

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Transportation
Two Years Ended June 30, 2016

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REVIEW: 4480
ILLINOIS DEPARTMENT OF TRANSPORTATION
TWO YEARS ENDED JUNE 30, 2016

FINDINGS/RECOMMENDATIONS - 9
Accepted and Partially Implemented - 3
Implemented - 6

REPEATED RECOMMENDATIONS - 7
PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 19

This review summarizes the reports on the Illinois Department of Transportation filed with the Legislative Audit Commission on April 20, 2017. The auditors performed a financial audit for the year ended June 30, 2016 and a compliance examination for the two years ended June 30, 2016 in accordance with State law and Government Auditing Standards. The auditors stated that the financial statements were fairly presented.

The Illinois Department of Transportation is responsible for administrating and supervising the State's transportation activities, including highways, public transportation and aeronautics. The Department is accredited by the federal government for receiving federal funds for transportation programs; is responsible for drafting a State Master Plan for transportation facilities; and also provides State assistance to local public transportation agencies. The Department is organized into four primary areas with Offices in each area: Program Development (Planning and Programming and Program Development), Project Implementations (Highway Project and Intermodal Project), Public Affairs (Communications and Legislative Affairs), Administrative Support (Business and Workforce Diversity, Chief Counsel, Finance and Administration, and Internal Audit).

Ann L. Schneider was the Secretary of the Department during the first 10 days of the audit period. Erica J. Borggren served as Acting Secretary from July 2014 through January 2015. Randall S. Blankenhorn has served as Secretary since February 1, 2015. The average number of full-time employees at June 30 appears below.

	FY16	FY15	FY14	FY13	FY12	FY11
Central Admin. & Planning	312	487	412	354	360	401
Information Processing	62	68	69	73	74	74
Central Div of Highways	350	355	366	367	397	401
Day Labor	21	21	20	21	23	21
District 1	1,101	1,124	1,192	1,200	1,191	1,169
District 2	352	355	373	386	387	386
District 3	340	339	347	356	354	352
District 4	344	324	324	321	329	338
District 5	281	273	277	274	284	291

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	FY16	FY15	FY14	FY13	FY12	FY11
District 6	371	363	371	381	393	386
District 7	299	304	306	312	314	324
District 8	508	504	510	505	510	504
District 9	284	283	301	295	294	290
Aeronautics	59	69	71	69	71	70
Public Trans & Rail	35	38	39	36	35	38
Local Roads & Streets	84	87	83	84	83	88
Traffic Safety	84	91	92	87	97	98
Cycle Rider Safety	1	2	2	2	2	3
Intelligent Transportation	0	1	1	1	1	1
State Funded Positions	4,888	5,088	5,156	5,124	5,199	5,160
Federal Funded Positions	46	57	60	62	60	68
GRAND TOTAL	4,934	5,145	5,216	5,186	5,259	5,221

Expenditures From Appropriations

During FY16, the Department operated without enacted appropriations until PA99-0491, PA99-0524, and PA99-0007 were signed into law in December 7, 2015, June 30, 2016, and June 30, 2016, respectively. During the budget impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* ordered the Comptroller to draw and issue warrants for wages of State employees at their normal rates of pay. The Department incurred non-payroll obligations which the Department was unable to pay until the passage of the Public Acts listed above. Public Act 99-0524 authorized the Department to pay FY16 costs using FY17 appropriations for non-payroll expenditures. The Department had court orders which ordered the Department to pay attorney fees and costs on six separate occurrences during FY16.

- During FY16, seven vendors participated in the Vendor Support Initiative Program (VSI) for 225 invoices totaling \$1,196,635.
- The Department incurred \$1,629,419 in Prompt Payment interest.
- The Department planned to expend \$6,362,297 in FY17 appropriations for FY16 costs.

Appendix A presents a summary of appropriations and expenditures for FY16 and FY15. In FY16, total spending authority/appropriations were \$15.5 billion compared to \$16.9 billion in FY15. The Department had spending authority totaling \$15,553,861,499 for FY16 as follows:

- \$0 from General Revenue Fund;
- \$5.2 billion from the Road Fund;

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- \$1.6 billion from Bond Series D Fund (for engineering and various improvements);
- \$1.7 billion from Federal High Speed Rail Trust Fund;
- \$1.9 billion from State Construction Fund;
- \$600 million from Motor Fuel Tax Funds;
- \$2.4 billion from Bond Series B Fund (for aeronautics and public transportation);
- \$752 million from Federal/Local Airport Fund; and
- \$1.4 billion from 14 other funds.

Total expenditures were \$5,563,032,165 in FY16 compared to \$5,746,738,659 in FY15, a decrease of \$183.7 million, or 3.2%. In FY16 overall, spending for highway construction increased \$149 million while roadway maintenance and repair decreased \$296.3 million. Spending on public transportation decreased \$61.1 million; rail spending increased \$43 million; spending on aeronautics increased \$5.7 million; and spending on traffic safety decreased by \$23.8 million. Some of the significant variations in fund expenditures between FY16 and FY15 included`:

- \$5.2 million decrease in GRF due to no GRF appropriation;
- \$25.4 million decrease in Grade Crossing Protection Fund due to no new appropriation, only re-appropriation authority;
- \$19 million increase in Federal/State/Local Airport Fund due to additional federal grants for airport improvements.
- \$1.6 million increase in State Rail Freight Loan Repayment Fund due to a new project for the Canadian National Spur;
- \$18.5 million decrease in Transportation Bond Series "A" due to the approaching completion of projects:
- \$439.2 million decrease in Transportation Bond Series "D" Fund due to less bond project activity with the fund;
- \$11 million increase in Downstate Transit Improvement Fund. This was the first year of significant activity for the recently established Fund; and
- \$238.8 million increase in State Construction Account Fund due to the gradual shifting in funding from the Road Fund to the State Construction Account Fund.

