

REPORT DIGEST

DEPARTMENT OF TRANSPORTATION

FINANCIAL AND COMPLIANCE AUDIT (In Accordance with the Single Audit Act of 1984 and OMB Circular A-128)

For the Two Years Ended:
June 30, 1996

Summary of Findings:

Total this audit	10
Total last audit	11
Repeated from last audit	7

Release Date:



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- ◆ The Department and local agencies were delinquent in performing some biennial bridge inspections. During the audit period, local agencies were delinquent in performing 174 biennial bridge inspections and the Department was delinquent in performing 5 bridge inspections. This condition has existed since 1992.
- ◆ The Department exercised inadequate controls over its property and equipment, which aggregated approximately \$432 million at June 30, 1996.
- ◆ We noted eleven separate violations of statutory mandates including the Department's failure to issue transportation reports to the General Assembly.
- ◆ The Department's controls over commodities inventory at its District maintenance yards varied significantly among the sites visited. Specifically, the inventory records at some sites did not reflect the actual numbers of items on hand.
- ◆ The Department did not monitor subrecipients of monies awarded through its federally administered programs in accordance with the provisions of OMB Circular A-128.

**DEPARTMENT OF TRANSPORTATION
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1996**

EXPENDITURE STATISTICS	FY 1996	FY 1995	FY 1994
! Total Expenditures (All Funds).....	\$2,646,125,617	\$2,768,462,884	\$2,554,952,244
<u>OPERATIONS TOTAL</u>	\$522,138,103	\$515,742,982	\$515,153,470
% of Total Expenditures.....	19.7%	18.6%	20.1%
Personal Services.....	\$314,613,415	\$311,334,517	\$309,809,392
% of Operations Expenditures.....	60.2%	60.4%	60.2%
Average No. of Employees.....	6,780	7,032	7,066
Other Payroll Costs (FICA, Retirement).....	\$48,653,565	\$46,170,815	\$45,460,979
% of Operations Expenditures.....	9.3%	9.0%	8.8%
Contractual Services.....	\$83,850,587	\$79,637,738	\$77,459,651
% of Operations Expenditures.....	16.1%	15.4%	15.0%
All Other Operations Items.....	\$75,020,536	\$78,599,912	\$82,423,448
% of Operations Expenditures.....	14.4%	15.2%	16.0%
<u>CONSTRUCTION TOTAL</u>	\$1,128,975,261	\$1,307,167,452	\$1,199,561,337
% of Total Expenditures.....	42.7%	47.2%	47.0%
<u>GRANTS TOTAL</u>	\$989,847,444	\$938,457,722	\$835,993,945
% of Total Expenditures.....	37.4%	33.9%	32.7%
<u>CAPITAL IMPROVEMENTS TOTAL</u>	\$5,164,809	\$7,094,728	\$4,243,492
% of Total Expenditures.....	0.2%	0.3%	0.2%
! Cost of Property and Equipment.....	\$432,631,000	\$420,597,000	\$398,668,000

SELECTED ACTIVITY MEASURES	FY 1996	FY 1995	FY 1994
! New Bridges Constructed	114	144	135
! Bridges Widened	5	2	2
! Bridges Repaired	102	95	58
! Miles of Concrete Road Constructed	41	51	36
! Miles of Full-depth Bituminous Road Constructed	60	64	18
! Miles of Bituminous Road Surfaced	1,002	1,399	1,368

AGENCY SECRETARY(S)

During Audit Period: Kirk Brown
Currently: Kirk Brown

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

DELINQUENT BRIDGE INSPECTIONS

**Local agencies and the
Department were delinquent
in inspecting 179 bridges**

The Department and local agencies were delinquent in performing some biennial bridge inspections.

The Department is responsible for ensuring that all 25,285 bridges in the State of Illinois are inspected biennially. The Department's State Bridge Unit is required to inspect 7,161 of those bridges. The Department's Local Bridge Unit is required to monitor the inspection of the remaining 18,124 bridges by the responsible local agency.

During the audit period, local agencies were delinquent in performing 174 biennial bridge inspections and the Department was delinquent in performing 5 biennial bridge inspections. The Department and local agencies fell short of devoting adequate resources and personnel in order to perform timely bridge inspections for all bridges. Furthermore, the Department's Local Bridge Unit had inadequate policies and procedures to enforce timely bridge inspections by local agencies.

