



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF TRANSPORTATION

Financial Audit for the Year Ended June 30, 2014 and
 Compliance Examination for the Two Years Ended June 30, 2014

Release Date: April 30, 2015

FINDINGS THIS AUDIT: 19	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	2	2	2013	14-4	14-3, 14-5	
Category 2:	5	12	17	2012		14-7, 14-18	
Category 3:	0	0	0	2009	14-2		
TOTAL	5	14	19	2008		14-16	
				2007		14-6, 14-9, 14-10, 14-13, 14-14, 14-15	
FINDINGS LAST AUDIT: 19				1994		14-1	

SYNOPSIS

- (14-2) The Department's capital assets were not accurately reported to the Illinois Office of the Comptroller for fiscal year 2014.
- (14-4) The Department inaccurately reported its accounts receivable balance at June 30, 2014.
- (14-1) The Department maintained inaccurate commodities inventory records for the year ended June 30, 2014.
- (14-6) The Department's process to monitor interagency agreements was inadequate.
- (14-8) The Department did not timely perform inspections of bridges.
- (14-9) The Department lacked controls to ensure employees' overtime hours were appropriately documented and reasonable.
- (14-11) The Department was unable to locate computer equipment.
- (14-14) The Department had inadequate controls to prevent inappropriate payments to vendors.

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.

{Expenditures and Activity Measures are summarized on next page.}

**DEPARTMENT OF TRANSPORTATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

EXPENDITURE STATISTICS	2014	2013	2012
Total Expenditures.....	\$ 5,694,530,043	\$ 5,475,761,155	\$ 5,646,159,445
OPERATIONS TOTAL.....	\$ 984,883,546	\$ 870,414,325	\$ 898,582,586
% of Total Expenditures.....	17.3%	15.9%	15.9%
Personal Services.....	463,135,140	427,552,363	427,882,668
Other Payroll Costs (FICA, Retirement).....	223,093,217	196,586,762	182,349,538
All Other Operating Expenditures.....	298,655,189	246,275,200	288,350,380
AWARDS AND GRANTS.....	\$ 2,279,502,915	\$ 2,055,141,512	\$ 1,772,468,183
% of Total Expenditures.....	40.0%	37.5%	31.4%
HIGHWAY/WATERWAY CONSTRUCTION...	\$ 2,420,446,634	\$ 2,541,589,075	\$ 2,968,203,247
% of Total Expenditures.....	42.5%	46.4%	52.6%
PERMANENT IMPROVEMENTS.....	\$ 9,696,948	\$ 8,616,243	\$ 6,905,429
% of Total Expenditures.....	0.2%	0.2%	0.1%
Total Receipts.....	\$ 1,902,485,197	\$ 1,822,267,383	\$ 1,980,337,400
Average Number of Employees (Unaudited)....	5,216	5,186	5,259
SELECTED ACTIVITY MEASURES (UNAUDITED)	2014	2013	2012
Number of bridges maintained/improved.....	222	183	262
Percent of bridges in need of repair.....	7%	7%	8%
Number of lane miles of pavement maintained..	43,002	43,000	42,875
Number of airport safety inspections.....	172	211	154
Highway safety improvements accomplished....	147	158	189
Percent of roads in need of repair.....	18%	18%	15%
SECRETARY			
During Examination Period:	Ann Schneider (through 7/10/14), Erica Borggren, Acting (7/11/14-1/31/15)		
Currently:	Randall Blankenhorn, Acting (effective 2/1/15)		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

NEED TO IMPROVE REPORTING OF CAPITAL ASSETS

The Department did not accurately report capital assets to the Illinois Office of the Comptroller for fiscal year 2014.

We noted the following errors and weaknesses in the Department's capital asset reporting process:

Improper capitalization of repair and maintenance additions

Capital assets were overstated by \$80 million

Road fund construction in progress overstated by \$25 million

Capital assets understated by \$11 million

- The Department improperly capitalized repair and maintenance type expenditures in infrastructure additions. In the prior year, the Department made similar errors resulting in capital assets being overstated due to the capitalization of these costs as infrastructure additions. Through our testing of infrastructure additions, and with the assistance of the Department, we identified \$80 million of fiscal year 2014 infrastructure additions were improperly capitalized as the costs related to repair and maintenance type contracts. The Department corrected the error by reducing infrastructure additions in fiscal year 2014 and revising its capital asset records and financial statements accordingly at June 30, 2014.
- The Department improperly included \$25 million of Federal High Speed Rail Trust Fund (Fund 0433) construction in progress additions in the Road Fund (Fund 0011). When this was discovered, the Department also noted an additional \$11 million of accounts payable related to Fund 0433 had not been recorded. This error also resulted in capital assets being understated due to the accounts payable not being recorded. The Department corrected the error by increasing construction in progress additions in fiscal year 2014 and by revising its capital asset records and financial statements accordingly at June 30, 2014. (Finding 2, pages 16-17) **This finding was first reported in 2009.**

