

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

Compliance Examination

For the Year Ended December 31, 2019

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



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THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
 (A Component Unit of the State of Illinois)
 Compliance Examination
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Tollway Officials

Executive Director	Jose R. Alvarez (from 5/1/2019) Vacant (3/16/2019 through 4/30/2019) Elizabeth Gorman (through 3/15/2019)
Chief Operating Officer	Derek Messier (from 9/17/2019) Kevin Artl (1/1/2019 through 9/16/2019)
Chief Financial Officer	Michael Colsch
Controller	Patricia Pearn
General Counsel	Kathleen Pasulka-Brown (from 4/8/2019) Robert T. Lane (Acting) (1/1/2019 through 4/7/2019)

Tollway's Central Administrative offices are located at:

2700 Ogden Avenue
Downers Grove, Illinois 60515



June 17, 2020

CliftonLarsonAllen LLP
1301 West 22nd Street, Suite 1100
Oak Brook, IL 60523

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois State Toll Highway Authority (the Tollway). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Tollway’s compliance with the following specified requirements during the year ended December 31, 2019. Based on this evaluation, we assert that during the year ended December 31, 2019, the Tollway has materially complied with the assertions below.

- A. The Tollway has obligated, expended, received, and used public funds of the Tollway in accordance with the purpose for which such funds have been authorized by law.
- B. The Tollway has obligated, expended, received, and used public funds of the Tollway in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Tollway has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The revenues and receipts collected by the Tollway are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Tollway or held in trust by the Tollway have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois State Toll Highway Authority

SIGNED ORIGINAL ON FILE

Jose Alvarez, Executive Director

SIGNED ORIGINAL ON FILE

Kathleen Pasulka-Brown, General Counsel

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Cathy Williams, Chief Financial Officer

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Compliance Report

Summary

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountants' Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Findings

Number of:	Current report	Prior report
Findings	5	8
Repeated findings	5	5
Prior recommendations implemented or not repeated	3	2

Schedule of Findings

Item No.	Page	Last Reported	Description	Finding Type
<u>Findings (State Compliance)</u>				
2019-001	12	2018	Inadequate Control over Completion and Retention of I-9 Forms	Significant Deficiency and Noncompliance
2019-002	14	2018	Inadequate Procedures to Approve Timecards	Significant Deficiency and Noncompliance
2019-003	16	2018	Failure to Fully Comply with the Tollway Highway Act	Significant Deficiency and Noncompliance
2019-004	17	2018	Noncompliance with Toll Highway Act Reporting Requirements	Significant Deficiency and Noncompliance
2019-005	19	2018	Inadequate Procedures for Approval of Vendor Invoices	Significant Deficiency and Noncompliance

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Prior Year Findings Not Repeated

Item No.	Page	Last Reported	Description
A	21	2018	Errors and Deficiencies Related to Classification and Presentation
B	21	2018	Inadequate Procedures for Reporting Accounts Receivable to the Illinois Office of the Comptroller
C	21	2018	Inadequate Controls over Hiring Forms

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Exit Conference

This report was discussed with the Authority at an exit conference on June 15, 2020.

Attending were:

The Illinois State Toll Highway Authority

Alice Gallagher	Board of Director/ Audit Committee Chair
Jose R. Alvarez	Executive Director
Derek Messier	Chief Operating Officer
Cathy Williams	Chief Financial Officer
Cassandra Rouse	Chief of Administration
Shaun Farmer	Chief Internal Auditor
Kimberly Ross	Chief Administrator Officer
Kathleen Pasulka-Brown	General Counsel
Joseph Kambich	Chief of Information Technology
Richard Bossert	Chief of Communications
Patricia Taylor	Chief of Operations
Patricia Pearn	Controller
Anthony Asta	EIS Manager
Theodore Hengesbach	Inspector General
Dee Brookens	Chief Procurement and Compliance Officer
Paul Kovacs	Chief Engineer
Gina Sabbia	Ethics and FOIA Officer
Saly Abd Alla	EEO/AA/ADA Officer
Terry Miller	Chief of Diversity and Strategic Development

Illinois Office of the Auditor General

Thomas L. Kizziah	Senior Auditor Manager
Kathleen Devitt	Assistant Audit Director

CLA LLP (CliftonLarsonAllen)

Chuck Kozlik	Principal
Syril Thomas	Manager
Eric Gubatan	Senior Associate

E.C. Ortiz & Co., LLP

Leilani Rodrigo	Partner
Rona Lagdamen	Manager
Darlene G. Dizon	Senior Associate

The responses to the recommendations were provided by Shaun Farmer, Chief Internal Auditor in a correspondence dated June 15, 2020.



**INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND
ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
The Illinois State Toll Highway Authority

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois State Toll Highway Authority's (the Tollway) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the year ended December 31, 2019. Management of the Tollway is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Tollway's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Tollway has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Tollway has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Tollway has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

- D. State revenues and receipts collected by the Tollway are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Tollway on behalf of the State or held in trust by the Tollway have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Tollway complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Tollway complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Tollway's compliance with the specified requirements.

In our opinion, the Tollway complied with the specified requirements during the year ended December 31, 2019, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items: 2019-001 and through 2019-005.

