

**Review: 4319**  
**Statewide Single Audit**  
**Year Ended June 30, 2008**  
**Illinois Department of Transportation**

**FINDINGS/RECOMMENDATIONS – 7**  
**Repeated – 6**

**08-78. The auditors recommend IDOT develop formal policies and procedures to perform periodic on-site reviews to ensure subrecipients are administering the federal program in accordance with the applicable laws and regulations. (Repeated-2005)**

**Findings:** IDOT is not performing on-site reviews of subrecipients receiving federal awards for the Airport Improvement program and has not developed formal policies and procedures for on-site reviews.

IDOT passed through approximately \$50,734,000 to 39 subrecipients of the Airport Improvement program during the year ended June 30, 2008. The majority of the subrecipient grants pertain to construction projects for airport improvement or noise abatement projects. As a pass through entity, IDOT monitors subrecipients of the Airport Improvement program primarily by reviewing grant applications, receiving periodic expenditure reports, reviewing invoices for noise abatement projects, and receiving OMB Circular A-133 Audit Reports. However, IDOT does not perform on-site reviews of its subrecipients.

In discussing this condition with IDOT officials, they state that although the Division of Aeronautics has always “informally” monitored local let projects, a verifiable procedure was not in place to document these reviews during fiscal year 2008.

**Response:** Implemented. We have implemented a procedure that documents on the Form AER 50 “*Local Let Project Tracking Worksheet and Documentation*” was utilized for all local let projects that began in fiscal year 2009. Although the Division has always “informally” monitored local let projects, a verifiable procedure is now in place.

**08-79. The auditors recommend IDOT establish procedures to ensure grantees receiving individual awards for \$25,000 or more certify that their organization is not suspended or debarred or otherwise excluded from participation in Federal assistance programs.**

**Findings:** IDOT did not obtain required certifications that subrecipients were not suspended or debarred from participation in Federal assistance programs for the Highway Planning and Construction Program.

During a review of 30 grant agreement notifications to subrecipients of the Highway Planning and Construction Program, auditors noted IDOT did not include a suspension and debarment certification in one of the grant agreements. As a result, IDOT did not receive a certification that this subrecipient of the Highway Planning and Construction Program was not suspended or debarred from participation in Federal assistance programs. Additionally, IDOT did not perform a verification check with the "Excluded Parties List System" (EPLS) maintained by the General Services Administration for its subrecipients.

In discussing these conditions with IDOT officials, they state that one division was using an outdated grant agreement that did not include the suspension and debarment certifications.

**Updated Response:** We implemented procedures to ensure compliance for individual awards over \$25,000 or more are not suspended or debarred or otherwise excluded from participation in federal assistance programs. In regards to the Excluded Parties List System, the department is developing an automated system to check each grantee against the EPLS prior to execution of an award.

**08-80. The auditors recommend IDOT implement procedures to ensure the OMB Circular A-133 audit reports are reviewed within sixty days of receipt. Additionally, the auditors recommend IDOT implement procedures to ensure amounts reported by subrecipients in the schedule of expenditures of federal awards are reconciled to departmental records. (Repeated-2002)**

**Findings:** IDOT does not have an adequate process to review subrecipient OMB Circular A-133 reports on a timely basis. IDOT passed through \$104,027,259, \$50,733,583, and \$123,329 to subrecipients of the Highway Planning and Construction, Airport Improvement, and Homeland Security Cluster programs, respectively, during the year ended June 30, 2008.

During testwork, auditors selected 15 subrecipient monitoring files and noted one subrecipient report was received on February 21, 2008 and had not been reviewed as of the date of testwork. In addition, the checklist used by IDOT to perform A-133 desk reviews does not address procedures to reconcile funds sent by IDOT to the schedule of expenditures of federal awards reported by the subrecipient.

In discussing these conditions with IDOT officials, they state that with respect to the one report that was received in February of 2008 for which a review had yet to be issued, this report was purposely being held pending the completion of a site audit of the subrecipient. The Department is revising procedures to reconcile funds sent by IDOT to the schedule of expenditures of federal awards reported by the subrecipient; however, the procedures were not fully implemented in the audit period.

**Response:** Implemented. The Department implemented procedures to incorporate a process to reconcile the Department's cash payments with subrecipients' schedules of expenditures of federal awards. The checklist has also been revised to reflect procedures to reconcile funds sent by IDOT to the schedule of expenditures of federal awards reported in the subrecipients' OMB Circular A-133 audit reports.

**08-81. The auditors recommend IDOT review its current process for preparing subrecipient funding notifications to ensure all required information is properly communicated to its subrecipients. (Repeated-2004)**

**Findings:** IDOT did not provide required program information relative to federal funds passed through to the subrecipients of the Highway Planning and Construction, Airport Improvement, and Homeland Security Cluster programs for the year ended June 30, 2008.

During testwork of 16 subrecipients who received \$45,222,115 in Highway Planning and Construction program funds, 16 subrecipients who received \$48,768,799 of the Airport Improvement program funds, and three subrecipients who received \$123,329 in Homeland Security Cluster funds, the auditors noted the following:

- IDOT did not communicate the specific program or CFDA number under which federal funding had been provided in grant award documents or in funding notification letters sent to subrecipients.
- IDOT did not communicate the need for an audit in accordance with OMB Circular A-133 or program regulations for 13 of the 16 subrecipients tested who received funding from the Highway Planning and Construction program, or for 7 of the 16 subrecipients tested who received funding from the Airport Improvement Program.
- Two subrecipients who received funding from the Homeland Security Cluster were not identified as subrecipients on the list used to track the receipt of the OMB Circular A-133 reports and as such, did not receive a letter from IDOT requesting the OMB Circular A-133 report.