We recommended the Department devote sufficient resources to its financial accounting function so that the capital asset information is properly recorded and accounted for to permit the preparation of reliable financial information and reports to the Comptroller.

Department agrees with auditors

Department officials agreed with the recommendation and stated during FY14, new GAAP staff was added to the Fiscal Operations Unit which reduced the issues in capital asset reporting. For FY15 they identified the errors in the reporting system and will change the criteria for the report. Fiscal Operations staff will also be included in the determination of

the correct coding for input into the system. The procedures were changed as part of the correction to the construction in progress for FY14. (For the previous Department response, see Digest Footnote #1.)

NEED TO IMPROVE REPORTING OF ACCOUNTS RECEIVABLE

Weaknesses and errors were noted in the Department's calculation of its accounts receivable balance at June 30, 2014.

We noted the following conditions in the Department's accounts receivable reporting process:

Amount due from local governments not calculated

Local government progress billings were not entered into the system

Intergovernmental receivables were understated by \$54 million

Federal receipts were not properly allocated

- Until prompted to do so by the auditors, the Department did not calculate the amount due from local governments at June 30, 2014 for contracts administered by the Department requiring local participation. When this information was requested by the auditors, the Department determined the Accounts Receivable Local (ARL) system had only been updated with progress billings through the beginning of May 2014. Billings for May and June of fiscal year 2014 had not been entered as of November 7, 2014. At that time, the Department immediately updated the ARL system. Department management estimated, of the approximately 3,200 open contracts, 50% would have local participation. Once updated, the ARL system would include all outstanding amounts owed to the Department, other than approximately 600 "final billings," or contracts that would not be billed to local governments until the completion of the project. The Department manually compared the "final billings" to the updated ARL system to ensure no duplication occurred. Once this process was completed, the contracts with local participation were queried through the Contract Payment Management system in order to determine which fund the receivable applied. At the conclusion of the exercise, an adjustment of \$54 million was recorded to intergovernmental receivables and unavailable revenue – deferred inflows of resources in the Road Fund (0011). The correction was included in the Department's final financial statements for the year ended June 30, 2014.
- The Department failed to accurately report federal accounts receivable in the Road Fund (Fund 0011) at June 30, 2014 due to the failure to properly allocate receipts collected during lapse in the spreadsheets utilized to calculate the balances reported in its financial statements. The Department allocates receipts received during the lapse period for reimbursement requests where the service dates bridge between two fiscal years (i.e. fiscal year 2014 and fiscal year 2015) based on the percentage of service dates in each fiscal year. Errors in the spreadsheet resulted in an overstatement of expenditures allocated to fiscal year 2014, which overstated the percentages applied to the

Federal accounts receivable and federal capital grants overstated by \$5 million

receipts received during lapse period. Further, computational errors overstated fiscal year 2014 revenue by including the fiscal year 2015 revenue in both fiscal year 2014 and fiscal year 2015. These errors resulted in a \$5 million overstatement of federal accounts receivable and federal capital grants at June 30, 2014. The corrections were included in revised financial statements provided to us for the year ended June 30, 2014. (Finding 4, pages 21-22)

We recommended the Department establish procedures to ensure its receivable reporting is complete and includes information from the entire Department. Systems needed to generate information should be updated on a timely basis in order to produce accurate results at fiscal year end. We also recommended the Department devote sufficient resources to the financial accounting and support functions so that accounts receivable and related accounts are properly accounted for and reviewed for accuracy to permit the preparation of reliable financial information.

Department agrees with auditors

Department officials agreed with the recommendations and stated they will improve processes and internal controls over accounts receivable reporting in order to accurately report accounts receivable. The Department has filled staff positions in the billing area. Fiscal Operations staff will add an additional review procedure in the manual process to calculate the federal receivable.