The Tollway's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Tollway's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Tollway is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

In planning and performing our examination, we considered the Tollway's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Tollway's compliance with the specified requirements and to test and report on the Tollway's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Tollway's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tollway's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items: 2019-001 through 2019-005 that we consider to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Tollway's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Tollway's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Tollway as of and for the year ended December 31, 2019 not presented herein, and have issued our report thereon dated June 17, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Tollway's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to June 17, 2020. The accompanying supplementary information for the year ended December 31, 2019, in Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the Tollway. Such information is the responsibility of Tollway management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended December 31, 2019, in Schedules 1 and 2 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended December 31, 2019, in Schedules 1 and 2 are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2019.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Tollway's basic financial statements as of and for the year ended December 31, 2018 not presented herein, and have issued our report thereon dated June 19, 2019, which contained an unmodified opinion on the respective financial statements of the Tollway. The accompanying supplementary information for the year ended December 31, 2018 in Schedules 12 and 13 is the responsibility of Tollway management and was derived from and relates directly to the underlying accounting and other records used to prepare the December 31, 2018 financial statements. The accompanying supplementary information for the year ended December 31, 2018 in Schedules 12 and 13 has been subjected to the auditing procedures applied in the audit of the December 31, 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended December 31, 2018 in Schedules 12 and 13 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2018.

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Directors
The Illinois State Toll Highway Authority
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The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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CliftonLarsonAllen LLP

Oak Brook, Illinois
June 17, 2020



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Frank J. Mautino
Auditor General, State of Illinois

and

Board of Directors
The Illinois State Toll Highway Authority

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Illinois State Toll Highway Authority (the Tollway), a component unit of the State of Illinois, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Tollway's basic financial statements, and have issued our report thereon dated June 17, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tollway's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the Tollway is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

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

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Directors
The Illinois State Toll Highway Authority
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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

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CliftonLarsonAllen LLP

Oak Brook, Illinois
June 17, 2020

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
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Current Findings – State Compliance

Finding 2019-001 Inadequate Controls over Completion and Retention of I-9 Forms

The Illinois State Toll Highway Authority (the Tollway) has not established adequate controls over the timely completion and retention of U.S. Citizenship and Immigration Services (USCIS) I-9 Employment Eligibility Verification (I-9) forms for employees hired by the Tollway.

During our sample testing of 40 employees' personnel files, we noted the following:

- Four (4) I-9 forms (10.0%) did not have Section 2 completed by Tollway personnel within the required three days from hire date. These forms were completed 1 to 12 days late.
- Two (2) I-9 forms (5.0%) could not be located and provided for inspection. Of the two, one employee was terminated during the year, and the other employee was an active employee with a hire date of July 2019.
- One (1) I-9 form (2.5%) did not have Section 1 completed on or before the hire date. Section 1 was completed 1 day late.

USCIS instructions for I-9 forms require Section 1 to be completed no later than the first day of employment. After completing Section 1, the employee is to sign their name and document the date signed. Employers are to examine the evidence of identity and employment authorization within three business days of the employee's first day of employment. The employer is to document the hire date and their signature, and the date of their review in Section 2 of the I-9 form. The employer is also required to retain each employee's completed I-9 form for as long as the individual remains employed for the employer and for a specified period after employment has ended. Employers are required to retain the pages of the form on which the employee and employer entered data. If copies of documentation presented by the employee are made, those copies must also be retained. Once the individual's employment ends, the employer must retain the I-9 form and attachments for either three years after the date of hire or one year after the date employment ended; whichever is later.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should ensure that the I-9 forms are properly completed and retained in employee personnel files.

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Current Findings – State Compliance

In discussing these conditions with Tollway management, they stated that for Section 1, the I-9 form of an employee hired over thirty years ago was more than likely misfiled. Further, a combination of improper training and handling of new employee onboarding by former employees led to delays in completing the required portions of the I-9 form within the required timeframes.

Failure to complete and retain I-9 forms within the required timeframe is a violation of USCIS requirements and could expose the Tollway to penalties. (Finding Code No. 2019-001, 2018-002)

Recommendation:

We recommend the Tollway review their current procedures to prepare, review, and retain I-9 forms and make any necessary changes to ensure compliance with USCIS requirements.

Tollway Response:

The Tollway's Administration Department (Department) concurs with the auditors' recommendation. Prior to the audit, new leadership within the Department restructured the Employee Services team to streamline processes, improve controls, and ensure compliance. The team is in the process of implementing an electronic onboarding process which will ensure timely checks of I-9 documentation going forward. In addition, the Department is in the process of auditing all active employee files to verify that I-9 forms are completed and filed appropriately.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
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Current Findings – State Compliance

Finding 2019-002 Inadequate Procedures to Approve Timecards

The Illinois State Toll Highway Authority (the Tollway) did not ensure all employee timecards were properly approved in accordance with its formal policies and procedures.

