



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**ILLINOIS STATE TOLL HIGHWAY AUTHORITY**

**FINANCIAL AUDIT AND COMPLIANCE  
EXAMINATION**  
**For the Year Ended: December 31, 2013**  
**Release Date: July 10, 2014**

**Summary of Findings:**

<b>Total this audit:</b>	<b>6</b>
<b>Total last audit:</b>	<b>8</b>
<b>Repeated from last audit:</b>	<b>5</b>

**SYNOPSIS**

- In the preparation of the Tollway's annual financial statements a significant amount of manual processes is necessary due to the lack of adequate financial systems.
- The Tollway's inadequate internal controls over identifying and recording payable transactions for financial reporting purposes resulted in expense transactions being recorded in the incorrect accounting period.
- The Tollway did not adequately document the rationale to support scores awarded to vendor proposals.

{Financial data is summarized on the reverse page.}

**ILLINOIS STATE TOLL HIGHWAY AUTHORITY**  
**FINANCIAL AUDIT AND COMPLIANCE EXAMINATION**  
For the Year Ended December 31, 2013

<b>FINANCIAL OPERATIONS (GAAP Basis)</b>	<b>2013</b>	<b>2012</b>
<b>Operating Revenues</b>		
Toll Revenue.....	\$ 943,152,070	\$ 922,390,189
Toll Evasion Recovery.....	54,220,590	32,598,735
Concessions.....	2,305,563	2,272,864
Miscellaneous.....	17,238,843	12,569,929
<b>Total Operating Revenues.....</b>	<b>1,016,917,066</b>	<b>969,831,717</b>
<b>Operating Expenses</b>		
Depreciation and Amortization.....	308,869,419	314,107,807
Services and Toll Collection.....	116,319,349	107,225,405
Insurance and Employee Benefits.....	86,277,850	77,543,643
Engineering and Maintenance of Roadway and Structures.....	47,314,811	40,054,392
Traffic Control, Safety Patrol, and Radio Communications...	22,554,755	22,818,258
Procurement, IT, Finance and Administration.....	24,325,930	21,452,099
<b>Total Operating Expenses.....</b>	<b>605,662,114</b>	<b>583,201,604</b>
<b>Operating Income.....</b>	<b>411,254,952</b>	<b>386,630,113</b>
<b>Total Nonoperating (Expenses).....</b>	<b>(206,482,845)</b>	<b>(180,394,610)</b>
<b>Change in Net Position.....</b>	<b>204,772,107</b>	<b>206,235,503</b>
Net Position, beginning of year.....	2,041,563,485	1,850,749,932
Cumulative effect of change in accounting principle.....	-	(15,421,950)
Net Position, beginning of year, as adjusted.....	2,041,563,485	1,835,327,982
<b>Net Position, end of year.....</b>	<b>\$ 2,246,335,592</b>	<b>\$ 2,041,563,485</b>
<b>SIGNIFICANT ACCOUNT BALANCES (GAAP Basis)</b>	<b>2013</b>	<b>2012</b>
Cash and Cash Equivalents (Unrestricted).....	\$ 812,039,408	\$ 656,519,154
Cash and Cash Equivalents Restricted for Debt Service.....	\$ 396,057,686	\$ 302,147,119
Cash and Cash Equivalents - I-PASS Accounts.....	\$ 164,702,419	\$ 155,398,888
Accounts Receivable - Current (net).....	\$ 8,795,293	\$ 6,668,496
Accounts Receivable Less Current Portion.....	\$ 108,265,566	\$ 95,210,088
Capital Assets.....	\$ 5,429,506,171	\$ 5,158,406,316
Revenue Bonds Payable and Unamortized Bond Premium.....	\$ 4,519,586,373	\$ 4,011,166,111
Total Net Position.....	\$ 2,246,335,592	\$ 2,041,563,485
<b>EXECUTIVE DIRECTOR</b>		
During Audit Period and Current: Kristi Lafleur		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INADEQUATE FINANCIAL REPORTING SYSTEMS**

**Financial systems need to be improved**

The Tollway does not have adequate financial systems to prepare its annual financial statements in accordance with generally accepted accounting principles (GAAP).

During our audit, we noted the Tollway uses several stand-alone applications to track its financial transactions in accordance with provisions of the trust indentures. The financial data from each financial application is summarized and manually entered into two applications which are used as a general ledger. Several manual reconciliation procedures are required to ensure the information in the general ledger applications agrees to the various financial applications.

**Financial statement preparation is extremely time consuming**

Once this information has been reconciled, a data file is generated from the general ledger applications and is imported into another application which is used to create a trial balance. Since the information in the financial applications is recorded based upon the provisions of the trust indentures, several top side entries are required to convert the trial balance to GAAP-based financial statements. As a result, the preparation of the annual financial statements is extremely time consuming and requires significant effort by management to ensure the statements are prepared in conformity with GAAP.

Additionally, we noted several of the applications used in the Tollway's financial reporting process, including one of the general ledger applications, do not have mechanisms to: restrict access for posting transactions, track specific user activity, or evidence supervisory reviews of transactions activity. Therefore, the Tollway's process for approving journal entries is also manual and time consuming.

The manual nature of the Tollway's financial reporting systems and related processes may result in financial reporting errors and untimely preparation of the annual financial statements. (Finding 1, page 12) **This finding was first reported in 2011.**

We recommended the Tollway review the adequacy of its existing financial systems and consider automating its financial reporting process.