The following funds also experienced changes in expenditures between FY16 and FY15:

- \$26.5 million increase in Federal High Speed Rail Trust Fund;
- \$48.3 million increase in Motor Fuel Tax Funds; and
- \$31.9 million decrease in Public Transportation Fund.

Lapse period expenditures were \$256.7 million, or 4.7% of total FY16 expenditures. The Department reported that significant lapse period spending occurred due to the Department not receiving its full authority for spending until late in FY16.

Accounts Receivable

Appearing in Appendix B is a summary of the Department's accounts receivable. The Department's gross accounts receivable stood at \$347.9 million as of June 30, 2016 compared to \$323 million as of June 30, 2015. The majority of the Department's revenue collection responsibility in FY16 was current (\$324.7 million) and due from the federal

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government (\$298.5 million) for reimbursement for highway and airport construction and the federal share of other programs. The \$23.2 million in receivables that are not current consists of about \$19.5 million due from various counties and municipalities.

Cash Receipts

Appendix C provides a summary of cash receipts for the Department for FY16 and FY15. Cash receipts decreased \$211.6 million, or 9.4%, from \$2,250,528,090 in FY15 to \$2,038,851,578 in FY16. Receipts in the Road Fund decreased \$206.4 million due to a decrease in federal reimbursements (\$183 million); a decrease in local government units (\$16.3 million); and a decrease in private sector reimbursements due to fewer projects (\$9.9 million). There was an increase of \$6.4 million in joint highway improvements due to receipts from Missouri and Indiana for joint highway projects.

Property and Equipment

Appearing in Appendix D is a summary of property and equipment transactions of the Department of Transportation for FY16 and FY15. The balance increased from \$800,128,723 as of July 1, 2014 to \$802,250,016 as of June 30, 2016.

Service Efforts and Accomplishments

Appearing in Appendix E is a list of several service efforts and accomplishments provided by the Department of Transportation.

Status of Previous Management Audits

As part of the FY15-16 compliance examination, auditors followed up on whether the Department had implemented all the recommendations from previous management audits released by the Office of the Auditor General.

All six recommendations were implemented for the management audit of IDOT's Aeronautics Operations released in January 2007.

All six recommendations were implemented for the management audit of IDOT's Disadvantaged Business Enterprise Program released in June 2006.

For the management audit of IDOT's Division of Traffic Safety Programs released in March 2006, ten of eleven recommendations are implemented and one recommendation concerning the assessment of the efficiency and effectiveness of the Motor Carrier Safety Assistance programs is partially implemented.

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For the management audit of the Department's Life-Cycle Cost Analysis for Road Construction Contracts released in May 2012, five of six recommendations are implemented and one recommendation concerning data for the life-cycle cost analysis is partially implemented.

Accountants' Findings and Recommendations

Condensed below are the nine findings and recommendations, seven repeated, presented in the audit report. The following recommendations are classified on the basis of updated information provided by Stephen Kirk, Chief Internal Auditor, Illinois Department of Transportation, via electronic mail received on December 28, 2017.

Accepted or Implemented

- 1. Perform an analysis of subsequent disbursements after submitting GAAP reporting packages to the Illinois Office of the Comptroller, but prior to preparing financial statements, to ensure no significant transactions occurred which were not considered in the accounts payable estimation. If such analysis signals a potential under accrual of accounts payable, rerun the applicable accounts payable estimation model and determine what adjustments, if any, are necessary. In addition, expand this analysis to review subsequent disbursement activity, for funds whose liabilities are not estimated through the accounts payable model, while preparing the financial statements in order to capture any other significant spending in funds which should be accrued at year-end. (Repeated-2013)**

Finding: The Illinois Department of Transportation's (Department) calculation of its accounts payable balance at June 30, 2016 was incomplete.

The estimation model utilized by the Department to calculate accounts payable did not evaluate all conditions that were present subsequent to the financial statements being submitted to the Office of the Comptroller, but prior to the issuance of the financial statements, resulting in a material adjustment to the financial statements. During the course of testing, auditors discovered a significant amount of vouchers which should have been accrued at June 30, 2016 in the State Construction Fund (Fund 0902). The balance discovered exceeded the accrual calculated by the Department's accounts payable model and had the effect of understating accounts payable by \$14 million. The Department recorded an adjustment and revised its financial statements for the potential under accrual at June 30, 2016.

Additionally, for two funds for which accruals were made at fiscal year-end without the use of the estimation model, the Department initially under accrued its accounts payable balance at June 30, 2016. In the Downstate Transit Improvement Fund (Fund 0559) and the Federal High Speed Rail Trust Fund (Fund 0433), the Department processed vouchers totaling \$1 million

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Accepted or Implemented – continued

and \$14 million, respectively, subsequent to the lapse period, but prior to the issuance of the financial statements. Auditors identified these transactions during an analysis of subsequent disbursements. The Department recorded adjustments in Funds 0559 and 0433 and revised its financial statements for the potential under accruals at June 30, 2016.

The Department attributed the cause of the exceptions in the current audit to the non-identification of payable amounts for funds without estimation models. Fiscal Operations staff made inquiries of the appropriate program staff; however, the subsequent disbursements were not among the amounts provided back to Fiscal Operations. For Fund 0902, subsequent disbursements exceeded the accrual amount the model estimated due to a higher volume of prior period expenditures than anticipated in early FY17.

Response: Accepted. The Department will continue to enhance its accounts payable estimation models to ensure that the models provide reliable estimates of accounts payable at fiscal year-end. Also, for funds without estimation models, the Department will educate the appropriate personnel about the nature of payables to more readily identify outstanding payables after fiscal year-end and will improve the review process for invoices processed after the 60-day lapse period for any items relating to goods or services received prior to year-end.

Updated Response: Implemented. Finding cleared in FY 17 financial audit.

2. Ensure bridge inspections are conducted within allowable intervals established by Federal regulations and Department policy. (Repeated-2014)

Finding: The Department did not timely perform inspections of bridges.