The Tollway utilizes an electronic time reporting system that requires all employees to check in each day upon arrival, and requires each employee to check out at the end of each day before leaving work. The electronic time punches are supported by biometric verification of employees' identities. This system is used to track the time worked by each employee and the hours reported by employees checking-in and checking-out each day, and is used each pay cycle when the payroll is processed to calculate the hourly earnings. In addition to this daily time reporting, the Tollway's formal policies and procedures require each timecard to be certified by the employee and approved by the employees' respective supervisor to ensure the accuracy of the time reported, and to ensure any personal, vacation, sick, or overtime is properly included and reported. During our sample testing over 40 timecards, we noted the following:

- Three (3) timecards (7.5%) were not approved by the respective employee.
- One (1) timecard (2.5%) was not approved by the respective employee's supervisor/manager.
- One (1) timecard (2.5%) was not certified by the respective employee and approved by the employee's supervisor / manager within the required time frame. Specifically, the timecard was certified by the employee 107 days late and then approved by the employee's manager the next day (108 days late).

The Tollway's Employee Policies and Procedures Manual (Chapter 5, Section C) states employees are responsible for certifying their timecards to ensure the accuracy of all time recorded within 48 hours of the close of the time period, or as soon as practical. Their supervisor must also review and approve the time record in a timely manner.

Furthermore, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure timecards are approved in accordance with Tollway policies and procedures.

In discussing these conditions with Tollway management in the current and prior year, they stated approval exceptions were due to employee scheduling conflicts and human error.

Failure to review and approve timecards result in noncompliance with the Tollway's established internal control procedures. (Finding Code No. 2019-002, 2018-003, 2017-004, 2016-006, 2015-006, 2014-006)

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Current Findings – State Compliance

Recommendation:

We recommend the Tollway review its current procedures for completing and reviewing timecards and make any necessary changes to ensure timecards are properly approved in accordance with its formal policies and procedures.

Tollway Response:

The Tollway concurs with the auditors' recommendation. The Tollway will continue to reinforce procedures to ensure timely approval of timecards.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Current Findings – State Compliance

Finding 2019-003 Failure to Fully Comply with the Toll Highway Act

The Illinois State Toll Highway Authority (the Tollway) did not comply with the electric vehicle charging station requirements of the Toll Highway Act.

The Tollway did not construct and maintain at least one electric vehicle charging station at each location in which Tollway has contracted with third parties to provide auto and truck fueling stations, garages, stores, or restaurants, as required. During our testing, we noted three of six Tollway oasis locations (50%) did not have electric vehicle charging stations as of December 31, 2019.

The Toll Highway Act (605 ILCS 10/11(e)) requires the Tollway to construct and maintain at least one electric vehicle charging station at any location where the Tollway has entered into an agreement with any entity pursuant to subsection (e) for the purpose of providing motor fuel service stations and facilities, garages, stores, or restaurants by January 1, 2016.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure the Tollway is in compliance with state mandates.

In discussing this condition with Tollway management, they stated compliance with the statute has proven difficult because the Tollway has leased its oasis facilities to private third parties. The terms of these leases grant the lessees control over the business operations, including whether or not they install electric charging stations. The original legislation requiring electric vehicle charging stations was passed subsequent to the execution of the lease agreements.

Failure to construct and maintain electric vehicle charging stations results in noncompliance with the Toll Highway Act. (Finding Code No. 2019-003, 2018-004, 2017-005, 2016-007)

Recommendation:

We recommend the Tollway fully comply with the requirements of the Toll Highway Act, or seek legislative remedy.

Tollway Response:

The Tollway concurs with the auditors' recommendation. Electric vehicle charging stations are located at three oases along the Tollway. The Tollway plans to take steps to acquire electric vehicle chargers and install (or cause the installation of) them as required by Illinois statute. This process was initiated in the first quarter of 2020. The Tollway expects to have EV chargers installed at remaining locations by the end of the third quarter and no later than the end of 2020.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Current Findings – State Compliance

Finding 2019-004 Noncompliance with Toll Highway Act Reporting Requirements

The Illinois State Toll Highway Authority (the Tollway) did not comply with the reporting requirements of the Toll Highway Act.

In accordance with the provisions of the Toll Highway Act, the Tollway's Office of Inspector General (OIG) conducts investigations of alleged violations of law, rules or regulations, mismanagement, abuse of authority, or substantial and specific danger to the public health and safety. When an OIG investigation establishes reasonable cause exists that fraud, waste, abuse, corruption, misconduct, or mismanagement has occurred, the OIG will submit a summary report to the Tollway Executive Director and the Board of Directors that outlines the investigation, describes its findings, and sets forth any recommendations for corrective or disciplinary action.

During our testing over 4 of 40 cases investigated by the OIG in 2019, we noted the response for 1 of 4 cases (25%) submitted by the OIG was not provided by the Tollway Executive Director and the Board of Directors within the required time-frame of 20 days. The response was received nine (9) days late.

The Toll Highway Act (605 ILCS 10/8.5(e)(1)) requires the Tollway's OIG to issue a summary report of the investigation to be delivered to the appropriate authority, which shall have 20 days to respond to the report.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure timely compliance with the reporting requirements of the Toll Highway Act.

In discussing this condition with Tollway management, they stated the delayed response for the one (1) case submitted to the Tollway OIG related to the onboarding of new executive staff and changes made to the review process.

