



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE TOLL HIGHWAY AUTHORITY

Financial Audit
 For the Year Ended December 31, 2021

Release Date: October 19, 2022

FINDINGS THIS AUDIT: 4				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	1	2	2020	21-03	21-04	
Category 2:	1	1	2				
Category 3:	0	0	0				
TOTAL	2	2	4				
FINDINGS LAST AUDIT: 4							

INTRODUCTION

This digest covers the Illinois State Toll Highway Authority's (Tollway) Financial Audit as of and for the year ended December 31, 2021.

SYNOPSIS

- **21-01** The Tollway failed to implement controls necessitated by the terms of our communication letter that required timely notification to its external auditor, that one of our employees was seeking employment with the Tollway, increasing the impact of an independence breach and resulting in a waste of the State's resources as defined in Government Auditing Standards, §6.21.

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.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
FINANCIAL AUDIT
For the Year Ended December 31, 2021

FINANCIAL OPERATIONS (GAAP Basis)	2021	2020
Operating Revenues		
Toll Revenue.....	\$ 1,292,369,818	\$ 1,149,019,894
Toll Evasion Recovery.....	147,047,083	93,164,508
Concessions.....	1,428,418	1,394,810
Miscellaneous.....	18,958,584	17,371,262
Total Operating Revenues.....	<u>1,459,803,903</u>	<u>1,260,950,474</u>
Operating Expenses		
Depreciation and Amortization.....	517,961,956	494,637,313
Services and Toll Collection.....	111,972,566	149,638,080
Engineering and Maintenance of Roadway and Structures.....	95,505,236	107,197,951
Traffic Control, Safety Patrol, and Radio Communications.....	39,198,099	48,631,134
Procurement, IT, Finance and Administration.....	112,106,816	75,211,820
Total Operating Expenses.....	<u>876,744,673</u>	<u>875,316,298</u>
Operating Income.....	583,059,230	385,634,176
Total Nonoperating (Expenses), net.....	<u>(283,468,717)</u>	<u>(261,457,634)</u>
Change in Net Position.....	299,590,513	124,176,542
Net Position, beginning of year, as restated.....	<u>3,069,596,314</u>	<u>2,945,419,772</u>
Net Position, end of year.....	<u>\$ 3,369,186,827</u>	<u>\$ 3,069,596,314</u>
SIGNIFICANT ACCOUNT BALANCES (GAAP Basis)	2021	2020
Cash/Cash Equivalents/Investments (Unrestricted).....	\$ 1,142,118,349	\$ 1,085,526,396
Cash/Cash Equivalents/Investments Restricted for Debt Service.....	\$ 662,716,255	\$ 606,591,172
Cash and Cash Equivalents - I-PASS Accounts.....	\$ 206,943,195	\$ 199,150,846
Cash and Cash Equivalents - Construction.....	\$ 290,681,928	\$ 124,935,561
Accounts Receivable - Current (net).....	\$ 69,863,109	\$ 60,617,559
Intergovernmental Receivable - Less Current Portion.....	\$ 88,911,716	\$ 101,697,014
Capital Assets.....	\$ 10,856,252,664	\$ 10,164,520,701
Deferred Outflows of Resources.....	\$ 354,481,447	\$ 339,107,167
Revenue Bonds Payable.....	\$ 7,993,915,054	\$ 7,310,527,374
Net Pension Liability.....	\$ 854,495,091	\$ 891,871,048
Net OPEB Liability.....	\$ 493,963,815	\$ 580,018,281
Deferred Inflows of Resources.....	\$ 237,527,324	\$ 120,544,558
Total Net Position.....	\$ 3,369,186,827	\$ 3,069,596,314
EXECUTIVE DIRECTOR		
During Audit Period: Jose Alvarez - until 3/15/22, Lanyea Griffin - 4/1/22 thru 8/25/22		
Current: Cassandra Rouse - effective 8/26/22		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FAILURE TO IMPLEMENT CONTROLS TO COMPLY WITH A COMMUNICATION LETTER REQUIREMENT

Internal controls need improvement

The Illinois State Toll Highway Authority (Authority) failed to implement controls necessitated by the terms of our communication letter that required timely notification to its external auditor, that one of our employees was seeking employment with the Authority, increasing the impact of an independence breach and resulting in a waste of the State's resources as defined in Government Auditing Standards, §6.21.