NEED TO IMPROVE COMMODITIES INVENTORY RECORDS

The Department maintained inaccurate commodities inventory records for the year ended June 30, 2014.

Inventory quantity errors resulted in an estimated understatement of \$1,653,349

During our physical inventory counts, we counted 174 inventory items and noted discrepancies between audit test counts and Department inventory quantities for 71 (41%) of items. The errors resulted in a net understatement of the year end inventory balance of \$148,936 which, when extrapolated over the entire inventory population, resulted in an estimated understatement of \$1,622,487. During our review of District inventory sheets, we noted count sheet discrepancies due to formula errors resulting in a net understatement of \$30,862. Combined, inventory quantity errors resulted in a net understatement of inventory of \$1,653,349 at June 30, 2014.

In our inventory price testing, we sampled 15 inventory items, including salt at all Districts, which accounted for \$11,308,038 (28%) of the reported inventory value at June 30, 2014. Of the items tested, 4 (27%) were found to have inaccurate costs resulting in a net understatement of the year end inventory balance of \$79,912. Through analytical review procedures applied to the final inventory listings, we identified an

Pricing errors resulted in an estimated overstatement of \$141,919

additional 8 (53%) items with unusual pricing variances from fiscal year 2013 to fiscal year 2014. Our testing of these items revealed a net extrapolated overstatement of \$221,831. Combined, inventory pricing errors resulted in a net overstatement of inventory of \$141,919 at June 30, 2014.

Sign inventory valuation was inconsistent

During our inventory observation we noted inconsistencies in the method Districts were using to value sign inventory. It appeared that sign prices were inconsistent between district inventory sheets. The net effect of any misstatement could not be determined based upon information provided by the Department. (Finding 1, pages 14-15) **This finding was first reported in 1994.**

We recommended the Department emphasize the importance of maintaining accurate inventory quantity and cost records throughout the year. Additionally, the Department should perform periodic physical inventory counts throughout the year and reconcile those to Department records. We further recommended the Department implement a more thorough review at year-end to compare costs assigned per inventory listings to the most recent inventory amounts to ensure accurate unit costs, including signs. Finally, training and ongoing education should be provided to all employees involved in the inventory process in order to accentuate the importance of their involvement in this annual exercise.

Department agrees with auditors

Department officials agreed with the recommendations and stated a quarterly inventory process had been implemented to better prepare the Department for the annual Commodities Inventory process. Additional reviews have been added to the process and the Department continues to explore ways to improve the accuracy of the various manual processes involved in valuing the Department's Commodities Inventory. (For the previous Department response, see Digest Footnote #2.)

NEED TO IMPROVE CONTROLS OVER INTERAGENCY AGREEMENTS

The Department's process to monitor interagency agreements was inadequate.

During our engagement we noted the following:

Interagency agreements were signed between 11 and 30 days late

- Three of 17 (18%) agreements observed were not signed by all parties prior to the effective date. The Department's signature tardiness resulted in agreements being signed between 11 and 30 days late.

No performance evaluations or timesheets for "liaisons"

- For 8 of 12 (67%) tested agreements entered into with other agencies for the sharing of employee services ("liaisons"), either no performance evaluations or timesheets were available for review. The interagency agreements for liaisons required the Department to

A complete listing of interagency agreements was not provided

maintain all documentation related to leave administration, payroll, and other personnel activities.

- The Department was unable to provide a complete listing of interagency agreements to the auditors. The listing provided consisted of multiple items that were not interagency agreements and omitted an interagency agreement between the Department and the Department of Central Management Services which was entered into during the engagement period.
- The Department did not comply with certain requirements of an interagency agreement with the Illinois Commerce Commission (ICC) when disbursing payments for a Grade Crossing Protection Fund (GCPF) project. Auditors noted the Department did not conduct audits of the Grade Crossing Protection Fund projects as required by the agreement. The interagency agreement assigns the Department the responsibility to ensure the rail carrier provide sufficient documentation for all reimbursements and provided for minimum documentation requirements. The agreement further requires the Department to conduct audits of all GCPF projects. (Finding 6, pages 25-26) **This finding was first reported in 2007.**

No audits of GCPF projects

We recommended the Department ensure interagency agreements are signed prior to the effective date of the agreement. We also recommended the Department ensure the terms of the agreements are followed. Further, we recommended the Department maintain an accurate, contemporaneous listing of the interagency agreements it has established.