Failure of the appropriate authority to provide responses within 20 days from the date the summary report of the investigation was issued by the Tollway OIG results in noncompliance with the Toll Highway Act. (Finding Code No. 2019-004, 2018-005, 2017-006)

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For the Year Ended December 31, 2019

Current Findings – State Compliance

Recommendation:

We recommend the Tollway review its processes and make the necessary changes to comply with the reporting requirements of the Toll Highway Act.

Tollway Response:

The Tollway concurs with the auditors' recommendation. Investigative matters are discussed with legal counsel and stakeholder departments to ensure appropriate actions are taken which adds time to the process. The Tollway made changes to centralize the review process to ensure complete and actionable responses are provided to the OIG within the required timeframe.

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 Compliance Examination
 For the Year Ended December 31, 2019
 Current Findings – State Compliance

Finding 2019-005 Inadequate Procedures for Approval of Vendor Invoices

The Illinois State Toll Highway Authority (the Tollway) does not have adequate procedures to approve, process, and pay vendor invoices.

During our review of 120 vendor payments (totaling \$150,022,896) made during the year, we noted 20 payments (totaling \$7,821,991) relating to 21 vendor invoices and vouchers (totaling \$12,605,048) were not approved and paid within 60 days of receipt of the invoice. Specifically, the length of time to process and pay the 21 vendor invoices ranged from 61 to 548 days. The vendor invoices were processed and paid as follows:

Timeframe	Number of Vendor Invoices	Amount of Vendor Invoices
61 – 90 days from invoice receipt date	8	\$ 2,013,310
Above 90 days	13	\$ 10,591,738

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tollway to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure Tollway’s vendor invoices are appropriately and timely approved prior to payment.

In discussing this condition with Tollway management, they stated delays in invoice processing relate to, but are not limited to vendor errors, insufficient training for the relatively new system, and/or inadequate oversight.

Failure to properly and timely review invoice vouchers could result in late fees or interest charges and increases the risk of inappropriate payments to vendors. (Finding Code No. 2019-005, 2018-008)

Recommendation:

We recommend the Tollway review its current procedures for processing vendor invoices and consider any changes necessary to ensure vouchers are properly approved and paid in a timely manner.

Tollway Response:

The Tollway concurs with the auditors’ recommendation. The Tollway has recently gone through a realignment to move identified positions that will achieve a greater efficiency in the invoice payment process. Additionally, the Tollway continues to automate the workflow process for the review and approval of invoices which is expected to yield greater efficiencies.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)
Prior Findings Not Repeated
For the Year Ended December 31, 2019

GOVERNMENT AUDITING STANDARDS

A. Errors and Deficiencies Related to Classification and Presentation

The Tollway internal controls over financial reporting were not sufficiently precise to detect a misclassification of amounts reported within the Tollway's financial statements.

During the current year under audit no misclassification of amounts were identified. The Tollway performed an adequate review of the financial statements. (Finding Code No. 2018-001, 2017-001)

State Compliance

B. Inadequate Procedures for Reporting Accounts Receivable to the Illinois Office of the Comptroller

The Illinois State Toll Highway Authority (the Tollway) had not implemented procedures to verify the accuracy of the post-pay I-PASS accounts receivable aging analysis reported to the Illinois Office of the State Comptroller.

The Tollway implemented corrective actions during the current year examination as similar exceptions were not noted between the various accounts receivable reports based on our testing. (Finding Code No. 2018-006, 2017-007, 2016-008)

C. Inadequate Controls over Hiring Forms

The Illinois State Toll Highway Authority (the Tollway) had not established adequate internal controls to complete and retain hiring forms in accordance with Tollway formal policies and procedures.

The Tollway implemented corrective action during the current year examination as similar exceptions were not noted based on our sample testing. (Finding Code No. 2018-007)

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

Schedule of Cash and Cash Equivalents Balances
December 31, 2019
(With summary totals for 2018)

	Carrying amount	Financial institution balances
Cash (unrestricted):		
Currency and coin on hand:		
Change funds at toll plazas and administrative building	\$ 580,500	\$ 580,500
Petty cash	1,400	1,400
Cash in banks:		
Bank of America – New segments account	25,602,778	25,602,955
Bank of America – Revolving accounts	19,705,512	18,309,534
Bank of America – Treasurer account*	14,873,319	8,023,115
Bank of America – Risk Management Account	14,987,436	14,987,436
Illinois Funds – EPAY	-	-
Cash equivalents (unrestricted):		
Huntington – Investments – Treasurer accounts*	258,860,000	258,860,000
Huntington – Checking	23,686	23,686
Total cash and cash equivalents (unrestricted)	334,634,631	326,388,626
Cash (restricted):		
Bank of America – Restricted for I-PASS accounts	(10,185,091)	198,193
Illinois Funds – Restricted for I-PASS Accounts	203,981,478	203,981,478
Total restricted for I-PASS Accounts	193,796,387	204,179,671
Cash equivalents (restricted):		
Restricted for debt service:		
Money market accounts:		
BNY Mellon		
Debt reserve	75,213,731	75,213,731
Debt service	165,207,561	161,134,161
Provider payment	1,126,103	1,126,103
Total restricted for debt service	241,547,395	237,473,995
Northern Trust – Pension benefit asset	34,129	34,129
Total cash and cash equivalents (restricted)	435,377,911	441,687,795
Total cash and cash equivalents at December 31, 2019	\$ 770,012,542	\$ 768,076,421
Total cash and cash equivalents at December 31, 2018	\$ 580,691,540	\$ 599,125,842

* Not locally held, account administered by the Illinois State Treasurer.