The Department is responsible for ensuring that all highway bridges on public roads in the State are inspected. The Department conducts various types of bridge inspections which the auditors examined for timeliness. Federal bridges are reported directly to the FHWA by their respective agencies. Therefore, those bridges are no longer a part of the Department bridge inventory. The Department has responsibility to maintain 7,738 State bridges, and 18,828 bridges are the responsibility of local or other entities, such as adjacent states. Federal Regulation requires inspection data be entered within 90 days of the date of the inspection for State or Federal agency bridges and within 180 days of the date of inspection for all other bridges.

Routine inspections

A routine inspection is a regularly scheduled inspection. Using the intervals established by the Department and allowing for the data entry period, according to the Department's Illinois Structure Information System data, as of April 1, 2016, 36 local bridges were overdue for a routine inspection (down from 46 as of May 1, 2014). Of the 36 overdue inspections, 23 were

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listed as the maintenance responsibility of an adjacent state, two of which were rated as structurally deficient. An additional 4 of the 36 were rated as structurally deficient. The overdue local routine inspections ranged from 6 months overdue to nearly 5 years overdue. Twenty of the 36 overdue inspections were more than 2 years overdue for a routine inspection.

Not included in the 36 is one bridge which, upon inquiry, appears to have been timely inspected, but the inspection was not entered into the bridge system within timeframes required by Federal Regulations and, therefore, appeared overdue in the bridge data provided to auditors.

The Department showed that 6 of the overdue inspections have been inspected since the April 1, 2016 data download, including 1 of the structurally deficient bridges.

Special inspections

A special inspection is performed to verify that deficiencies do not exist and to monitor a specific structural feature, deficiency or condition.

Of the total 26,566 open bridges that the Department is required to inspect or cause to be inspected (i.e. locals), 1,059 were slated for a special inspection totaling 1,109 special inspections. Using the intervals established by the Department and allowing for the data entry period, according to the Department's Illinois Structure Information System data, as of April 1, 2016, 26 bridges were overdue for a special inspection (down from 69 bridges as of May 1, 2014). These 26 bridges required 28 total inspections and were all local bridges (1 bridge required 3 inspections). Upon inquiry, the Department provided documentation to show that 5 (consisting of 7 inspections) of the 26 bridges had received timely special inspections and, therefore, were not overdue; however, the data provided showed these bridges as being delinquent for inspection. Many of the remaining inspections were overdue by approximately a year or less.

After discussion with the Department, auditors determined that, of the 21 bridges with overdue inspections, 4 have been inspected since the April 1, 2016 data download date (including 2 that were overdue by more than 2 years and structurally deficient) and 4 are no longer required (including 1 bridge which was overdue by more than 2 years and structurally deficient). According to the Department, due to prioritizing needs, the local agency could not perform the special inspections.

Underwater inspections

An underwater inspection is an inspection of the underwater portion of a bridge substructure.

Of the total 26,566 open bridges that the Department is required to inspect or cause to be inspected (i.e. locals), 482 were slated for an underwater inspection. Using the intervals established by the Department and allowing for the data entry period, according to the Department's Structure Information data, as of April 1, 2016, 11 bridges were overdue for an

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Accepted or Implemented – continued

underwater inspection (down from 12 as of May 1, 2014), all of which were local and, specifically, the maintenance responsibility of an adjacent State. The bridges were between 1 and 17 years overdue. One of the bridges, which the data showed as 15 years overdue for an inspection, was noted as structurally deficient.

According to Department officials, the inspection reports have not been received from the adjoining state and, therefore, have not been entered into the Department's Illinois Structure Information System.

Fracture Critical inspections

A Fracture Critical inspection is a hands-on inspection of one fracture critical member or multiple member components. These inspections are performed on steel bridge tension members and tension components whose failure could be expected to result in the collapse of the bridge or a portion of the bridge.

Of the total 26,566 open bridges that the Department is required to inspect or cause to be inspected (i.e. locals), 518 were slated for a Fracture Critical inspection for a total of 1,217 inspections.

Using the intervals established by the Department and allowing for the data entry period, according to the Department's Illinois Structure Information System data, as of April 1, 2016, 9 bridges (2 State, 7 local) were overdue for a fracture critical inspection (down from 14 as of May 1, 2014), consisting of 28 total components. Two of the local bridges, consisting of 4 total components, were over 19 years overdue. One of these bridges was noted as being structurally deficient. Another local bridge, consisting of 8 components, was 5 years overdue. These 3 bridges were noted in the data as being an adjacent state's maintenance responsibility.

The remaining 6 bridges ranged from a couple months overdue to about a year overdue. The Department showed that 3 of the overdue bridges (1 State, 2 local) have been inspected since the April 1, 2016 data download.

Auditors could not make a determination about the timeliness of 26 Fracture Critical inspections for 11 bridges (decreased from 303 for 124 bridges in the previous examination). For these 26 inspections, the inspection date indicated that no Fracture Critical inspections had been completed yet. Ten of these 11 bridges are noted in the database as being the maintenance responsibility of an adjacent state.

According to Department officials, none of the inspection reports have been received from the adjoining State and none have been entered into the Illinois Structure Information System.

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Response: *Routine Inspections*

The Department will continue to stress the importance of timely inspections particularly to the local agencies. Monthly reports are sent to the owners of the structures to indicate when structures are coming due for inspection, or are currently delinquent for their last inspection. The web based Inspection Date Notification System is now available to allow the local agencies to enter the date of their last inspection in order for potential delinquencies to be better tracked. An on-call consultant has been retained by the Department to allow bridges to be inspected if a structure delinquency enters the third month after the inspection was due. Bridge inspection delinquencies are now at a historical low of 2.9%.

Additionally, conversations have occurred with the Federal Highway Administration about the possibility of having the inspecting agency identified in the border bridge agreements be the one to submit inventory and inspection information into the National Bridge Inventory. This would eliminate many problems with data inconsistencies between the two States. To date, the Department has not received approval to remove our reporting requirements for these "Border Bridges" that we do not inspect.