Department agrees with auditors

Department officials agreed with the recommendations and stated they will work with the corresponding agency to ensure agreements are signed on a timely basis. They also stated they will monitor the applicable agreements to ensure terms are followed. They further stated an updated list of all Interagency and Intergovernmental agreements, and all agreements are also being signed prior to execution and the Grant staff is in the process of making sure all offices are aware of the pre and post Grant procedures. In addition, Department officials stated they began conducting audits of the GCPF. *(For the previous Department response, see Digest Footnote #3.)*

**NEED TO PERFORM BRIDGE INSPECTIONS
TIMELY**

The Department did not timely perform inspections of bridges.

During testing we noted the following:

- Using the intervals established by the Department and allowing for the data entry period, according to the

Local bridges were overdue for an inspection

Department's ISIS data, as of May 1, 2014, 46 local bridges were overdue for a routine inspection. One local bridge was due for inspection in 2003, but never received an inspection (more than 10.5 years overdue) and was rated as structurally deficient. The remainder of local bridge overdue inspections ranged from 2 months to 2.5 years overdue. While all State bridges appeared to be timely inspected, we did note, as of May 1, 2014, that inspection data for 25 bridges was not entered into ISIS within timeframes required by Federal Regulations.

State bridges appeared to be timely inspected

- Of the total 26,365 open bridges that the Department is required to inspect or cause to be inspected (i.e. locals), 1,073 were slated for a special inspection totaling 1,131 special inspections. Using the intervals established by the Department and allowing for the data entry period, according to the Department's ISIS data, as of May 1, 2014, 69 bridges were overdue for a special inspection. These 69 bridges required 71 total inspections. Two bridges required 2 separate inspections each. Of the 71 total inspections, 5 were of State bridges and 66 were of local bridges. One State bridge was less than 1 month overdue, 3 were about 6 months overdue and 1 was 5 years overdue and rated as structurally deficient. Sixteen of the 66 local bridge inspections were less than 3 months overdue; however, the remaining 50 inspections were overdue by more than 3 months with 18 inspections being 1 or more years overdue. Thirteen of these 18 inspections were of bridges rated as structurally deficient. According to the Department, some of the bridges have been repaired or replaced eliminating the need for the special inspection; however, the data we were provided showed these bridges as being delinquent for inspection.

Special inspections were overdue

13 of 18 overdue by a year or more were rated structurally deficient

- Of the total 26,365 open bridges that the Department is required to inspect or cause to be inspected (i.e. locals), 484 were slated for an underwater inspection. Using the intervals established by the Department and allowing for the data entry period, according to the Department's ISIS data, as of May 1, 2014, 12 bridges were overdue for an underwater inspection, all of which were local. The bridges were between 1 month and 15 years overdue with 5 being approximately 2 years or less overdue and 7 being over 7 years overdue. Three of the 12 were rated as structurally deficient. According to the Department, the inspection responsibility for many of these bridges rested with an adjacent State. However, when the Department does not receive a report from the adjacent State with the inspection/maintenance responsibility, it is not known whether the inspection is delinquent or if a report was simply never sent.

12 bridges were overdue for an underwater inspection

Three were noted as structurally deficient

- Of the total 26,365 open bridges that the Department is required to inspect or cause to be inspected (i.e. locals),

Fracture critical inspections were not performed

411 were slated for a Fracture Critical inspection. We could not make a determination about the timeliness of 303 Fracture Critical inspections for 124 bridges. For these 303 inspections, the inspection date indicated that no Fracture Critical Inspections had been completed yet. The Department's bridge database did not capture a date to indicate when the bridge's fracture critical status was identified; therefore, we could not determine if the inspection should have already been conducted or if it was just recently identified. However, as of June 16, 2014 (prior to our inquiry on this matter), the Department began collecting this information for all new Fracture Critical inventory records added.

Eight bridges were from 1 to 18 years overdue for inspections

Using the intervals established by the Department and allowing for the data entry period, according to the Department's ISIS data, as of May 1, 2014, 14 bridges were overdue for inspection, consisting of 37 total components. All bridges with overdue Fracture Critical inspections were local bridges. Six of the 14 bridges were less than 2 months overdue. However, the remaining 8 ranged from 1 to 18 years overdue. Of these 8, 3 were designated as structurally deficient.