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

Schedule of Accounts Receivable
December 31, 2019
(With summary totals for 2018)

	Aging			Gross total	Allowance for doubtful accounts	Net receivables
	0-180 days	181-365 days	Over one year			
Tolls	\$ 7,218,927	\$ 2,348,762	\$ 3,348,155	\$ 12,915,844	\$ (6,833,190)	\$ 6,082,654
Toll evasion recovery – Tolls	10,887,683	9,001,308	75,090,332	94,979,323	(72,177,688)	22,801,635
Oases	84,652	-	-	84,652	-	84,652
Damage claims	16,640	17,550	314,493	348,683	(336,731)	11,952
Overdimension vehicle permits	228,895	12,815	43,002	284,712	(84,892)	199,820
Fiber optic	962,918	224,497	246,454	1,433,869	(585,418)	848,451
Other	982,209	15,927	2,155,890	3,154,026	(2,471,671)	682,355
	<u>20,381,924</u>	<u>11,620,859</u>	<u>81,198,326</u>	<u>113,201,109</u>	<u>(82,489,590)</u>	<u>30,711,519</u>
E-Z Pass Agency Group	24,844,021	-	-	24,844,021	-	24,844,021
Illinois Department of Transportation	14,530	-	94,603,878	94,618,408	-	94,618,408
Other governments	80,447,051	-	-	80,447,051	-	80,447,051
	<u>105,305,602</u>	<u>-</u>	<u>94,603,878</u>	<u>199,909,480</u>	<u>-</u>	<u>199,909,480</u>
Total receivables at December 31, 2019	\$ <u>125,687,526</u>	\$ <u>11,620,859</u>	\$ <u>175,802,204</u>	\$ <u>313,110,589</u>	\$ <u>(82,489,590)</u>	\$ <u>230,620,999</u>
Total receivables at December 31, 2018	\$ <u>48,590,456</u>	\$ <u>10,914,119</u>	\$ <u>276,514,115</u>	\$ <u>336,018,690</u>	\$ <u>(72,411,506)</u>	\$ <u>263,607,184</u>

See accompanying independent auditors' report.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

Supplementary Information for State Compliance Purposes
Analysis of Operations
Tollway Functions and Planning Program (Unaudited)
For the Year Ended December 31, 2019

Tollway Functions and Planning Program

The Tollway was established in 1968 as an instrumentality and administrative agency of the State of Illinois. The Tollway was created to provide for construction, operation, regulation, and maintenance of toll highways to accommodate the traveling public through and within the State of Illinois.

The Tollway's predecessor, the Illinois State Toll Highway Commission established in 1953, issued revenue bonds totaling \$493,250,000 to finance the original three toll highways. During 1974, the Tollway completed the westward extension of the Ronald Reagan Memorial Tollway (formerly the East-West Extension) of the toll highway system. In 1992, the Tollway completed the Veterans Memorial Tollway (formerly the North-South). In 2007, the Tollway completed the South extension of the Veterans Memorial Tollway. In 2017, the Tollway completed the Illinois Route 390 Tollway. Since 1985, the following bonds have been issued:

- 1985, \$167,200,000, Refunding revenue bonds to advance refund \$204,354,000 of the 1955 series bonds.
- 1986, \$400,825,000, Priority revenue bonds to pay the cost of construction of the North-South Tollway, an expansion of the State toll highway system.
- 1987, \$139,145,000, Refunding revenue bonds to advance refund \$117,115,000 of the 1985 refunding bonds.
- 1992, \$459,650,000, Priority revenue bonds to pay the cost of construction of the Tri-State Tollway Widening Project.
- 1993, \$387,345,000, Refunding revenue bonds to advance refund \$342,290,000 of 1985, 1986, and 1992 series bonds.
- 1996, \$148,285,000, Refunding revenue bonds to advance refund \$144,300,000 of 1986 and 1987 series bonds.
- 1998, \$325,135,000, Refunding revenue bonds to advance refund \$313,105,000 of 1992 series bonds.
- 2005 A, \$770,000,000, Senior Priority Revenue Bonds to pay a portion of the costs of the Congestion Relief Program.
- 2006 A, \$1,000,000,000, Senior Priority Revenue Bonds to pay a portion of the costs of the Congestion Relief Program.
- 2007 A, \$700,000,000, Variable Rate Senior Priority Revenue Bonds to pay a portion of the costs of the Congestion Relief Program.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

Supplementary Information for State Compliance Purposes
Analysis of Operations
Tollway Functions and Planning Program (Unaudited)
For the Year Ended December 31, 2019