Special Inspections

The Department's web based Inspection Date Notification System is now available to allow the local agencies to enter the date of their last special inspection in order for potential delinquencies to be better tracked. An on-call consultant has been retained by the Department to allow bridges to be inspected if a structure delinquency enters the third month after the inspection was due.

The Department will continue to remind local agencies via email of the importance of the special inspections and will work to continue to reduce the delinquencies of these inspection types.

Underwater Inspections

The Department has had conversations with the Federal Highway Administration about the possibility of having the inspecting agency, for bridges that cross state lines, as the only one to submit inventory and inspection information into the National Bridge Inventory. This would eliminate many problems with data inconsistencies between the two states. To date, the Department has not received approval to remove our reporting requirements for these "Border Bridges" that we do not inspect.

The Department will continue to pursue obtaining a copy of the official bridge inspection reports performed by the adjoining state and to ensure that they are entered into the Illinois Structure Information System.

Fracture Critical Inspections

The Department will continue to stress the importance of fracture critical inspections to local agencies and remind them monthly, via e-mail, to ensure that inspections and data entry are accomplished within the required timeframes.

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Accepted or Implemented – continued

The web based Inspection Data Notification System is now available to allow the local agencies to enter the date of their last fracture critical inspection so that potential delinquencies can be better tracked. An on-call consultant has been retained by the Department to allow bridges to be inspected if a structure delinquency enters the third month after the inspection was due.

The Department has had conversations with the Federal Highway Administration about the possibility of having the inspecting agency, for bridges that cross state lines, as the only one to submit inventory and inspection information into the National Bridge Inventory. This would eliminate many problems with data inconsistencies between the two states. To date, the Department has not received approval to remove our reporting requirements for these “Border Bridges” that we do not inspect.

Updated Response: Partially Implemented. IDOT continues with the measures identified in the report and IDOT's previous response, to prevent and respond to delinquencies. Many of the procedures for past corrective actions have been incorporated into the 2017 Structural Services Manual. The improvement plans for 2016 and the Plans of Corrective Action for 2015 have been approved by FHWA. Anticipated implementation date: March 31, 2018

3. Implement controls to ensure employee overtime is accurately documented and amounts paid are proper. (Repeated-2007)

Finding: The Department did not maintain controls to ensure employees' overtime hours were appropriately documented.

According to Department records, the Department expended \$29,813,206 and \$38,705,662 on overtime during fiscal years 2016 and 2015, respectively.

Auditors tested a sample of 15 employees who received between \$34,385 and \$63,259 in overtime pay during FY16 and FY15 and reviewed six pay periods of their sign out sheets, overtime cards, when applicable, and the timekeeping system (TKS) balances, and noted the following:

- Nine of 15 (60%) employees' overtime cards tested contained 19 instances where the overtime cards were signed by the supervisor in place of the employee attesting to the accuracy of the hours worked.
- One of 15 employees' overtime cards tested did not have a supervisor's signature approving the overtime card.

Auditors also tested 35 employee overtime cards in November 2014 and October 2015 and noted 2 of 35 employees tested had discrepancies between their overtime records and TKS.

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Supporting documentation showed the employees logged 4 and 1.5 hours of overtime but the amounts were not recorded in TKS.

Related to the exceptions noted in the current engagement, Department management stated that in some instances, the employee and their supervisors failed to adequately review and record the overtime support. Additionally, the Department has certain operations which function 24 hours a day, seven days a week. The Department utilizes overtime for such operations until additional personnel can be hired through the State hiring process.

Update Finding: Implemented. The Department hired four bridge tenders in District 1 to aid in the reduction of overtime in safety critical positions. The four bridge tenders began employment between July 1, 2017 and August 16, 2017. District One is in the process of submitting paperwork to hire an additional 6 bridge tenders. The Bureau of Personnel Management will continue to send reminders to district timekeepers on ensuring overtime hours are appropriately documented. Executive management have instructed supervisors overtime should only be approved for mission critical tasks and not to aid in reducing backlogs of regular work.

4. Implement procedures to strengthen controls over property and equipment and ensure accurate recordkeeping and accountability for all State assets. (Repeated-2007)

Finding: The Department did not maintain sufficient controls over its property and related records.

Auditors physically examined 68 equipment items during testing and some of the items noted were as follows:

- Three of 68 items tested, totaling \$129,946, were not able to be located.
- One of 68 items tested, totaling \$100,000, was located during the inventory observation but could not be located on the property control listing. The item was never added to the Department's property control records when purchased in 2005.
- Three of 68 items tested, totaling \$2,088, were observed in a different location than what was indicated on the inventory listing.

Related to the exceptions noted during the current engagement, Department management stated, based on the acquisition dates of the items identified, these items were surplus many years ago without the input of the corresponding deletion entries into the inventory control system. For other items noted, including obsolete items, Department personnel failed to follow the property control rules. One item, purchased in 2005, was overlooked and not entered into the inventory control system. Other items were relocated without proper notification to property control staff, and one District item was involved in a trade that was never reported to property control staff for proper removal from inventory.

Accepted or Implemented – continued

Response: Accepted. The Department has utilized BoBS Form 2277 to document the corrective action taken during property control reviews. The Property Control and Inventory Procedures Manual was updated and revised in 2016 to reflect all the redesigned processes. All Central Office and District property control staff have received training on the proper handling and disposal of state owned equipment. The Department will continue to remind applicable staff on the importance of documenting property control transactions correctly.

Updated Response: Implemented. IDOT continues with the measures identified in the report and IDOT's previous response.

5. Continue to develop and implement procedures which create stronger controls over vehicles. Utilize procedures that encompass the responsibilities incumbent upon employees at both the District and Central Office levels who use Department vehicles and address compliance, recordkeeping, maintenance, and accountability. (Repeated-2007)

Finding: The Department did not have adequate controls concerning the proper completion of motor vehicle trip tickets, the reporting of vehicle accidents to the Department of Central Management Services (DCMS), the maintenance of State vehicles, calculating the fringe benefits of employees' personally assigned State vehicles, and ensuring all employees assigned a State-owned vehicle were duly licensed and insured.