127 bridges were not inspected on a 24 month interval

- There were 10,869 bridges with a routine inspection interval of greater than 24 months. We found 127 bridges which violated 1 or more of these criteria and therefore should be inspected on a 24 month interval instead of the interval listed by the Department of 36 or 48 months. The majority of the bridges violated the bridge condition criteria by having a rating that was not high enough to allow for less frequent inspection. Ten of these 127 bridges are listed as the Department's maintenance responsibility.

Ten bridges were listed as maintained by the Department

- We identified 58 bridges (14 State, 44 local) which were constructed at least 4 years ago (and going back as far as 1900) which show only one recent inspection, indicating there should be inspection data for the years in between. For example, a bridge constructed in 1998 should have had at least 4 routine inspections; however, the data provided by the Department shows only 1 inspection. (Finding 8, pages 29-32)

58 bridges only had one recent inspection

We recommended the Department ensure bridge inspections are conducted within allowable intervals established by Federal regulations and Department policy and ensure inspection data is timely entered into ISIS. The Department should also review the inspection intervals being applied to ensure they are in conformance with Department policy as approved by the Federal Highway Administration.

Department agrees with auditors

Department officials agreed with the recommendations and stated the Bureau of Bridges and Structures continues to work with FHWA, Districts and Local Agencies to emphasize the

importance of timely inspections. In addition, BB&S is stressing the importance of identifying valid reasons for delinquencies and the need to minimize occurrences.

Department officials also stated efforts to reduce delinquencies and ensure compliance with all inspection policies have recently been implemented. These include centralization of inspection oversight with the Bureau of Bridges and Structures through the formation of the Bridge Management Unit, increased communication with local agencies on the importance of timely inspections, monthly notifications to local agencies of delinquencies and upcoming delinquencies, more frequent communication with all program managers and team leaders regarding inspection policy through the Bureau of Bridges and Structures subscription service, and ISIS database enhancement and Structural Services Manual policy updates.

NEED TO IMPROVE CONTROLS OVER EMPLOYEE OVERTIME

The Department did not maintain controls to ensure employees' overtime hours were appropriately documented and reasonable.

According to Department records, the Department expended \$53,348,708 and \$31,581,332 on overtime during fiscal years 2014 and 2013, respectively.

Overtime pay totaled \$53,348,708 and \$31,581,332 during FY14 and FY13

We tested a sample of 15 employees who received between \$33,138 and \$57,953 in overtime pay during fiscal year 2014 and 2013 and reviewed 3 months (6 pay periods) of their sign out sheets, overtime cards, when applicable, and the timekeeping system (TKS) balances. We noted the following during our review:

Overtime cards were signed by the supervisor instead of the employee

- Ten out of 15 (67%) employees' overtime cards tested contained 50 instances where the overtime cards were signed by the supervisor in place of the employee attesting to the accuracy of the hours worked.

Employees worked 16 to 20 hours consecutively

- Eight out of 15 (53%) employees tested accrued significant overtime hours in short periods of time, ranging from 16 to 20 consecutive hours.

Overtime claimed exceeded hours worked by 24

We also tested 25 general overtime cards and noted 1 of 25 (4%) overtime cards reviewed had more overtime hours claimed than was actually worked according to the employee's start and stop times. The employee claimed 24 additional hours of overtime. As of our fieldwork, the Department had not recouped the excess hours paid to the employee. (Finding 9, pages 33-34) **This finding was first reported in 2007.**

We recommended the Department implement controls to ensure employee overtime is accurately documented and

amounts paid are proper. If errors are made in the payment of overtime to employees, we recommended the Department take the necessary steps to recoup those payments from the employee(s). In addition, we recommended the Department develop a long-term strategy to mitigate excessive overtime during short periods of time.

Department agrees with auditors

Department officials agreed with the recommendations and stated the Department had hired one Bridge Tender in FY13 and five Bridge Tenders in FY14. This additional staff will help reduce the need for overtime coverage of bridges. In addition, Department officials stated the Central Payroll Office assists districts and offices in the efforts to recover any overpayments. Overpayments are referred to the IDOT Claims Office for offset when necessary. *(For the previous Department response, see Digest Footnote #4.)*

NEED TO IMPROVE CONTROLS OVER COMPUTER EQUIPMENT

The Department was unable to locate computer equipment.