- 2008 A, \$766,200,000, Variable Rate Senior Refunding Revenue Bonds to advance refunds all of the \$500,000,000 2006 Series A-2 Bonds and \$208,340,000 of the 2006 Series A-1 Bonds.
- 2008 B, \$350,000,000, Senior Priority Revenue Bonds to pay a portion of the costs of the Congestion Relief Program.
- 2009 A, \$500,000,000, Senior Priority Revenue Bonds (Taxable) to pay a portion of the costs of the Congestion Relief Program.
- 2009 B, \$280,000,000, Senior Priority Revenue Bonds (Taxable) to pay the costs of the Congestion Relief Program.
- 2010 A-1, \$279,300,000, Senior Revenue Bonds (Refunding) to advance refund \$287,300,000 2008 Series A-2 Bonds.
- 2013 A, \$500,000,000, Senior Revenue Bonds to pay a portion of costs of the “Move Illinois” Program.
- 2013 B-1, \$217,390,000, Senior Revenue Bonds (Refunding) to advance refund \$228,195,000 2005 Series A Bonds.
- 2014 A, \$378,720,000, Senior Revenue Bonds (Refunding) to advance refund \$436,545,000 2005 Series A Bonds.
- 2014 B, \$500,000,000, Senior Revenue Bonds to pay a portion of costs of the “Move Illinois” Program.
- 2014 C, \$400,000,000, Senior Revenue Bonds to pay a portion of costs of the “Move Illinois” Program.
- 2014 D, \$264,555,000, Senior Revenue Bonds (Refunding) to advance refund \$291,660,000 2006 A-1 Series Bonds.
- 2015 A, \$400,000,000, Senior Revenue Bonds to pay a portion of costs of the “Move Illinois” Program.
- 2015 B, \$400,000,000, Senior Revenue Bonds to pay a portion of costs of the “Move Illinois” Program.
- 2016 A, \$333,060,000, Senior Revenue Bonds (Refunding) to advance refund \$350,000,000 2008 B Series Bonds.
- 2016 B, \$300,000,000, Senior Revenue Bonds to pay a portion of costs of the “Move Illinois” Program.
- 2017 A, \$300,000,000, Senior Revenue Bonds to pay a portion of costs of the “Move Illinois” Program.

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Supplementary Information for State Compliance Purposes
Analysis of Operations
Tollway Functions and Planning Program (Unaudited)
For the Year Ended December 31, 2019

- 2018 A, \$515,250,000, Senior Revenue Bonds (Refunding) to advance refund \$262,500,000 2007 Series A-2 Bonds, \$189,600,000 2008 Series A-1a Bonds and \$78,060,000 2009 Series A Bonds and two variable -to-fixed interest rate exchange agreements.
- 2019 A, \$300,000,000 Senior Revenue Bonds to pay a portion of costs of the “Move Illinois” Program.
- 2019 B, \$225,245,000 Senior Revenue Bonds (Refunding) to advance refund \$276,560,000 2010 Series A-1 Bonds.
- 2019 C, \$697,870,000 Senior Revenue Bonds (Refunding) to advance refund \$350,000,000 2007 Series A-1 Bonds, \$87,500,000 2007 Series A-2d Bonds, \$189,600,000 2008 Series A-1b Bonds and \$94,825,000 2008 Series A-2 Bonds and five variable-to-fixed interest rate exchange agreements.

The operations of the Tollway are administered by a Board of Directors, which includes the Governor of the State of Illinois and Secretary of the Illinois Department of Transportation as Ex-Officio members.

The Tollway has the power and responsibility to establish and collect tolls sufficient to pay for maintenance, repairs, regulation, and operation of the toll highway system and to meet its debt service funding requirements. The Tollway does not receive any State government appropriations. No federal grants were received in 2019.

The Tollway’s accounting records are maintained in accordance with the Tollway’s Trust Indenture. The Tollway’s Trust Indenture prescribes investment and accounting requirements, which differ in some instances from GAAP. The Tollway prepares quarterly and annual Trust Indenture financial reporting. At fiscal year-end, management makes accounting entries to convert the Tollway’s accounting records to GAAP for annual financial reporting purposes. The Trust Indenture also requires the Tollway to prepare a tentative budget of the operating expenditures for the ensuing calendar year on or before October 31. The budget is required to include the recommendation of the consulting engineers as to the renewal and replacement deposit for the budget year. The final budget must be approved by the Board of Directors of the Tollway prior to January 31 of the calendar year budgeted. The Tollway complied with these budgetary requirements for this fiscal year.

Annual detailed departmental budgets are prepared for all Tollway expenditures. The Chief Financial Officer, Controller, Budget Manager, and each department manager monitor expenditures and analyze budgetary variances.

The Tollway works with the consulting engineers to develop long-range improvement programs for the toll highway system. The Chief Engineer of the Tollway uses the long-

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Supplementary Information for State Compliance Purposes
Analysis of Operations
Tollway Functions and Planning Program (Unaudited)
For the Year Ended December 31, 2019

range plan with traffic studies and physical inspections to develop annual improvement programs and budgets.

The Tollway has developed an adequate and comprehensive planning program to meet its objectives of providing for the construction, operation, regulation, and maintenance of the toll highway system. The Tollway believes that its monitoring of its expenditures and its monitoring of the physical condition of the roads is adequate to meet Tollway goals related to its operating expenditures and improvement programs.