The National Bridge Inspection Standards (NBIS, 23 CFR 650C) requires that "each bridge is to be inspected at regular intervals not to exceed 2 years". Because these bridges were not inspected as required, neither the Department nor the public have full assurance as to the safety of the bridges.

This is a significant improvement from our previous audit's finding when 1,779 bridges had not been inspected within the required time period. **This finding has been repeated since 1992.** (Finding 1, page 19)

We recommended the Department devote adequate resources and personnel to ensure that all bridges are inspected on a biennial basis. We also recommended the Department's Local Bridge Unit establish adequate policies and procedures to enforce timely bridge inspections by local agencies.

The Department responded that it has increased emphasis on inspection through training, movement of personnel, and changes in inspection procedures in order to reduce delinquencies, improve the data collected in the field, and protect the public. (For previous agency responses, see Digest Footnote #1.)

PROBLEMS WITH CONTROL OVER PROPERTY AND EQUIPMENT

Records of Department property and equipment were inaccurate

The Department experienced problems with controls over its property and equipment, which aggregated approximately \$432 million at June 30, 1996. During our audit, we noted that:

- ◆ Of 40 items tested, three were not found on the Department's Common System Inventory Control Listing. The cost of the items totaled \$439,106.
- ◆ Four out of twenty-four (17 percent) vouchers tested did not trace to the Department's Common System Inventory Control Listing correctly.
- ◆ The Department failed to tag a tractor and a copier with inventory tags to identify the items as property of the Department.

The State Property Control Act (30 ILCS 605) requires that each Department be held accountable for the property under its control, including maintaining a master and permanent record of such property.

The conditions noted above are due to Department personnel's failure to fully adhere to the established internal procedures for accounting for the Department's property and equipment. These deficiencies could potentially lead to the loss or misuse of State property. (Finding 2, page 20)

We recommended the Department fully comply with its internal procedures to ensure accurate and complete accounting of its fixed assets.

The Department responded that the noted findings have been researched and were found to be a result of clerical errors and omissions.

The Department also responded that all record keeping errors noted in the findings were immediately corrected by the Department at the time of the audit.

LACK OF FULL COMPLIANCE WITH CERTAIN STATUTORY MANDATES

During our mandate testing, we noted the following exceptions to statutory compliance with which the Department agreed:

The Department did not comply with eleven statutory mandates, including failure to issue required reports to the Governor and General Assembly.

Written requests for missing reports of motor vehicle accidents were not mailed within 45 days after the accident. We noted that of all case files being handled on our test date of October 17, 1996, all accidents occurred more than 120 days earlier. (Finding 96-4b, page 23)

Statistics on motor vehicle accidents have not been timely tabulated and reported. The reports are required to be filed annually. The last report was filed for 1993. (Finding 96-4c, page 24)

Reports of damage done to highways as a result of increased weight loads allowed by legislation passed in 1983 have not been timely filed. A report was required to be filed by July 1, 1985 and every three years thereafter. The last report of record was filed on January 29, 1992. (Finding 96-4d, page 24)

The Department exceeded its specific statutory authority by issuing **annual** permits authorizing local authorities to move oversized highway equipment. The Vehicle Code authorizes the Department to issue only **semi-annual** permits. (Finding 96-4e, page 24)

The Department did not timely approve or disapprove (within 45 days) a program of proposed expenditures submitted by downstate public transportation agencies. (Finding 96-4h, page 25)

Aeronautics accidents were not timely reported to the appropriate federal agency as required by law (620 ILCS 5/27) (Finding 96-4i, page 26)

The Department did not report, maintain and account for security associated with an aeronautics accident as required by law (620 ILCS 5/42 a to f). Specifically, the Department failed to enforce a requirement that accident reports be timely filed. The Department also failed to determine the amount of security sufficient to satisfy any claim for damages. (Finding 96-4j, page 26)

With regard to all of these exceptions, we recommended the Department either devote adequate resources to ensure compliance with the mandates or seek legislative changes to have the requirements modified.