- Twenty-six of 40 (65%) vehicles tested did not have routine oil changes performed on a timely basis.
- Auditors noted exceptions in reporting for 25 of 40 reported accidents involving State-owned vehicles:
- During testing of 25 employees assigned a State vehicle, auditors noted 11 instances where the Department had incorrectly calculated employee fringe benefits or the fringe benefit could not be verified because the employee personal vehicle usage logs provided contained inaccurate, unverifiable, or incomplete information.
- Four of 25 (16%) employees tested that were assigned a State-owned vehicle failed to submit the annual liability and licensure certification.

Related to the exceptions noted in the current engagement, Department management stated, for incomplete vehicle trip tickets, the Districts and some Bureaus outside of the Central Office use their vehicles primarily for short term situations. The paper hardcopy trip tickets were used in these instances, rather than the automated vehicle trip tickets, which led to the errors noted. The automated vehicle trip tickets contain controls which prevent the incompleteness of the form. Regarding the auto liability reporting to DCMS, the reporting delays were due to the employees and supervisors delivering the SR-1 forms late to District claims offices. For overdue service

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intervals, it is the responsibility of each Bureau/District Vehicle Coordinator to ensure that such services are performed timely. However, in the instances noted, employee on-site work demands, unavailability of the DCMS garage (due to DCMS staff and garage scheduling conflicts), and confusion over service interval thresholds (5,000 miles versus 4,000 miles for service) led to the overdue service. In the instances of incorrect fringe benefits, this was due to a lack of understanding by employees regarding the procedures used in the calculation of the employee fringe benefits. Related to the failure to submit the annual liability and licensure certification, Department management stated the exceptions were due to confusion over the required submission dates and oversight on completing the new forms.

Updated Response: Implemented. The Department's Fleet Administration Unit conducts biannual conference calls with the Vehicle Coordinators and other employees involved with the fleet to remind them of the importance of following written procedures. These conference calls were held on September 24, 2016, April 4, 2016, October 19, 2016 and May 23, 2017. As part of the conference calls, staff are reminded of the importance of reviewing vehicle trip tickets that are submitted manually for complete information. In addition, a monthly reminder is sent to all District vehicle contacts reminding them of the annual fleet maintenance inspections. In addition, the "C" and "D" preventative maintenance forms are attached to the email which details the preventative maintenance schedule.

The Department's Office of Chief Counsel has completed a first draft of the revised Claims Manual which is under review by management. This will aid to properly instruct staff on the processes to be followed when involved in an accident in a State-owned vehicle. As part of the update, staff will be reminded of the importance of timely submittal of documentation related to accidents involving State-owned vehicles. In addition, a tracking system has been implemented to aid in identifying late reporting. In cases where the Office of Chief Counsel is aware of late reporting, follow up is conducted to obtain the proper documentation. The instances of late submission have been reduced significantly. Anticipated implementation date: June 30, 2018

6. Develop and implement procedures to accurately report accounts receivable to the Comptroller's Office. In addition, develop and implement procedures to ensure delinquent accounts are monitored and collected uniformly throughout the Department and in accordance with SAMS. (Repeated-2008)

Finding: The Department did not have adequate controls over the recording of accounts receivable and their collectability in its accounting records. Auditors also noted weaknesses in the reporting of accounts receivable to the Illinois Office of the Comptroller.

During testing of the Department's delinquent accounts receivable, auditors noted the following:

- The Department did not send demand letters for 3 of 40 delinquent invoices tested totaling \$1,084,753. The Department sent demand letters for 18 of 40 (45%) delinquent invoices tested totaling \$490,950 from 2 to 600 days late.

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- The Department did not refer 2 of 40 receivables totaling \$1,005,150 to its Bureau of Claims. The Department referred 4 of 40 receivables tested totaling \$262,707 to its Bureau of Claims from 63 to 480 days late.
- Two of 40 receivables tested totaling \$1,005,150 lacked documentation they were being referred to the Comptroller's Offset System.

Department management stated the protocol of the Districts notifying the Bureau of Claims regarding the items noted did not occur and, therefore, the Department's Bureau of Claims could not process the delinquent accounts receivable. Additionally, if the Districts do not submit required information to the Bureau of Claims, then demand letters cannot be processed accordingly or referrals to the Comptroller's Offset System cannot occur.

During testing of the Department's reporting of accounts receivable to the Comptroller's Office, auditors noted the following:

- At June 30, 2015, on the Quarterly Summary of Accounts Receivable - Accounts Receivable Activity (Form C-97), the Department improperly reported \$3,829 accounts receivable balance in the State Construction Account Fund as aged 91-180 days when it should have been reported as aged 31-90 days. Department management stated the process for compiling the data for these reports is manual, and the incorrect aging of the receivable was due to a transposition error.
- At June 30, 2015, auditors noted a difference of \$139,000 between the Quarterly Summary of Accounts Receivable Aging of Total Gross Receivables (Form C-98) and Quarterly Summary of Accounts Receivable Collections Activity for Accounts over 180 Days Past Due (Form C-99). Department management stated the difference was due to the Department's failure to include the Road Fund's reconciling items and the omission of the Air Transportation Revolving Fund's receivable when preparing the Form C-99.

In response to this finding from the previous engagement, Department management stated the Department was in the process of developing a revenue and receivables software program. The Department stated the program would improve communications between several different areas with shared responsibilities in the receivables process.

Updated Response: Partially Implemented. The Department's Office of Finance and Administration implemented a reconciliation between the C-98 and C-99 forms in order to prevent any potential misstatements when reporting to the Illinois Office of the Comptroller. The C-97, C-98, and C-99 forms are reviewed by appropriate staff independent of the preparation of the forms.

