



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS DEPARTMENT OF TRANSPORTATION

Financial Audit
 For the Year Ended June 30, 2018

Release Date: March 26, 2019

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	No Repeat Findings			
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	1	0	1				
FINDINGS LAST AUDIT: 0							

SYNOPSIS

- (18-1) The Illinois Department of Transportation’s internal controls over financial reporting were insufficient to prevent misstatements.

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 next page.}

**DEPARTMENT OF TRANSPORTATION
FINANCIAL AUDIT
For the Year Ended June 30, 2018**

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES (expressed in thousands)	Fiscal Year 2018	Fiscal Year 2017
Program Revenues		
Charges for Services.....	\$ 56,665	\$ 114,637
Operating Grants and Contributions.....	264,992	729,421
Capital Grants and Contributions.....	1,292,821	1,474,739
Total Revenues.....	<u>1,614,478</u>	<u>2,318,797</u>
Expenses		
Total Expenses.....	<u>5,041,131</u>	<u>5,649,356</u>
Net (Expenses) Revenues.....	(3,426,653)	(3,330,559)
Total General Revenues and Transfers.....	<u>3,067,004</u>	<u>3,345,455</u>
Change in Net Position.....	(359,649)	14,896
Net Position, July 1, as restated).....	14,713,544	14,698,648
Net Position, June 30.....	<u>\$ 14,353,895</u>	<u>\$ 14,713,544</u>

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES (expressed in thousands)	Fiscal Year 2018	Fiscal Year 2017
Cash Equity with State Treasurer.....	\$ 185,587	\$ 147,995
Cash and Cash Equivalents.....	29,550	3,883
Receivables, Net.....	226,313	351,854
Inventories.....	73,975	65,237
Capital Assets, Net.....	19,265,159	16,183,915
Other Assets.....	1,585,874	4,953,684
Total	<u>21,366,458</u>	<u>21,706,568</u>
Deferred Outflows of Resources - Pension.....	587,975	870,836
Deferred Outflows of Resources - Other postemployment benefits.....	57,159	-
Total Assets and Deferred Outflows of Resources.....	<u>21,954,433</u>	<u>22,577,404</u>
Accounts Payable.....	403,168	498,713
Long Term Obligations.....	60,183	59,273
Net Pension Liability.....	3,320,122	3,468,253
Other postemployment benefits.....	2,256,985	-
Other Liabilities.....	986,190	1,119,185
Total	<u>7,026,648</u>	<u>5,145,424</u>
Deferred Inflows of Resources - Pension.....	303,358	259,951
Deferred Inflows of Resources - Other postemployment benefits.....	327,701	-
Total Liabilities and Deferred Inflows of Resources.....	<u>7,330,006</u>	<u>5,405,375</u>
Net Position		
Net Investment in Capital Assets.....	19,258,822	19,385,607
Restricted for Transportation Programs.....	27,512	2,560
Restricted for Debt Service.....	6,050	7,547
Unrestricted.....	(4,938,499)	(4,682,170)
Total Net Position.....	<u>\$ 14,353,885</u>	<u>\$ 14,713,544</u>

AGENCY SECRETARY

During Examination Period: Randall Blankenhorn (through 12/31/18)
Currently: Omer Osman (Acting, effective 2/25/19)

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROLS OVER FINANCIAL REPORTING

The Illinois Department of Transportation's (Department) internal controls over financial reporting were insufficient to prevent misstatements.

During our audit of the significant balances comprising the Department's financial statements, we noted the following errors and deficiencies related to financial statement classification and presentation:

- Implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

Beginning net position not restated to implement GASB Statement No. 75

In the first draft of the Department's financial statements received on October 15, 2018, the engagement team noted management did not appropriately implement GASB Statement No. 75. Specifically, the Department did not restate beginning net position in the government-wide financial statements.

Beginning net position overstated by \$2,458,485,000

The effect of this misstatement in the Department's government-wide financial statements resulted in an overstatement of the beginning of the year net position and current period transportation expenses totaling \$2,458,485,000. There was no impact on total net position as of June 30, 2018. The Department corrected this item in the financial statements and the restatement was reflected in subsequent drafts of the financial statements received.

- Classification of Fund Balances in the Governmental Funds Financial Statements

Deficit balance inappropriately grossed up

The Department inappropriately grossed-up a deficit balance in unassigned fund balance within the governmental fund financial statements for Fund 0433, the Federal High Speed Rail Transit Fund. During fiscal year 2018, Fund 0433 acquired inventory which was classified as a nonspendable portion of inventories in the governmental funds financial statements. Rather than reducing the available committed fund balance for Fund 0433, the Department reported a deficit fund balance for the amount of fund balance reported as a nonspendable portion of inventories. The Department's expenditures

did not exceed amounts committed to the purpose for Fund 0433.

Committed and unassigned fund balances misstated by \$20,865,000

The effect of this misstatement in the Department's governmental funds financial statements was an overstatement of committed fund balance, and a corresponding understatement of unassigned fund balance, totaling \$20,865,000 as of June 30, 2018. The Department corrected this item in the financial statements.

- Classification of Liabilities in the Government-wide and Governmental Funds Financial Statements

Amounts allocated to accounts payable instead of intergovernmental payables

The Department's underlying calculations used to estimate accounts payable at the end of the fiscal year inappropriately allocated amounts to accounts payable and accrued liabilities instead of intergovernmental payables for Fund 0553, *Transportation Bond Series A*.

Balances misstated by \$5,717,000

The effect of this misstatement in the Department's government-wide and governmental funds financial statements was an overstatement of accounts payable and accrued liabilities and an understatement of intergovernmental payables totaling \$5,717,000 as of June 30, 2018. The Department corrected this item in the financial statements. (Finding 1, pages 62-64)

We recommended the Department enhance and improve its controls over financial reporting to ensure amounts reported within the Department's annual financial statements are accurate and presented in accordance with accounting principles generally accepted in the United States.

Department agrees with auditors

Department officials agreed with our finding and recommendation.

AUDITOR'S OPINION

The auditors stated the financial statements of the Department as of and for the year ended June 30, 2018 are fairly stated in all material respects.

This financial audit was performed 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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