Communication letter was signed by the Authority's Executive Director and Audit Committee Chair

As initially contracted for by the Auditor General and our firm on November 10, 2021, we were engaged to perform the Authority's financial audit and State compliance examination for Calendar Year 2021. In the communication letter from our firm dated November 23, 2021, the Authority's Executive Director (representing management) and the Authority's Audit Committee Chair (representing governance) signed a written agreement acknowledging the scope of the financial audit and State compliance examination, our role and responsibilities, and the Authority's role and responsibilities during the engagements which included the following requirement:

Authority agreed to inform us of any potential employment of our personnel

To help ensure both the Office of the Auditor General and CliftonLarsonAllen LLP do not have an independence impairment under the Code of Professional Conduct published by the American Institute of Certified Public Accountants, you agree to inform [the appointed representatives of Auditor General and our firm] before discussing any potential employment with any of our personnel.

Staff member from the engagement team violated the legal and ethical requirements while working on the engagement

In December 2021, a staff member of our engagement team intended to seek employment with the Authority and then actually applied to two open positions within the Authority's Internal Audit Department, which violated the legal and ethical requirements imposed on our staff members and firm to maintain our independence in fact and appearance with respect to the Authority. On February 22, 2022, the impaired staff person began charging time to the Authority's compliance examination, which included some limited testing used to support the Authority's financial audit.

Authority interviewed the impaired staff member for more than one position

On March 29, 2022, a committee at the Authority, including the Authority's Chief Internal Auditor, held an interview with our impaired staff person for the first position, eventually extending an employment offer to our impaired staff person which was ultimately turned down. On April 25, 2022, the impaired staff person took part in an interview for the second position at the Authority, which also included the Chief Internal Auditor, accepted the offer that followed on May 31, 2022, and subsequently notified our firm's team leader they had accepted an offer of employment from the Authority on June 2, 2022.

In recognition of this breach of our firm's independence and, after consulting with the Office of the Auditor General, our national office,

The Firm was able to cure the breach of independence for the Authority's Financial Audit

and an independent national expert on auditor independence, we identified a remedy to cure the breach of the independence rules for the financial audit, which was ultimately concurred with by the Authority's Board of Directors on July 20, 2022. However, unlike the financial audit, the breach was pervasive to the State compliance examination and the professional judgment, integrity, objectivity, and professional skepticism of our engagement team was so compromised that we resigned from the State compliance examination engagement. As a result, the Authority will undergo a new State compliance examination covering Calendar Year 2021 as part of a future engagement covering the two years ending December 31, 2022.

The Firm resigned from the Compliance Examination as a result of the breach of independence

During the audit, we noted the following:

- The Authority did not implement the controls necessary to comply with a Communication Letter requirement to timely inform the Auditor General that our employee had applied for employment with the Authority.
- The Authority's Chief Internal Auditor knew, or should have known, our impaired staff person was a member of our engagement team when the Chief Internal Auditor served on the committees interviewing our impaired staff person and did not immediately report this matter to the appointed representatives of the Auditor General and our firm to limit the extent of the breach of the independence requirements by our impaired staff person.

The Tollway's Chief Internal Auditor knew, or should have known that the impaired staff person was a member of the engagement team

The Authority failed to inform us prior to discussing potential employment with the staff person resulting in a waste of State resources

By failing to inform us prior to discussing any potential employment with our staff person as agreed-to by the Authority's Audit Committee Chair and Executive Director, we were unaware of the breach until June 2, 2022, resulting in a waste of State resources expended to provide us with routine activities, responses, and documentation to support our Calendar Year 2021 State compliance examination. Additionally, failure to notify us prior to discussing any potential employment with our staff person resulted in reperformance of limited audit work to support our Calendar Year 2021 financial audit that could have been avoided had we been notified sooner. (Finding 1, pages 83-85)

We recommended the Authority implement controls to ensure employment applications received are timely screened for individuals with current or previous employment with the Authority's external audit firm or the Auditor General, with any such individuals immediately reported to the appointed representatives of the Auditor General or the Authority's external audit firm.

Authority officials agreed that it failed to timely advise us

Authority officials agreed that it failed to timely advise the external audit firm and the Auditor General that a member of the firm's audit team improperly sought employment with the Authority while the audit was ongoing.

OTHER FINDINGS

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

AUDITOR'S OPINION

The auditors stated the financial statements of the Tollway as of and for the year ended December 31, 2021 is fairly stated in all material respects.

This financial audit 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

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