



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF TRANSPORTATION

Financial Audit
 For the Year Ended June 30, 2019

Release Date: March 19, 2020

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	0	2018	19-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	0				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(19-1)** 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.

DEPARTMENT OF TRANSPORTATION

FINANCIAL AUDIT

For the Year Ended June 30, 2019

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES (expressed in thousands)	Fiscal Year 2019	Fiscal Year 2018
Program Revenues		
Charges for Services.....	\$ 54,225	\$ 56,665
Operating Grants.....	324,816	264,992
Capital Grants.....	1,261,325	1,292,821
Total Revenues.....	<u>1,640,366</u>	<u>1,614,478</u>
Expenses		
Total Expenses.....	<u>5,125,419</u>	<u>5,041,131</u>
Net (Expenses) Revenues.....	(3,485,053)	(3,426,653)
Total General Revenues and Transfers.....	<u>3,188,447</u>	<u>3,067,004</u>
Change in Net Position.....	(296,606)	(359,649)
Net Position, July 1.....	14,353,885	14,713,544
Net Position, June 30.....	<u>\$ 14,057,279</u>	<u>\$ 14,353,895</u>

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES (expressed in thousands)	Fiscal Year 2019	Fiscal Year 2018
Cash Equity with State Treasurer.....	\$ 194,250	\$ 185,587
Cash and Cash Equivalents.....	48,256	29,550
Receivables, Net.....	356,590	226,313
Inventories.....	81,194	73,975
Capital Assets, Net.....	19,009,086	19,265,159
Other Assets.....	1,325,333	1,585,874
Total	<u>21,014,709</u>	<u>21,366,458</u>
Deferred Outflows of Resources - Pension.....	456,154	587,975
Deferred Outflows of Resources - Other postemployment benefits.....	45,150	57,159
Total Assets and Deferred Outflows of Resources.....	<u>21,516,013</u>	<u>21,954,433</u>
Accounts Payable.....	435,714	403,168
Long Term Obligations.....	54,231	60,183
Net Pension Liability.....	3,396,976	3,320,122
Other postemployment benefits.....	2,167,241	2,256,985
Other Liabilities.....	823,166	986,190
Total	<u>6,877,328</u>	<u>7,026,648</u>
Deferred Inflows of Resources - Pension.....	221,373	303,358
Deferred Inflows of Resources - Other postemployment benefits.....	360,033	327,701
Total Liabilities and Deferred Inflows of Resources.....	<u>7,458,734</u>	<u>7,657,707</u>
Net Position		
Net Investment in Capital Assets.....	18,990,151	19,258,822
Restricted for Transportation Programs.....	47,399	27,512
Restricted for Debt Service.....	1,664	6,050
Unrestricted.....	(4,981,935)	(4,938,499)
Total Net Position.....	<u>\$ 14,057,279</u>	<u>\$ 14,353,885</u>

AGENCY SECRETARY

During Examination Period: Matt Magalis (through 2/24/19), Omer Osman (effective 2/25/19)
 Currently: Omer Osman

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER FINANCIAL
REPORTING**

The internal controls over financial reporting of the Illinois Department of Transportation (Department) 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:

- Duplication of Assets in the Government-wide and Governmental Funds Financial Statements

**Inappropriate allocation of amounts
in the Road Fund**

The Department's underlying support for accounts receivable at the end of the fiscal year inappropriately allocated amounts to accounts receivable and revenue for Fund 011, *Road Fund*.

**Overstatement of accounts
receivable and revenues totaling
\$12.131 million**

The effect of this misstatement in the Department's government-wide and governmental funds financial statements was an overstatement of accounts receivable and revenue of \$12,131,241 as of June 30, 2019. The Department posted an audit adjustment to correct this duplication error in its financial statements as of and for the year ended June 30, 2019.

- Classification of Net Position in the Government-wide Financial Statements

**Inappropriate allocation of net
position amounts**

The Department's underlying calculations used to determine the net position at the end of the fiscal year inappropriately allocated amounts to net investment in capital assets instead of unrestricted net position.

**Misstatements totaled \$15.046
million**

The effect of this misstatement in the Department's government-wide financial statement was an overstatement of net investment in capital assets and an understatement of unrestricted net position of \$15,046,000 as of June 30, 2019. The Department posted an audit adjustment to correct this classification error in its financial statements as of and for the year ended June 30, 2019.

- Completeness of Assets and Revenues in the Government wide and Governmental Funds Financial Statements

**Failure to record revenue and
receivable for federally reimbursed
payroll costs**

The Department failed to record revenue and a corresponding receivable for certain federally reimbursable

payroll costs for Fund 011, *Road Fund*, incurred during the year ended June 30, 2019.

Understatements totaled \$35.468 million

The effect of this misstatement in the Department's government-wide and governmental funds financial statements was an understatement of accounts receivable and revenue of \$35,467,990 as of June 30, 2019. The Department posted an audit adjustment to correct this omission in its financial statements as of and for the year ended June 30, 2019. (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 agreed with auditors

Department officials agreed with the finding and stated in order to avoid duplication on the financial statements, the Department will continue to implement cross-training and make enhancements to its review process. Department officials also stated, as each staff member learns about additional pieces of the Department's financial statements, duplications will be avoided, and the clerical error in the calculation of net position has been fixed. Department officials further stated the Department will continue to expand review processes to avoid such errors.

AUDITOR'S OPINION

The auditors stated the financial statements of the Department as of and for the year ended June 30, 2019 are fairly stated in all material respects.

This financial audit was conducted by CliftonLarsonAllen LLP.

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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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