Department was unable to locate 152 computers and related items in its Certification filed in FY14

We reviewed the Department's Annual Certification of Inventory Reports (Certification) submitted to the Department of Central Management Services (DCMS) on August 31, 2013 and 2012, which represented the reports required to be submitted during the engagement period, and noted a number of missing computers and related equipment. Through submission of the Certification dated August 31, 2013, the Department stated it was unable to locate 152 computers and/or computer related items totaling \$275,050. Through submission of the Certification dated August 31, 2012, the Department indicated it was unable to locate 629 computers and/or computer related items totaling \$1,428,319. (Finding 11, pages 37-38)

Department was unable to locate 629 computers and related items in its Certification filed in FY13

We recommended the Department perform a detailed assessment to determine if any of the missing computers and equipment contained confidential information. We also recommended the Department modify its current practices to document the movement of computers within the Department and which computers contain encrypted software. Finally, we recommended the Department implement safeguards to prevent the theft and loss of computer equipment, including the encryption of computers susceptible to being stolen or damaged.

Department agrees with auditors

Department officials agreed with the recommendations and stated the Department will continue to educate department users regarding the proper handling of personal or confidential data. All computers (desktop and laptop) in use at IDOT are acquired from DCMS and during the current audit period, DCMS began installing encryption software on all laptops. The Department will continue to work closely with DCMS on

the proper practices to be followed when moving or surplusizing IT equipment.

INADEQUATE CONTROLS TO PREVENT INAPPROPRIATE PAYMENTS TO VENDORS

**\$44,019 in duplicate payments
during FY13 and FY14**

The Department did not have adequate controls to prevent inappropriate payments to vendors. During testing, we noted 25 instances where the Department issued \$44,019 in duplicate payments to vendors during the engagement period. In addition, the Department could not provide documentation to support vendor refunds for a portion of our selected sample.

Payments were issued twice

We obtained a report of potential duplicate vouchers using auditing software and noted 13 of 25 (52%) payments totaling \$25,157 were issued twice and 1 of 25 (4%) payments totaling \$36 was issued 3 times by the Department. We also noted 11 of 40 (28%) refunds totaling \$18,826 were the result of duplicate or erroneous payments. We were unable to test 5 of 40 (13%) refunds totaling \$446,190 because the Department could not provide us with the associated documentation. As a result, we could not determine whether the refunds were deposited timely or for the correct amount.

**Documentation for vendor refunds
could not be provided**

The Department's accounting system invokes a warning for duplicate payments for invoices if the invoice number already exists or if the payee identification and invoice dollar amount are the same, but the same individual who enters the voucher can override the alert. In addition, there is no centralized report to allow management to review all employee overrides for reasonableness. The Department has 35 accounting entities entering vouchers and also has reappropriated accounts that do not lapse at the end of the fiscal year. (Finding 14, pages 45-46)
This finding was first reported in 2007.

We recommended the Department implement controls to review the employee override for duplicate payments. In addition, controls should be implemented to prevent duplicate payments between accounting entities and over different fiscal years for the reappropriated accounts. Finally, we recommended the Department obtain reimbursement for duplicate payments.

Department agrees with auditors

Department officials agreed with the recommendations and stated during FY15, additional corrective measures were put in place to pinpoint more accurately duplicate payments in FOA. They further stated a report is created once a month indicating duplicate warning user overrides. Business services will send it to the supervisors for review and corrective action, as necessary. (For the previous Department response, see Digest Footnote #5.)

OTHER FINDINGS

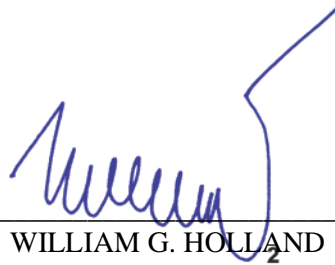
The remaining findings are reportedly being given attention by the Department. We will review the Department's progress toward implementation of our recommendations in our next examination.

AUDITOR'S OPINION

The auditors stated the basic financial statements of the Department as of and for the year ended June 30, 2014 were fairly presented in all material respects.

STATE COMPLIANCE EXAMINATION - ACCOUNTANT'S REPORT

The auditors qualified their report on State Compliance for findings 2014-002 and 2014-004. Except for the noncompliance described in these findings, the auditors state the Department complied, in all material respects, with the requirements described in the report.



A handwritten signature in blue ink, appearing to read 'William G. Holland', is positioned above a horizontal line. The signature is stylized and cursive.

WILLIAM G. HOLLAND
Auditor General

WGH:PH

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit and examination were Sikich, LLP.

