subsequently discontinued. Pursuant to 730 ILCS 110/15(4), the salaries of juvenile probation officers in the fund are now subject to state reimbursement, like most other county probation officers.

The Office of the Chief Judge concurs with the recommendation for Audit Finding #1 to discontinue the use of the fund and transfer the salaries of the officers recorded there to the budget of the Juvenile Probation and Court Services Department 326, effective in FY2015.

### **Finding #2:**

Our analysis of the Juvenile Justice Special Revenue Fund accounts receivable balance at November 30, 2013, indicated that only \$1.8 million of the \$10.3 million balance appears to be collectible. We noted that the accounts receivable balance included balances as far back as January 2010 thru the current year and that all budgeted funds from the AOIC for that time period have been received.

**Recommendation:**

We recommend that the Office of the Chief Judge analyze the accounts receivable balance for collectability. In addition, we recommend that the accounts receivable balance be structured in a manner that allows continual comparability to the budgeted amount from the AOIC for the same time period. If it is determined that all the budgeted funds from the AOIC have been received for the specific time period, then the remaining accounts receivable balance for that time period should be written off as uncollectible.

**Management Responses:**

**Budget and Management and Comptroller’s Office Combined Response:**

The Comptroller’s Office concurs with the recommendation for Finding #2 to reduce the Fund 538 accounts receivable balance in the amount of \$8,461,877.86. The Comptroller's Office will prepare and record the necessary adjusting journal entries to reduce the receivable balance in the amount of \$8,461,877.86 and to close the 538 fund.

**Office of the Chief Judge Response:**

Due to fiscal problems in recent years, the State of Illinois has significantly underfunded its statutory obligations to reimburse all Illinois counties for the cost of probation officer salaries, under 725 ILCS 185/33 and 730 ILCS 110/15(4). As a result, Cook County has borne unreimbursed probation officer salaries recorded in both the County General Fund and in Special Revenue Fund No. 538 by tens of millions over the past decade. In Cook County, subsidies to reimburse the salaries of juvenile officers have been particularly hard hit. Year after year, the state has designated a disproportionately large share of (already reduced) subsidies to reimburse Adult Probation and the Social Service Department salaries (included in the Cook County budget as part of the General Fund), reserving a smaller relative share for the Juvenile Probation Department. As a result, a larger proportional share of the subsidies has been recorded in the County General Fund, rather than in Fund 538.

The following is a summary of state subsidy allocations compared to reimbursement requests filed with the state, in accordance with state statutes, for the last three state fiscal years ended June 30, 2014:

	Adult Probation	Social Service	Juvenile Probation	Total
Reimbursement requests filed by the Office of the Chief Judge for three years ended June 30, 2014	\$38,087,096	\$14,613,584	\$33,359,897	\$86,060,577
State reimbursement allocations	32,980,620	13,060,110	16,590,286	62,631,016
Percentage of state allocations to reimbursement requests	86.6%	89.4%	49.7%	72.8%

Further complications have arisen over the years because the state has consistently designated reimbursements for salaries of officers in both Department 326 and Fund No. 538 with no regard to the distinctions between them. The county has followed the state accounting to the letter. As a result, unreimbursed salaries have been accruing and accumulating on the books of Fund No. 538.

The Office of the Chief Judge concurs with the county's recommendation to correct the imbalance in the application of subsidy payments by closing Fund No. 538 and writing off the receivable. From this point forward, all subsidy revenues will be recorded in the General Fund to reimburse General Fund salaries.