

REPORT DIGEST

**ILLINOIS STATE TOLL HIGHWAY AUTHORITY
FINANCIAL AND COMPLIANCE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1992**

{Expenditures and Activity Measures are summarized on the reverse page.}

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NEED FOR BETTER AUTOMATED PAYROLL SYSTEM

The Authority's automated Human Resources/Payroll software system does not have on-line editing capabilities, requires extensive manual calculations and adjustments, and is highly dependent on human intervention and control. It should be revised to utilize currently available software and technology which would minimize the need for manual intervention. Errors in gross pay computations of hourly employees have occurred because calculators and mental computations have been used to determine the number of hours for which each employee should be paid. The system was not designed to process multiple pay rates for incentive pay or to process information to track garnishments, health claims, or individual daily attendance records. Also, since paycheck stubs of hourly employees do not contain enough data to allow them to recompute gross pay, the employees can not be relied upon to discover and report errors. (Finding 7, page 20)

The Authority has accepted our recommendation to perform an analysis of the Human Resources/Payroll system in order to begin the process of enhancing the automation of its payroll and timekeeping functions.

PAY COMPUTATIONS NOT REVIEWED

Manual errors in gross pay computations for hourly employees were not always detected by Authority review and approval procedures. The supervisor at each toll plaza did not review and approve all time cards. Authority Management thought that adequate procedures for review were in place, but time clerks and supervisors in the field were not aware of any written procedures. Errors are likely to continue to occur until time cards are adequately reviewed. We recommended that the Authority more heavily emphasize the responsibilities in this area, and Authority management concurred. (Finding 4, page 14)

CONFORMITY WITH INTENT OF STATE FISCAL POLICIES

The Authority has continued to make progress in resolving some long-standing issues relating to conformity with the intent of certain State fiscal requirements. The Authority had not been specifically complying with several State fiscal mandates generally applicable to State agencies. In the Authority's view, its unique powers and obligations as set forth in the statutes governing its own operations relieve it from specific compliance in these cases. Nevertheless, the Authority is developing procedures to mirror the goals of a number of these mandates. The Auditor General's Office is continuing to work with the Authority to reach agreement and resolution of these matters. (Finding 1, page 8)

UNFUNDED LIABILITY FOR RETIREMENT PLAN

The Authority's own pension plan had an unfunded actuarial benefit liability of \$6,037,000 at December 31, 1992. The percentage of the plan's net assets to its actuarial benefit obligation was only 6% as compared to 57.8% for the State Employees Retirement System. We recommended the Authority review its funding policy and establish a plan to reduce the unfunded actuarial liability. The Authority stated it believes its funding policy should provide 100% funding within 10 years of the plan's inception.

The plan was established effective July 1, 1990 for its non-union employees who are also members of the State Employees Retirement System. All contributions are paid by the Authority; employees who participate pay nothing. As of January 1, 1993, the plan covered 408 active, 8 inactive and 14 retired and beneficiary participants. Retirees are also entitled to receive pension payments from the State Employees Retirement System. The Authority's plan is unique in this dual coverage.

According to Authority officials, unexpected retirements resulting from the State's early retirement incentive program caused the funded ratio to be low at December 31, 1992. We noted that several individuals opted for a lump-sum distribution of benefits in excess of \$100,000, with the highest being \$164,413. Failure to maintain adequate funding levels reduces the level of assurance that resources would be readily available to satisfy employee claims when due. (Finding 10, page 26)

OTHER FINDINGS

The remaining findings are of lesser significance and are being given attention by the Authority. We will review progress toward implementation of our recommendations in our next audit.

Authority responses to our findings were provided by Nicholas W. Jannite, Chief of Finance.

AUDITORS' OPINION

Our auditors state that the December 31, 1992 Trust Indenture Basis Financial Statements of the Illinois State Toll Highway Authority are fairly presented.

WILLIAM G. HOLLAND, Auditor General

SUMMARY OF AUDIT FINDINGS

<u>Number of This Audit</u>	<u>Prior Audit</u>
Audit findings	1014
Repeated audit findings	79
Prior recommendations implemented or not repeated	76

SPECIAL ASSISTANT AUDITORS

Harry S. Heifetz, CPA was our special assistant auditor for this assignment.

ILLINOIS STATE TOLL HIGHWAY AUTHORITY
FINANCIAL AND COMPLIANCE AUDIT
For The Year Ended December 31, 1992

FINANCIAL OPERATIONS	1992	1991
Revenues		
Tolls	\$254,143,865	\$248,528,564
Interest on Investments	17,605,057	26,658,037
Other	<u>10,167,112</u>	<u>6,767,585</u>
Total	<u>\$281,916,034</u>	<u>\$281,954,186</u>
Expenditures		
Administration and Budget	\$ 52,412,068	\$ 48,352,383
Engineering and Physical Services	39,914,861	36,854,466
Police	10,574,697	11,053,665
Capital and Major Improvements	288,529,488	116,984,916
Other	<u>47,817,655</u>	<u>39,291,056</u>
Total	<u>\$439,248,769</u>	<u>\$252,536,486</u>
SELECTED ACCOUNT BALANCES (All Funds)	December 31, 1992	December 31, 1991
Cash and investments	\$ 721,747,048	\$ 468,373,049
Construction costs	2,151,517,947	1,513,368,055
Accrued liabilities	32,675,812	29,067,468
Revenue Bonds payable	988,645,000	541,705,000
Fund Balance (Deficit)		
Construction Fund	261,453,512	170,406,672
Revenue Fund Accounts:		
Maintenance and operations	33,079,049	33,725,409
Priority debt service and reserve	110,157,997	53,842,760
Debt service and reserve	22,970,895	22,126,767
Major improvement	82,663,900	112,107,257
Capital improvement	152,197,433	169,533,208
SUPPLEMENTARY INFORMATION	1992	1991
Employment Statistics*		
Executive	154	142
Administrative and budget	641	639
Engineering	593	577
Physical services	104	82
State troopers	<u>153</u>	<u>167</u>
Total Employees	<u>1,645</u>	<u>1,607</u>
Selected Other Statistics	1992	1991
Total capital assets	\$2,316,152,246	\$1,995,959,766
Average daily vehicles passing toll plazas	1,572,740	1,547,093
AGENCY DIRECTOR(S)		
During Audit Period: Mr. Robert Hickman Currently: Mr. Ralph Wehner		

* Does not include part-time or temporary employees.