The Department generally agreed with the findings described above and indicated that it already had initiated corrective actions in some cases. However, the Department disagreed at least in part with the three additional findings described below.

The Department has not documented its review of local roads in District 6 since 1992 as required. By law, if the Department finds that a highway is not properly maintained by a county under its jurisdiction, the Department is required to call that fact to the attention of the county. If the condition is not fixed, the Department is required to withhold federal aid. The Department is also required to immediately proceed to have such street or highway placed in proper condition and charge the costs thereof against the county's allotment of motor fuel tax funds. (Finding 96-4a page 23)

**Failure to Document Review
of Local Roads**

The Department responded that it believes that it is in compliance with this statute, but acknowledged that it does not prepare written reports on the conditions of locally maintained roads and streets. In order to demonstrate compliance with the requirement to perform road reviews, the results should be in written form. Without such a record, there is insufficient documentation of compliance with the statute.

A Transportation Study Report to the Governor and General Assembly required by the Civil Administrative Code (20 ILCS 2705/49.21) was not filed. The Department

**Failure to Issue
Transportation Study Report**

is required "...to study the extent and nature of the demand for transportation and to collect and assemble information and the costs thereof..." The report was to be filed by February 15 of each odd numbered year. (Finding 96-4f, page 24)

The Department has responded that through other means it has met and continues to meet the intent of the statute, especially through the issuance of a report entitled "The State of Transportation in Illinois: Lifelines to the Economy" and other publications. Nevertheless, the statute requires the issuance of a specific report by February 15 of each odd numbered year. The Department did not issue the report required to be issued by February 15, 1993 and 1995.

**Failure to Publish a
Transportation Master Plan**

The Department did not develop and maintain a Transportation Master Plan and did not publish and deliver this plan to the Governor and the General Assembly. The Department also did not relate its annual and five year project programs to the priority system of the master plan and the priority criteria identified. (Finding 96-4g, page 25)

The Department responded that it believes that it is in compliance with this mandate by publishing reports which detail specific projects for each of the succeeding five fiscal years for each of the major modes of transportation. Nevertheless, the Department did not issue a "Transportation Master Plan" that fulfills the specific statutory requirement.

**INADEQUATE CONTROLS OVER CERTAIN
COMMODITIES INVENTORIES**

The Department's controls over commodities inventory at its District maintenance yards varied significantly among sites. Specifically, the inventory records at some sites did not reflect the actual numbers of items on hand. The Department primarily uses commodities inventory records to monitor commonly used items and to provide management with a means of detecting excessive use.

**Controls over Department
commodities at maintenance
yards varied significantly**

Controls over inventory were not sufficient to ensure that commodities were properly safeguarded against theft or misuse. Storerooms were unlocked, inventory

cards were not updated, inventory rooms were unkempt, making it difficult to find commodities, and Department employees other than storekeepers were allowed to remove inventory items without approval.

The Department did not allocate sufficient resources to ensure that commodity records were accurate and that property was disposed of when found to be obsolete or oversupplied. The inventory records did not agree to actual inventory items due to inventory cards not being updated by storekeepers on a timely basis and inventory items being removed from storerooms without the knowledge of the storekeeper, who should update the records. (Finding 7, page 31-33)

We recommended the Department establish a consistent level of control over commodities inventory. We further recommended that these controls be sufficient to provide reasonable assurance that the State's assets are safeguarded against unauthorized use, and that the levels of commodities on hand be sufficient to meet the Department's operational needs.

The Department responded that it requires physical security and record keeping for large quantities of commodity items stored at central warehouses and distribution centers. The Department noted that inventory records at the yard level are not required by IDOT policy, but they are voluntarily maintained to avoid outages and provide estimated consumption rates for reordering purposes.

The Department will continue to monitor the consumption of commodities at its maintenance locations as the primary means of determining whether there are imbalances in commodity usage at these facilities.

SUBRECIPIENT MONITORING

The Department did not monitor certain subrecipients of monies awarded through its federally administered programs in accordance with the provisions of OMB Circular A-128.