The Department's Office of Chief Counsel has completed a first draft of the revised Claims Manual which is under review by management. These procedures outline the process to be

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followed to ensure delinquent accounts receivable are monitored and collected uniformly throughout the Department. Anticipated implementation date: June 30, 2018.

7. Implement a control structure which includes procedures to ensure compliance with statutory reporting requirements. (Repeated-2014)

Finding: The Department did not adhere with various reporting requirements established by State law.

During testing auditors noted the following:

- The Public Private Agreements for the Illiana Expressway Act requires the Department to prepare an annual written progress report on the Illiana Expressway project at least 30 days prior to the beginning of the fiscal year. The Act further states the report shall be delivered to the Procurement Policy Board and each county, municipality, and metropolitan planning organization whose territory includes or lies within five miles from a proposed or existing Illiana Expressway project site. The Department provided the reports due in FY15 and FY16, but was unable to provide evidence of submission to the entities as outlined in the Act. Department management stated, due to staff turnover in the Department's Office of Legislative Affairs, the Illiana Expressway Report was not submitted to the Procurement Policy Board and related areas within the five mile radius of the expressway.
- The LaSalle County Transportation Study Act, as amended by Public Act 99-400, required the Department to conduct a transportation study on the effects of agricultural, manufacturing, mining and other industrial operations in LaSalle County and bordering counties and submit a report on the studies no later than January 1, 2016. The Department finalized a report on June 28, 2016; however, the report was not submitted to the General Assembly. Further, the report created failed to include recommendations as to whether further legislation was needed to regulate transportation. Department management stated the finalization of the report in June 2016 was due to the State of Illinois budget impasse. Funding was unavailable for payment to the consultant working with this study. Once payment was available, work progressed and the report was completed. Failure to include recommendations about further legislation was due to the group working with the study being unaware of the requirement about the recommendations.
- The Civil Administrative Code of Illinois requires the Department to prepare reports outlining the successes, failures, and progress in achieving implementing cooperative programs promoting efficient service and conservation of capital investment and energy. The Department failed to submit these reports in FY15 and FY16. Department management stated, in prior years, the Office of Planning and Programming would submit a coordination report to the General Assembly by the March 1st due date in cooperation with the Office of Intermodal Project Implementation. The reports were not submitted due to oversight.

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Accepted or Implemented – continued

Response: Accepted. The Department is currently working on an action plan in order to create a better tracking system for the assignment and filing of the Illiana Expressway annual report.

Even though the LaSalle County Transportation Study report was not completed timely nor submitted to the General Assembly during the audit period, the Department was notified that the LaSalle County Transportation Study Act (20 ILCS 2725) was repealed via Public Act 099-400 effective January 1, 2017.

The Department's Office of Intermodal Project Implementation has filed the 2016 public transportation cooperative report by the March 1, 2017 deadline. Department staff has instituted a calendar reminder to ensure the report will be filed timely in the future.

Updated Response: Implemented. The Office of Legislative Affairs is in the process of developing a comprehensive listing of statutorily mandated reporting requirements. The listing was distributed to each Bureau Chief to verify reporting responsibilities are assigned to the appropriate areas. Once the listing is finalized, the Department will determine a central repository where the listing will be maintained and updated accordingly. In order to ensure required reporting from new legislation is identified, the Office of Legislative Affairs monitors the website of the General Assembly in order to identify legislation that may impact the Department. An end of session report is compiled and distributed to each Bureau Chief.

8. Notify the sign owners of the signs determined to be illegal based upon current statutory and Code guidance as required or seek appropriate legislative or Code remedy.

Finding: The Department did not comply with its written procedures and laws that control the outdoor advertising adjacent to the primary and interstate highways during the engagement period.

Auditors noted the Department could not provide evidence they notified illegal sign owners by certified mail for 23 of 40 (58%) signs tested. The Department's records noted these signs were illegal based upon its inventory along controlled routes.

Department management stated inefficient oversight and implementation of the Outdoor Advertising Control Program over the previous 20 plus years prior to program centralization has led to a proliferation of illegal advertising signs throughout the state. The more efficient processes enacted subsequent to the centralization of the program has led to the identification of a few thousand illegal signs statewide. The quantity and breadth of diversity of the illegal signs has led to a delay of sending notices to their owners.

Updated Response: Partially Implemented. The Office of Program Development's, Bureau of Land Acquisition is continuing to work with the Office of Chief Counsel and all

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levels of management from the Secretary to Directors to develop an overall plan to specifically address the backlog of large quantity of illegal signs in the least controversial way possible. Work continues on the updated Federal-State Agreement amendment process regarding the control of outdoor advertising, with an outline of the stakeholder and public involvement process drafted, and the final draft agreement being reviewed by the Office of Chief Counsel and Executive Management. A stakeholder and public comment period is to occur in 2018 along with an executed amendment to the Agreement.

The Bureau of Land Acquisition will continue to work with the Office of Legislative Affairs to draft proposed legislation to update the Highway Advertising Control Act of 1971, which will affect the ability of some signs to be brought into compliance. The Department still has a goal to have the mechanisms, policies and regulations in place by the end of 2018, to ensure signs along controlled highways are legal and to obtain the proper ownership documentation as statutorily mandated. With the addition of 2 new staff members in the Outdoor Advertising Unit, the Bureau of Land Acquisition is now sending 30 Day Notices to unlawful sign owners. The Bureau of Land Acquisition staff has also researched over 2000 signs where the sign owner information was not known. There are only 450 signs left, where ownership is unknown, and the Bureau will continue to research these signs as most will require extensive research to determine.

Anticipated implementation date: December 31, 2018.

9. Develop procedures to notify primary contractors on a project when the subcontractors on the same project have been awarded a loan from the Working Capital Revolving Loan Fund and ensure reports are filed, as required, on the status of the revolving loan program.

Finding: The Department did not ensure compliance with the Civil Administrative Code of Illinois concerning the Disadvantaged Business Revolving Loan and Grant Program during the engagement period.