In discussing these conditions with IDOT officials, they state that corrective action had not been implemented as thoroughly as it should have been with regard to both new and already active project agreements.

**Response:** We concur. The details of this repeated finding, as well as the corrective action and appropriate language to include in all active and new project agreements, has been shared with appropriate personnel in a department-wide memorandum issued on May 13, 2009. This memorandum revised and reiterated the corrective action requirements issued previously by the department. In addition, we will establish and implement monitoring procedures to ensure contracts comply with the memorandum.

**Updated Response:** Implemented.

**08-82. The auditors recommend IDOT implement procedures to ensure cash drawn in advance is disbursed in accordance with program regulations, federal funds received are deposited in an interest-bearing account, and interest is calculated and remitted to the U.S. Treasury as required under the regulations. (Repeated-2006)**

**Findings:** IDOT did not minimize the time elapsing between the draw down of federal funds from the U.S. Treasury and their disbursement for program purposes, and did not deposit the Homeland Security Cluster funds into an interest-bearing account.

During a review of 25 expenditures totaling \$683,016 related to federal fiscal 2005 Homeland Security Cluster grants, auditors noted a warrant was not issued for one expenditure totaling \$16,895 within 120 business days of receiving federal funds intended to finance the expenditure. Specifically, the warrant was issued 322 days after receiving the federal funds. Additionally, IDOT did not deposit the funds in an interest bearing account and did not track the interest earned on those funds.

In discussing these conditions with IDOT officials, they stated that the prior year's audit corrective action plan including the funding procedures and separate appropriation account for Homeland Security funds were not implemented until July 2008. With regard to the \$16,895 expenditure resulting in a lengthy delay in the issuance of the warrant, this event was due to an unfortunate issue with the vendor that needed to be resolved before payment could be processed.

**Response:** We concur. We will also implement procedures to ensure the homeland security funds received in advance are deposited in an interest bearing account and will track the interest earned in accordance with the regulations.

**Updated Response:** Implemented.

**08-83. The auditors recommend IDOT implement procedures to ensure cash draws are performed in accordance with US Treasury Regulations. (Repeated-2007)**

**Findings:** IDOT does not have procedures to ensure cash draws are performed in accordance with the Treasury-State Agreement. During a review of 60 expenditures totaling approximately \$36,856,165, auditors noted warrants were not issued for 13 expenditure vouchers totaling approximately \$4,980,000 within three business days of receiving the federal funds intended to finance these expenditures. The number of days between receipt and the issuance of warrants ranged from four to 20 business days.

In discussing this condition with Department officials, they state that the Office of the Comptroller requires IDOT to draw down the federal funds and have them available at the time the vouchers are presented to the Comptroller for processing and payment. In order to comply with the Treasury-State Agreement (TSA) requirement that IDOT draws funds

for the Airport Improvement Program by using the pre-issuance method requiring the requested funds are deposited in a State account not more than three days prior to the day the State makes a disbursement, the Division of Aeronautics has adopted a procedural change to draw down the federal funds from ECHO/Delphi after confirmation with the Bureau of Business Services FOA system to determine that the schedule has been vouchered before processing a Letter of Credit draw down from ECHO/Delphi. This is the last step before the funds need to be available before dispersing the funds.

**Response:** We concur. We will recalculate our clearance pattern for inclusion in the TSA agreement.

**Updated Response:** Implemented.

**08-84. The auditors recommend IDOT implement procedures to ensure all information systems are adequately secured. (Repeated-2005)**

**Findings:** IDOT does not have adequate access, change management, and computer operations controls over the key systems that support the IDOT Integrated Transportation Project Management system.

The information technology systems that support the IDOT Integrated Transportation Project Management system include the following:

- The Electronic Contract Management System (ECM)
- The Electronic Letting Management System (ELM)
- The Illinois Construction Records System (ICORS)
- The Bureau of Contract Management System (BCM)
- The Fiscal Operations and Administration System (FOA)
- The Federal Payment Control System (FPC)

During testwork over the access, program change and development, and computer operations controls of the systems, auditors noted the following:

**Plans, Policies and Procedures:**

- The IDOT RACF Administration Guide was updated in 2008; however, it is still in draft form.

**Change Management Control:**

- IDOT does not have a process in place to follow-up with CMS to review program changes requested by IDOT and migrated into production by CMS.

**Access Control:**

- Two of 25 terminated users tested still had active RACF IDs.
- Developers have access to move changes into production on the NOMAD platform, where the FPC system resides.

During testwork over access to specific applications, auditors obtained an overall list of users with access to the ELM, BCM, FOA and FPC systems and noted the following exceptions:

- Four users had access to the ELM system but did not have any job responsibilities related to the bidding process that would require such access.
- Twenty-one users had access to the BCM system, however it appears access may not be necessary as the IDs had not been used over an extended period of time, ranging from 10-18 months.
- Thirty-four users had access to the FOA system, however it appears access may not be necessary as the IDs had not been used over an extended period of time, ranging from 10-18 months.
- Three users tested had access to the FPC system but did not have any responsibilities related to the federal billing that would require such access. None of these users had accessed the FPC system during the audit period.

In discussing these conditions with IDOT officials, they state that IDOT has begun efforts to resolve the issues noted in the audit and implement improved RACF security measures to address the control items above.

**Response:** The Department agrees with the finding. The Department is working on enhancements to the RACF Security Manual and policies to verify separated employees access has been removed from the systems within a designated timeframe. The Department continues to work with CMS pursuant to Public Act 93-0839 in which CMS has assumed responsibility for the statewide Information Technology infrastructure. The Department continues to work with CMS on communication notifications related to program changes CMS implements into production.

**Updated Response:** Implemented.