**The Department did not
obtain all required reports
from subrecipients**

The Department determined that 181 entities,

receiving over \$306 million, with fiscal years ending throughout calendar year 1995, met the criteria for having an audit as required by OMB Circular A-128. Based upon our review of Internal Audit's overall tracking report, we noted the following:

- ◆ Audit reports were not received for 19 of the subrecipients with fiscal year ends ranging from February 28, 1995 through August 31, 1995.
- ◆ Audit reports for two subrecipients tested were received late.
- ◆ Internal Audit's review of two audit reports were performed 4 days and 36 days late, and reviews for 9 other reports received between November 30, 1995, and April 30, 1996 had not been performed as of November 8, 1996.
- ◆ The tracking report did not indicate the fiscal year end for 24 of the subrecipients, 22 of which had not submitted an audit report as of November 8, 1996. Without information on subrecipients' year ends, a determination could not be made on the adequacy of the Department's monitoring of these entities. (Finding 9, page 35)

There were similar problems with the monitoring of subrecipients during calendar year 1994.

We recommended the Department establish a uniform timetable for following up on delinquent audit reports as well as a set of criteria for use in determining the priority level of submitted reports (i.e. award amount, past due reports, etc.)

The Department responded that it has an excellent system for monitoring the subrecipient audit process as required by OMB Circular A-128. The Department responded further that although exceptions can be found in any control system, it remains the Department's objective to ensure 100% compliance with the federal regulations.

OTHER FINDINGS

The remaining findings are less significant and are being given appropriate attention. We will review progress toward implementing these recommendations in our next compliance audit. Responses to the recommendations were provided by David G. Campbell, Bureau Chief of Accounting and Auditing.

AUDITORS' OPINION

Our auditors state the June 30, 1996 combined financial statements of the Agency are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:JTD:pp

SPECIAL ASSISTANT AUDITORS

KPMG Peat Marwick, LLP were our special assistant auditors for this audit.

DIGEST FOOTNOTES

#1: DELINQUENT BRIDGE INSPECTIONS - Previous Agency Responses.

1994: The Department has embarked on a comprehensive bridge inspection, maintenance and improvement program as mandated by the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. The ISTEA requires every state to establish and implement a Bridge Management System (BMS) to better assess the condition and state of all bridges open to public travel, both on and off the state highway system, and optimize the dollars spent on those structures in order to maximize their safe service life. Our program will result in a more intense and in-depth inspection of each bridge. The Bureau of Bridges and Structures will be conducting reviews of this new system to ensure progress toward the complete implementation of the program. This program will include increased site visits and spot checks of district inspections on the State-maintained structures, as well as the off-system local agency inspections of their structures.

Every effort will be made to ensure that adequate resources are devoted to this program to ensure complete compliance with its requirements, including timely biennial inspections. Increased oversight of the local system inspections will include additional reporting capabilities to the local agencies and an improved system for the local agencies to report

back inspection findings. These efforts should help ensure complete compliance with the NBIS and ISTEAs programs. Even with this effort, the Department's control of local agency inspections is somewhat limited. Our inspection program will help educate the local agencies on the importance of timely inspections and the benefits that will develop from this program; however, we are still limited to informing these agencies of upcoming delinquencies and cannot actively act on enforcing inspections until they technically become delinquent. This new program will help to minimize these occurrences.

1992: The Department has issued instructions to local agencies that provide for biennial inspections of local bridges required by NBIS be performed by local agencies or their consultant. The Department, through its Bureau of Local Roads and Streets, monitors the status of these local biennial inspections.

Printouts of delinquent bridge inspections are sent to the districts in January and July of each year. Each district contracts the involved agencies to assure that the inspections are performed. The Central Bureau of Local Roads and Streets makes a follow-up check with each district by telephone approximately three months after the initial written contact.

Delinquent inspection numbers indicate a very high compliance level - 99% compliance at the time the data was provided for this audit. These numbers would indicate that considerable effort is being made by locals to accomplish NBIS inspections within the 2 year time frame. We are not finding that certain agencies are continually delinquent, but the delinquent agencies are different each report period. The reason for being on the list varies by agency and circumstances.

The one common finding is that many of the structures have been inspected within the specified 2 years, but the inspection data has not yet been entered into the data bank. The Department will continue its current procedure for monitoring NBIS biennial inspection compliance. All 301 bridges that were not inspected will be inspected by May 1, 1993.