**Tollway agrees with the auditors**

Tollway management agreed with the recommendation and stated they were pursuing an ERP system. (For the previous Tollway response see Digest Footnote #1.)

## **INADEQUATE YEAR END PAYABLES PROCESS**

### **Need to improve controls over the reporting of accounts payable**

The Tollway has not established adequate internal controls over accurately identifying and recording period end payable transactions for financial reporting purposes.

During our audit we noted the Tollway's year end accounts payable procedures include specifically reviewing cash disbursements made subsequent to year end to determine which accounting period the related expense transaction pertained through the end of January. Additionally, each Tollway department works with its vendors to obtain estimated or actual fiscal year end billings prior to the end of January.

We tested 122 expense transactions recorded during the fiscal year (totaling \$123,500,301) and 164 cash disbursements subsequent to year end (totaling \$127,929,021). Some of the exceptions we noted are as follows:

### **Expenses were not recorded in the proper fiscal year**

- One electronic data processing equipment expenditure (totaling \$1,300,000) which pertained to fiscal year 2012 but was recorded as an expense in fiscal year 2013.
- One professional service expenditure (totaling \$90,231) which pertained to fiscal year 2012 but was recorded as an expense in fiscal year 2013.
- One construction capital expenditure (totaling \$102,274) which pertained to fiscal year 2013 but was recorded in 2014.

Failure to accurately identify and record period end accounts payable transactions may result in the misstatement of the Tollway's financial statements. (Finding 3, pages 15-16)  
**This finding was first reported in 2011.**

We recommended the Tollway review its current process to assess the completeness of its expense accruals at year end and consider changes necessary to ensure all period end accounts payable are accurately identified and recorded.

### **Tollway agrees with auditors**

Tollway management agreed with the recommendation and stated they were pursuing an ERP system. (For the previous Tollway response see Digest Footnote #2.)

## **PROCUREMENT: LACK OF EVALUATION COMMENTS**

### **Need to improve documentation**

The Tollway did not adequately document the rationale to support scores awarded to vendor proposals.

During procurement testing we selected a sample of 40 procurements executed by the Tollway during the year ended December 31, 2013. The 40 procurements tested were estimated, with renewals, to be approximately \$410 million. Three of the opportunities (with awards estimated at \$15 million) were procured using a Request for Proposal (RFP) and the other 37 opportunities (with awards estimated at \$395 million) were either procured as State-use contracts, RFP-renewals, emergency purchases, sole source purchases, engineering professional service contracts, or awarded to the lowest bidder.

We identified the following exceptions regarding inadequate evaluation comments based on review of the evaluation forms of each RFP:

### **Evaluators failed to sign and date the evaluation form in one instance**

- For one contract executed in March 2013, we noted the bid evaluation forms were not signed and dated by the evaluators. In addition, the rating points on the bid evaluation forms completed by two out of five evaluators were not supported by thorough and appropriate comments

### **In another instance, scores were not supported with appropriate comments**

- For one contract executed in April 2013, the total scores determined by two out of three evaluators were not supported with appropriate comments in each category.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems of internal fiscal and administrative controls. These controls should include comments to support the points awarded to technical criteria. (Finding 4, pages 17-18) **This finding was first reported in 2011.**

We recommended the Tollway take the necessary steps to ensure that procurement evaluation criteria are followed and appropriately documented by all evaluators when awarding State contracts. Such steps should include ensuring that evaluators submit thorough and appropriate comments to support scores awarded for evaluation criteria and following up with evaluation team members who fail to document such comments.

### **Tollway agrees with auditors**

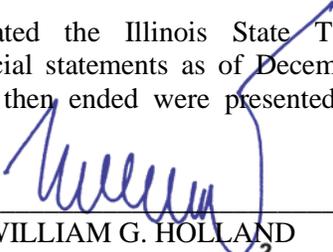
Tollway management agreed with the recommendation. (For the previous Tollway response see Digest Footnote #3.)

## **OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Tollway. Auditors will review the Tollway's progress towards the implementation of all recommendations in the next engagement.

## **AUDITORS' OPINION**

Our auditors stated the Illinois State Toll Highway Authority's financial statements as of December 31, 2013 and for the year then ended were presented fairly in all material respects.



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WILLIAM G. HOLLAND  
Auditor General<sup>2</sup>

WGH:TLK

Our Special Assistant Auditors for this engagement were KPMG LLP.

## **DIGEST FOOTNOTE**

### **#1 INADEQUATE FINANCIAL REPORTING SYSTEMS – Previous Tollway Response**

The Tollway concurs with the auditors' recommendation and is pursuing an ERP system.

### **#2 INADEQUATE YEAR END PAYABLES PROCESS – Previous Tollway Response**

The Tollway concurs with the auditor's recommendation and is pursuing an ERP system to include improved and automated controls concerning accounts payable activity.

### **#3 PROCUREMENT: LACK OF EVALUATION COMMENTS – Previous Tollway Response**

The Tollway concurs with the auditors' recommendation. Evaluation Guidelines have been modified and procurement evaluation procedures were implemented in November 2012. Evaluation Guidelines require evaluators to provide adequate comments for the total score in each category evaluated. In pursuing an ERP system, the Tollway will also evaluate the capability of workflow, approval and audit trail management in the procurement process and assessment of key performance indicators.