DIGEST FOOTNOTES

#1 - NEED TO IMPROVE REPORTING OF CAPITAL ASSETS

2013: The Department agreed with the finding and stated during FY13, additional GAAP staff was added to the Fiscal Operations Unit. None of the new staff had previous experience with the Department but did have GAAP experience. The complexity of the GAAP process within the Department and the numerous systems required to produce the annual capital asset reporting for the Comptroller's Office produced a longer than anticipated learning curve for the new staff. The accuracy of capital asset reporting should improve due to the valuable experience of lessons learned from FY13. Identification of problems with the reports necessary for infrastructure reporting will be addressed during FY14 with a work around in place should the changes not be implemented prior to the end of FY14. The training of staff in the importance of using the appropriate expenditure object codes to ensure that repair and maintenance costs are not capitalized occurred after the FY12 audit was completed and the full effect was not experienced for FY13 reporting. The consulting firm that has assisted with GAAP for several years worked on documenting new procedures or revising the existing procedures for each capital asset type.

#2 - NEED TO IMPROVE COMMODITIES INVENTORY RECORDS

2013: The Department agreed with the finding, and stated they would continue to make improvements to the year-end commodity inventory process to produce an accurate count and pricing of our commodity inventory. As a part of the administrative changes, the Office of Finance and Administration will be taking a leadership role in the accountability for the commodity inventory process. The Department will work to define and document a periodic monitoring process to count and price a sample of inventory items. In addition, the Department has completed the identification of potential changes in organizational structure, reporting relationships and technology solutions intended to ensure the development of statewide policies and procedures. The Department feels that policy administration changes are necessary to improve upon and/or reduce the probability of future compliance issues. During the fall of calendar year 2013, the Department started the implementation of these administrative changes.

#3 - NEED TO IMPROVE CONTROLS OVER INTERAGENCY AGREEMENTS

2012: The Department agreed with the finding and stated they agree with the best practices indicated in this finding that all agreements entered into by the Department be fully executed before any services are exchanged, any payments made, or any staff assigned to work with another agency on behalf of the Department. However, the agreements in question fall under the authority of the Illinois Intergovernmental Cooperation Act (IGCA) and should not be treated as third-party contracts governed by the Illinois Procurement Code (Code), as such agreements are specifically exempt from the Code (see Section 1-10(b)(1); 30 ILCS 500/1-10(b)(1)). The IGCA is silent on the issue of having an agreement executed before the

work is scheduled to begin. Also, when filing Interagency Agreements (IAAs) or Intergovernmental Agreements (IGAs) with the Office of the Comptroller, the Department is not required to file Late Execution Waivers (for timely execution), as is required with third-party contracts governed by the Code.

Notwithstanding, the Department, as best practices, will continue to endeavor to have fully executed agreements in place before costs are incurred, services performed, or staff assigned to work at another agency on behalf of the Department.

For the GCPF projects, the vacant position has been filled and the Department is in the process of properly filing and maintaining the invoices and supporting documentation. In addition, a procedure to process and approve invoices for payment has been implemented. The Department will also begin conducting audits of the GCPF projects.

#4 - NEED TO IMPROVE CONTROLS OVER EMPLOYEE OVERTIME

2012: The Department agreed with the finding and stated they will send a reminder memo to the timekeepers addressing the importance of accurate data entry. The Department will review the need for potential revisions to the sign-in/sign-out sheets by adding fields to accommodate employees who work outside their normal work hours. This would include fields for work on Saturday/Sunday.

In addition, the Department has completed the identification of potential changes in organizational structure, reporting relationships and technology solutions intended to ensure the development of statewide policies and procedures. The Department feels that policy administration changes are necessary to improve upon and/or reduce the probability of future compliance issues. The Department is currently planning the implementation of these administrative changes.

#5 - INADEQUATE CONTROLS TO PREVENT INAPPROPRIATE PAYMENTS TO VENDORS

2012: The Department agreed with the finding and stated they were reviewing current controls and potential new controls within FOA to address the duplicate payment issue. An email will also be sent to all FOA users reminding them of the importance of reviewing the warning given for duplicate payments prior to approving until a new process/control can be identified.

In addition, they stated the Department had completed the identification of potential changes in organizational structure, reporting relationships and technology solutions intended to ensure the development of statewide policies and procedures. The Department feels that policy administration changes were necessary to improve upon and/or reduce the probability of future compliance issues. The Department was currently planning the implementation of these administrative changes.