Testing noted the following noncompliance in the Disadvantaged Business Revolving Loan and Grant Program:

- The Code requires the Department to notify the prime contractors on a project when a subcontractor on the same project has been awarded a loan from the Working Capital Revolving Loan Fund. During the engagement period, there were three loans to subcontractors which were awarded from the Working Capital Revolving Loan Fund. In all three instances, the Department failed to notify the prime contractor on a project that the subcontractor on the same project was awarded a loan.
- The Code requires the Department by January 2014 and January 1 of each succeeding year, to report to the Governor and General Assembly on the utilization and status of the revolving loan program. Auditors noted the Department failed to provide evidence

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Accepted or Implemented – concluded

the reports for both FY15 and FY16 were submitted to the Governor and General Assembly.

Department management stated, due to the vacancy of the Director of the Business Workforce Diversity position, no reports were prepared and prime contractors were not notified of the granting of subcontractor loans.

Response: Accepted. However, the Department feels the program has not met the needs of the Disadvantaged Business Enterprise contractors and is currently pursuing the appropriate changes to the program. The last loan to date under the program was made in September 2014. In August 2016, the Department was notified by the program's lending institution that it would like the option of resigning as the DBE Loan Program escrow agent. Subsequently, in February 2017, the Department was informed by the lending institution that it was closing its trust department and has undergone receivership. Because of these issues, there have been no loans for the committee to oversee and therefore the Department has not made any additional appointments to the committee. Additionally, per 20 ILCS 2705/2705-610(o), the Department's authority to execute additional loans expires on June 1, 2018.

In April 2016, the Department hired an individual to oversee the utilization and status of the revolving loan program. The individual will be responsible for providing the reports and documentation to the Governor's Office and General Assembly.

Updated Response: Implemented.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

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Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY15 the Department filed affidavits for five emergency purchases totaling \$5,471,353.44 as follows:

- \$ 3,506,413.30 for 51,880 tons of salt; and
- \$ 1,964,940.14 for repairs.

During FY16, the Department filed affidavits for ten emergency purchases totaling \$1,278,966.43 as follows:

- \$ 1,196,666.43 for repairs or demolition; and
- \$ 82,300.00 for equipment.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

As of July 2016, the Department of Transportation had 878 employees assigned to locations other than official headquarters.

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DEPARTMENT OF TRANSPORTATION
TWO YEARS ENDED JUNE 30, 2016**

APPENDIX A

Summary of Appropriations and Expenditures

	FY16	FY15
<u>APPROPRIATIONS</u>	\$ 15,553,861,499	\$ 16,951,050,730
<u>EXPENDITURES</u>		
<u>General Revenue Fund</u>		
Awards and Grants	-	414,854
Division of Aeronautics	-	238,199
ADA Para Transit Services	-	4,569,800
	\$ -	\$ 5,222,853
Total General Revenue Fund		
	\$ -	\$ 5,222,853
<u>Road Fund</u>		
Central Administration & Planning	-	193,888,488
Division of Highways	-	835,350,030
Construction	-	1,233,079,988
Traffic Safety	-	43,351,134
Division of Aeronautics	-	10,267,394
Public Transportation	-	78,281,455
	2,408,514,057	2,394,218,489
Total Road Fund		
	2,408,514,057	2,394,218,489
<u>Other Funds</u>		
Motor Fuel Tax Funds	13,146,244	13,570,532
Grade Crossing Protection Fund	27,491,037	52,856,290
Aeronautics Fund	10,573	253,761
Federal/Local Airport Fund	80,821,534	61,758,564
State Rail Freight Loan Repayment Fund	1,612,625	-
I-Fly Fund	-	1,500,000
Working Capital Revolving Loan Fund	-	334,660
Air Transportation Revolving Fund	10,916	345,975
Tax Recovery Fund	146,762	599,978
Motor Fuel Tax Fund - County District	204,108,000	187,094,843
Motor Fuel Tax Fund - Municipal District	285,775,000	262,415,818
Motor Fuel Tax Fund - Road District	92,617,000	84,916,797
Federal High Speed Rail Trust Fund	261,179,154	234,691,974
Transportation Bond Series A	21,793,796	40,299,995
Transportation Bond Series B	313,748,298	327,418,578
Transportation Bond Series D	387,465,123	826,686,314
Downstate Transit Improvement Fund	11,546,254	3,536
Public Transportation Fund	459,002,413	490,943,397
Downstate Public Transportation Fund	188,011,030	186,272,169
Federal Mass Transit	27,483,177	30,033,660
Cycle Rider Safety	195,576	4,727,770
State Construction	778,353,596	540,572,706
	5,563,032,165	5,746,738,659
TOTAL EXPENDITURES		
	\$ 5,563,032,165	\$ 5,746,738,659

Appendix A - continued

	<u>FY16</u>	<u>FY15</u>
<u>Expenditures by Division</u>		
Highway Construction	3,908,835,900	3,759,983,900
Public Transportation	927,043,100	988,149,900
Rail	363,438,400	320,397,600
Roadway Maintenance/Repair	238,306,700	534,598,500
Aeronautics	101,210,700	95,539,200
Traffic Safety	24,197,400	48,069,600
TOTAL	<u>\$ 5,563,032,200</u>	<u>\$ 5,746,738,700</u>

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TWO YEARS ENDED JUNE 30, 2016

APPENDIX B

Accounts Receivable

	<u>FY16</u>	<u>FY15</u>
<u>General Revenue Fund</u>		
Railroad loans and due from federal and others	\$ 3,529,000	\$ 133,000
<u>Road Fund</u>		
Federal aid reimbursements due from:		
National Traffic Safety Administration	21,000	1,165,000
Federal Highway Administration	1,636,000	154,454,000
Federal Transit Administration	157,553,000	-
Reimbursements from counties & municipalities under participation agreements	28,184,000	35,461,000
Other receivables	4,479,000	14,398,000
Total Road Fund	<u>191,873,000</u>	<u>205,478,000</u>
<u>Other</u>		
Federal/Local Airport	36,080,000	24,115,000
Bond Retirement & Interest (Railroad Loans)	6,371,000	7,850,000
State Rail Freight Loan Repayment	6,532,000	6,916,000
Federal High Speed Rail Trust Fund	94,556,000	74,985,000
Federal Mass Transit	8,682,000	2,942,000
Rail Freight Loan Repayment	155,000	392,000
Other	205,000	204,000
GRAND TOTAL, ALL FUNDS	<u>\$ 347,983,000</u>	<u>\$ 323,015,000</u>

