



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

Financial Audit and Compliance Examination
 For the Year Ended December 31, 2018

Release Date: July 9, 2019

FINDINGS THIS AUDIT: 8	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2017	18-1	18-5	
Category 2:	3	4	7	2016		18-4, 18-6	
Category 3:	0	0	0	2014		18-3	
TOTAL	3	5	8				
FINDINGS LAST AUDIT: 7							

SYNOPSIS

- **(18-1)** The Tollway’s internal controls over financial reporting were not sufficiently precise to detect a misclassification of amounts reported within the financial statements.
- **(18-3)** The Tollway did not ensure all employee timecards were properly approved in accordance with its formal policies and procedures.
- **(18-4)** The Tollway did not comply with the electric vehicle charging station requirements of the Toll Highway Act.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial data is summarized on the reverse page.}

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended December 31, 2018

FINANCIAL OPERATIONS (GAAP Basis)	2018	2017
Operating Revenues		
Toll Revenue.....	\$ 1,341,051,225	\$ 1,309,189,509
Toll Evasion Recovery.....	70,468,847	65,639,705
Concessions.....	2,151,574	2,298,943
Miscellaneous.....	22,731,739	21,369,597
Total Operating Revenues.....	<u>1,436,403,385</u>	<u>1,398,497,754</u>
Operating Expenses		
Depreciation and Amortization.....	446,202,899	418,311,759
Services and Toll Collection.....	181,194,076	186,569,358
Engineering and Maintenance of Roadway and Structures....	107,851,143	109,202,332
Traffic Control, Safety Patrol, and Radio Communications...	57,373,555	57,721,525
Procurement, IT, Finance and Administration.....	55,591,666	49,197,494
Total Operating Expenses.....	<u>848,213,339</u>	<u>821,002,468</u>
Operating Income.....	588,190,046	577,495,286
Total Nonoperating (Expenses), net.....	<u>(234,363,824)</u>	<u>(221,468,734)</u>
Change in Net Position.....	353,826,222	356,026,552
Net Position, beginning of year, as restated.....	<u>2,722,658,376</u>	<u>2,512,160,131</u>
Net Position, end of year.....	<u>\$ 3,076,484,598</u>	<u>\$ 2,868,186,683</u>

SIGNIFICANT ACCOUNT BALANCES (GAAP Basis)	2018	2017
Cash/Cash Equivalents/Investments (Unrestricted).....	\$ 1,084,560,400	\$ 1,240,974,055
Cash and Cash Equivalents Restricted for Debt Service.....	\$ 178,457,419	\$ 147,203,233
Cash and Cash Equivalents - I-PASS Accounts.....	\$ 186,712,910	\$ 180,421,616
Accounts Receivable - Current (net).....	\$ 20,223,377	\$ 20,802,601
Intergovernmental Receivable - Less Current Portion.....	\$ 212,200,376	\$ 208,684,544
Capital Assets.....	\$ 9,086,240,066	\$ 8,598,693,141
Deferred Outflows of Resources.....	\$ 305,688,697	\$ 433,201,371
Revenue Bonds Payable.....	\$ 6,443,610,720	\$ 6,587,034,955
Deferred Inflows of Resources.....	\$ 91,233,858	\$ 51,650,575
Total Net Position.....	\$ 3,076,484,598	\$ 2,868,186,683

EXECUTIVE DIRECTOR

During Audit Period: Gregory Bedalov (through 2/16/18), vacant (2/17/18 through 2/28/18), Elizabeth Gorman
(3/1/18 through 3/15/19)

Current: Jose Alvarez (effective 5/1/19)

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**ERRORS AND DEFICIENCIES RELATED TO
CLASSIFICATION AND PRESENTATION**

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

**Investments were overstated by
\$98.5 million**

**Cash and cash equivalents were
understated by \$98.5 million**

The Tollway's financial reporting process includes the preparation of a manual schedule to determine the classification and presentation of each of the Tollway's investment securities within the financial statements. During our review of the Tollway's financial statements, we noted one of the Tollway's investment securities, a repurchase agreement totaling \$98.5 million, was misclassified on the statement of net position as an investment. The noted error overstated current unrestricted investments and understated current unrestricted cash and cash equivalents within the Tollway's financial statements. The Tollway corrected this error in the financial statements as of December 31, 2018. (Finding 1, pages 11-12)

We recommended the Tollway review its current process to review manual schedules or calculations and consider changes necessary to ensure all amounts are accurately classified and presented within the Tollway's financial statements.

Tollway agrees with the auditors

Tollway management agreed with the recommendation.

**INADEQUATE PROCEDURES TO APPROVE
TIMECARDS**

The Tollway did not ensure all employee timecards were properly approved in accordance with its formal policies and procedures.

**Need to improve controls over the
approval of timecards**

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:

- Seven (17.5%) timecards were not approved by the respective employee.
- Two (5%) timecards were not approved by the respective employee's supervisor/manager.
- Three (7.5%) timecards were not approved by the respective employee within the required time frame. Specifically, timecards were approved from 6 to 19 days late.

Failure to review and approve timecards result in noncompliance with the Tollway's established internal control procedures. (Finding 3, pages 15-16) **This finding was first reported in 2014.**

We recommended 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 agrees with the auditors

Tollway management agreed with the recommendation and stated they will continue to reinforce procedures to ensure timely approval of timecards. *(For the previous Tollway response see Digest Footnote #1.)*

FAILURE TO FULLY COMPLY WITH THE TOLL HIGHWAY ACT

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

3 of 6 oasis locations did not have the electric vehicle charging stations

The Tollway is required by the Toll Highway Act (605 ILCS 10/11(e)) to construct and maintain at least one electric vehicle charging station at each location in which the 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 did not have electric vehicle charging stations as of December 31, 2018.

Failure to construct and maintain electric vehicle charging stations results in noncompliance with the Toll Highway Act. (Finding 4, page 17)

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

Tollway agrees with the auditors

Tollway management agreed with the recommendation.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Authority. We will review the Authority's progress towards the implementation of our recommendations in our next financial audit and compliance examination.

AUDITOR'S OPINION

The auditors stated the financial statements of the Authority as of and for the year ended December 31, 2018, are fairly stated in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Authority for the year ended December 31, 2018, as required by the Illinois State Auditing Act. The accountants qualified their report on State Compliance for finding 2018-001. Except for the noncompliance described in this finding, the accountants stated the Authority complied, in all material respects, with the requirements described in the report.

This financial audit and compliance examination was conducted by CliftonLarsonAllen LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:TLK

DIGEST FOOTNOTES

#1 - INADEQUATE PROCEDURES TO APPROVE TIMECARDS

2017: The Tollway concurs with the auditors' recommendation. The Tollway will continue to reinforce procedures to ensure timely approval of timecards.