The office of the Tollway's Executive Director is located at the Tollway's Central Administration Building, 2700 Ogden Avenue, Downers Grove, Illinois, 60515.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

Explanation of Significant Variations in Asset Accounts and Deferred Outflows of Resources* (Unaudited)
For the Years Ended December 31, 2019 and 2018

Assets and Deferred Outflows of Resources	December 31		Increase (decrease)	Percentage change
	2019	2018		
Cash and cash equivalents - unrestricted, current	\$ 319,647,195	\$ 199,600,575	\$ 120,046,620	60%
Accounts receivable, net of allowance for doubtful accounts - unrestricted, current	30,711,519	20,223,377	10,488,142	52%
Intergovernmental agreements receivable - unrestricted, current	105,305,602	31,183,431	74,122,171	238%
Intergovernmental agreements receivable - unrestricted, noncurrent	94,603,878	212,200,376	(117,596,498)	-55%
Cash and cash equivalents - debt reserve, restricted, noncurrent	75,213,731	1,462,295	73,751,436	5044%
Deferred outflows of resources - accumulated decrease in fair value of hedging derivatives	-	107,496,079	(107,496,079)	-100%
Deferred outflows of resources - net loss on bond refundings	261,180,173	71,671,157	189,509,016	264%
Deferred outflows of resources - pension related	59,773,509	89,803,912	(30,030,403)	-33%

Explanation:

Cash and cash equivalents - unrestricted, current	Dependent on timing of payments.
Accounts receivable, net of allowance for doubtful accounts - unrestricted, current	There was an increase in accounts receivable for evasion recovery in 2019.
Intergovernmental agreements - unrestricted, current	There was an amendment to an intergovernmental agreement which provided for the early pay off in 2019 of the receivable from Northwest Suburban Municipal Joint Action Water Agency (NSMJAWA) which caused this balance to be classified as current in 2019.
Intergovernmental agreements receivable - unrestricted, noncurrent	An agreement was executed with the Illinois Department of Transportation (IDOT) that offset amounts due to Tollway from IDOT against amounts due to IDOT from the Tollway. Also, there was an amendment to an intergovernmental agreement which provided for the early pay off in 2019 of the receivable from Northwest Suburban Municipal Joint Action Water Agency (NSMJAWA) which caused this balance to be classified as current in 2019.
Cash and cash equivalents - debt reserve, restricted, noncurrent	Funds were moved to money markets from investments.
Deferred outflows of resources - accumulated decrease in fair value of hedging derivatives	All swap agreements were terminated during 2019.
Deferred outflows of resources - net loss on bond refundings	Additional bond refundings occurred in 2019.
Deferred outflows of resources - pension related	The Tollway's allocation of the State of Illinois' deferred outflows of resources related to pension liability under GASB 68 decreased in 2019.

* Variances over \$5 million and +/- 20% are considered significant.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY

(A Component Unit of the State of Illinois)

Explanation of Significant Variations in Liability Accounts and Deferred Inflows of Resources* (Unaudited)

For the Years Ended December 31, 2019 and 2018

<u>Liabilities and Deferred Inflows of Resources</u>	<u>December 31</u>		<u>Increase (decrease)</u>	<u>Percentage change</u>
	<u>2019</u>	<u>2018</u>		
Accounts payable	\$ 22,810,970	\$ 39,624,446	\$ (16,813,476)	-42%
Intergovernmental agreements payable	69,006,060	126,098,774	(57,092,714)	-45%
Deposits and retainage	51,184,077	42,054,788	9,129,289	22%
Derivative Instrument liability	-	107,496,079	(107,496,079)	-100%
Unearned revenue, less accumulated amortization - noncurrent	13,090,610	7,336,404	5,754,206	78%

Explanation:

Accounts Payable	Payment delays in prior year related to ERP implementation were caught up and payments were processed more timely.
Intergovernmental agreements payable	An agreement was executed with the Illinois Department of Transportation (IDOT) that offset amounts due to Tollway from IDOT against amounts due to IDOT from the Tollway.
Deposits and retainage	Dependent on progress and payments on construction projects.
Derivative Instrument liability	All swap agreements were terminated during 2019.
Unearned revenue, less accumulated amortization - noncurrent	There was a large fiber optic contract executed in 2019.

* Variances over \$5 million and +/- 20% are considered significant.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

Explanation of Significant Variations in Revenues and Expenses* (Unaudited)
For the Years ended December 31, 2019 and 2018

<u>Revenues/expenses</u>	<u>2019</u>	<u>2018</u>	<u>Increase (decrease)</u>	<u>Percentage change</u>
Traffic control, safety patrol and radio communications expenses	\$ 44,806,282	\$ 57,373,555	\$ (12,567,273)	-22%
Revenues under intergovernmental agreements	16,469,715	11,323,831	5,145,884	45%
Expenses under intergovernmental agreements	16,469,715	11,323,831	5,145,884	45%

Explanation:

Traffic control, safety patrol and radio communications expenses

There was a significant decrease in toll collectors in 2019.

Revenues under intergovernmental agreements

Increased cooperative construction activity on the Elgin O'Hare Western Access and the Central Tri-State.

Expenses under intergovernmental agreements

Increased cooperative construction activity on the Elgin O'Hare Western Access and the Central Tri-State.