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APPENDIX C

Cash Receipts

<u>Fund</u>	<u>FY16</u>	<u>FY15</u>
General Revenue	\$ 174,725	\$ 81,946
Road Fund	1,722,089,650	1,928,489,303
Motor Fuel Tax	162	-
Grade Crossing Protection Fund	1,716	131,553
Aeronautics	216,331	25,234
Federal/Local Airport	71,680,695	62,199,768
General Obligation B.R.& I	1,801,049	1,818,348
State Rail Freight Loan Repay	1,120,291	1,566,612
I-Fly	-	1,500,000
Working Capital Revolving Fund	-	122,353
Air Transportation	86,238	612,517
Tax Recovery	1,239,683	1,247,693
Motor Fuel Tax - Municipalities	-	23,451
Federal High Speed Rail Trust	211,882,698	222,063,634
Bond Series "A"	94,134	23,703
Bond Series B	-	6,747
Transporation Safety Highway Hire-Back	199,003	303,747
Downstate Public Transportation	-	14,920
Bond Series "D"	21,068	154,000
Federal Mass Transit	27,775,141	29,741,704
State Construction Fund	218,754	148,158
State Rail Freight Loan Repay	250,240	252,699
TOTAL	<u>\$ 2,038,851,578</u>	<u>\$ 2,250,528,090</u>

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TWO YEARS ENDED JUNE 30, 2016

APPENDIX D

Summary of Property and Equipment

	<u>FY16</u>	<u>FY15</u>
Balance, July 1	\$ 800,128,723	\$ 745,307,441
Additions	31,738,995	78,587,322
Deductions	(6,305,662)	(8,812,156)
Net Transfers	(23,312,040)	(14,953,884)
Ending Balance June 30	\$ 802,250,016 *	\$ 800,128,723 *
* Represented by:		
Land & land improvements	46,897,821	\$ 47,002,168
Site improvements	3,794,858	3,835,365
Building & building improvements	163,844,533	157,152,875
Equipment	498,982,548	521,966,575
Capital lease equipment	2,027,942	1,970,850
Construction in progress	11,846,293	12,902,818
Construction in progress (rail equipment)	74,856,021	55,298,072
TOTAL	\$ 802,250,016	\$ 800,128,723

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TWO YEARS ENDED JUNE 30, 2016

APPENDIX E

Service Efforts and Accomplishments

	<u>FY16</u>	<u>FY15</u>
<u>Aeronautics</u>		
Commercial air passengers enplaned at Chicago airports	47,136,518	44,155,422
Commercial air passengers enplaned outside Chicago	1,228,352	1,258,623
Percent of public airport runway pavements rated satisfactory	70%	67%
Air operations (takeoffs/landings) at Chicago airports	1,028,950	1,138,613
Air operations (takeoffs/landings) at public airports with traffic control towers other than Chicago and Midway	697,439	729,411
Percent compliance following IDOT airport safety inspections	73%	65%
<u>Construction</u>		
Overall expenditures, in thousands	3,759,983.9	3,759,983.9
Miles of pavement maintained/improved	674	1,379
Number of bridges maintained/improved	66	188
Percent of State roads in acceptable condition	79%	79%
Percent of roads in need of repair	21%	21%
Percent of bridges in acceptable condition	92%	92%
Percent of bridges in need of repair	8%	8%
<u>Public Transportation</u>		
Public Transportation expenditures, overall, in thousands	\$ 927,043.1	\$ 988,149.9
Bus Ridership (Northeast Illinois), in millions	305.1	313.6
Rail Ridership (Northeast Illinois), in millions	323.9	321.5
Bus Ridership (Downstate), in millions	38.7	44.6
Rail-car miles	114.9	114.3
<u>Rail</u>		
High-speed rail track improvements Chi - STL, in thousands	\$ 316,500.0	\$ 222,000.0
State operations investments in Amtrak downstate, in thousands	\$ 36,820.0	\$ 42,000.0
On-time performance of passenger rail service (Amtrak)	63.8%	58.6%
Amtrak ridership, on State-supported routes	1,813,873	1,916,944
State capital investment per Amtrak rider	\$ 20.30	\$ 21.90
<u>Maintenance</u>		
Total repair/maintenance expenditures, in thousands	\$ 238,306.7	\$ 468,939.9
Overall number of personnel	2,219	2,293
Acres mowed	210,936	178,507
Tons of asphalt applied for pavement repair	14,214	16,760
Tons of road salt applied (snow/ice control)	316,877	460,768
Number of lane miles of pavement maintained	43,086	43,000
Percent of roads rated in acceptable condition	79%	82%
Percent of bridges rated in acceptable condition	92%	93%
Roadway maintenance cost per lane mile (in dollars)	\$ 6,058.00	\$ 4,360
Snow removal cost per lane mile (in dollars)	\$ 1,215.00	\$ 1,455
Mowing cost per lane mile (in dollars)	\$ 412	\$ 333

APPENDIX E - continued

	<u>FY16</u>	<u>FY15</u>
<u>Traffic Safety</u>		
Statewide safety belt usage rate in IL	93%	95.2%
Overall Illinois traffic fatalities	987.0	1,017
Alcohol-related fatalities in IL	263.0	N/A
Percent change in fatal crashes compared to previous 5-year average in Illinois	5.8%	8.8%
Percent change in alcohol-related fatal crashes compared to 5-year average in Illinois	-14.2%	NA