* Variances over \$5 million and +/- 20% are considered significant.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

Analysis of Operations
Average Number of Employees by Function (Unaudited)
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Tollway Employees:		
Executive office	9	10
Directors	9	10
Inspector General	5	6
Internal audit	3	4
Legal	8	9
State police-civilian employees	13	12
Finance	61	55
Administration	23	23
Operations:		
Toll collectors	268	320
Plaza managers and assistants	23	26
Other	108	134
Information Technology	38	40
Engineering:		
Maintenance:		
Roadway	390	380
Transportation	72	69
Engineers	36	42
Others	65	71
Planning	24	23
Procurement	53	43
Diversity & strategic development	6	7
Communications	10	10
Business Systems	56	56
	<u>1,280</u>	<u>1350</u>
State Troopers	<u>153</u>	<u>167</u>
Total Personnel	<u>1,433</u>	<u>1517</u>
Collective bargaining unit payroll	\$ 62,627,820	58.52%
Non-collective bargaining unit payroll	34,733,141	32.45%
Overtime	<u>9,667,192</u>	<u>9.03%</u>
2019 Total payroll	<u>\$ 107,028,153</u>	<u>100.00%</u>
Collective bargaining unit payroll	\$ 62,540,569	59.20%
Non-collective bargaining unit payroll	35,133,244	33.25%
Overtime	<u>7,972,850</u>	<u>7.55%</u>
2018 Total payroll	<u>\$ 105,646,663</u>	<u>100.00%</u>

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Analysis of Operations
Emergency Purchases (Unaudited)
For the Year Ended December 31, 2019

<u>Item No.</u>	<u>Description</u>	<u>Cost</u>
1	Implementation services for ERP - Final cost paid to Deloitte for implementation services for ERP pursuant to an emergency extension contract under an intergovernmental agreement with the Department of Innovation and Technology.	\$ 5,201,788
2	Out of state registration retrieval services - adjusted cost to date through 9/30/19 for 2018 emergency purchase because competitively bid vendor was not able to perform	299,259
		<u>\$ 5,501,047</u>

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
(A Component Unit of the State of Illinois)

Memorandums of Understanding (Unaudited)
For the Year Ended December 31, 2019

The Illinois State Toll Highway Authority enters into memorandums of understanding (MOUs) on an ongoing basis. A MOU is utilized if the Tollway is involved in a project with other state agencies or local governments. The memorandum assigns responsibilities in the early planning stages of a project and, as the project develops, the Tollway will execute one or more agreements with specific costs based on the MOU. The following MOU was executed in the year ended December 31, 2019:

Illinois Department of Transportation, Cook County and the Village of Justice

The Tollway entered into a MOU regarding the construction of an additional North bound access interchange at I-294 and 88th/Cork Avenue. The MOU enables the parties to facilitate the free flow of traffic and provides transportation and economic benefit to all participating agencies.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Analysis of Operations
Commodities Inventory (Unaudited)
December 31, 2019

	<u>2019</u>
Location:	
Central warehouse	\$ 1,813,724
Maintenance buildings	12,766,561
Electrical shops	1,911,467
Central sign shop	944,672
Carpenter shop	241,491
Central garage	728,126
Total commodities inventory at December 31, 2019	\$ <u>18,406,041</u>

Note: Balances represent commodities inventories on hand as of year end. For financial reporting purposes, these amounts are expensed when the associated liability is incurred and inventories are not recorded as assets on the Statement of Net Position.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
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Analysis of Operations
Service Efforts and Accomplishments (Unaudited)
December 31, 2019

(1) Tollway Mission

The Illinois State Toll Highway Authority is dedicated to providing and promoting a safe and efficient system of toll supported highways while ensuring the highest possible level of customer service.

(2) Strategic Priorities

With the above Mission Statement in mind, the Tollway is guided by the following four Strategic Priorities that are consistent with those outlined by the Governor's Office of Management and Budget:

- Increase employment and attract, retain and grow businesses
- Improve infrastructure and customer safety
- Support basic functions of government
- Promote environmental responsibility and culture

(3) Summary of Tollway Operations

The Tollway maintains and operates 294 miles of interstate tollways in 12 counties in Northern Illinois, including the Reagan Memorial Tollway (I-88), the Veterans Memorial Tollway (I-355), the Jane Addams Memorial Tollway (I-90), the Tri-State Tollway (I-94/I-294/I-80), and Illinois Route 390.

The Tollway is a user-fee system. No state or federal tax dollars are used to support the maintenance and operation of the Tollway system. The Tollway depends on toll revenues and proceeds from the issuance of revenue bonds for the expansion, reconstruction, and improvement of the Tollway system. The Tollway's budget is a balanced budget in which revenues provide sufficient resources for operating and maintenance expenses, debt service and required deposits to the Renewal and Replacement and Improvement Accounts as required by the Trust Indenture.

(4) Key Performance Measure

The following metrics were reported for the year ending December 31, 2019.

- | | |
|---|------------|
| 1. The percentage of vehicles using I-PASS: | 90.7% |
| 2. Travel Time Index Congestion Measure for the A.M. rush hour: | 1.00 |
| 3. The average personal injury accident clearance time: | 35 minutes |

The following metrics were reported for the year ending December 31, 2018.

- | | |
|---|------------|
| 1. The percentage of vehicles using I-PASS: | 90.2% |
| 2. Travel Time Index Congestion Measure for the A.M. rush hour: | 1.02 |
| 3. The average personal injury accident clearance time: | 36 minutes |

