Review: 4385
Statewide Single Audit
Year Ended June 30, 2011
Illinois Department of Transportation

FINDINGS/RECOMMENDATIONS – 14
Repeated – 8

Accepted – 2
Implemented – 9
Partially Implemented – 3

11-75. The auditors recommend IDOT develop formal policies and procedures to perform periodic on-site reviews and adequately document such reviews to ensure subrecipients are administering the federal program in accordance with the applicable laws and regulations. (Repeated-2005)

Findings: IDOT is not adequately performing and documenting on-site monitoring procedures for subrecipients receiving federal awards under the Airport Improvement Program.

IDOT passed through approximately $29 million to 43 subrecipients of the Airport Improvement Program during FY11. The majority of the subrecipient grants pertain to construction projects for airport improvement or for noise abatement projects. IDOT monitors its subrecipients primarily by reviewing procurement files, receiving periodic expenditure reports, reviewing invoices and cancelled checks prior to reimbursing subrecipients, receiving OMB Circular A-133 Audit Reports, and performing on-site reviews.

Effective in FY10, IDOT developed standardized checklists for conducting on-site reviews of its subrecipients receiving federal awards under the Airport Improvement Program. During the review of the on-site monitoring procedures, auditors noted IDOT has not established criteria for determining which subrecipients will be subject to on-site monitoring procedures on an annual basis. Only eight subrecipients were subject to on-site reviews during FY11, and the standardized checklists were not utilized for six of the reviews conducted. Amounts passed through to the eight subrecipients tested totaled approximately $2.5 million.

Updated Response: Implemented. The Department has developed and implemented formal monitoring procedures. Fourteen on-site reviews were conducted during FY12.

11-76. The auditors recommend IDOT review its current record retention policies and procedures and implement the changes necessary to ensure

documentation is retained in accordance with federal regulations. (Repeated-2010)

Findings: IDOT did not retain documentation for construction projects in the Highway Planning Program in accordance with federal regulations.

Contractors must receive advance approval from IDOT to bid on construction projects. As a condition of obtaining IDOT's advance approval contractors are required to submit an affidavit of availability. This affidavit is used by IDOT to determine whether the contractor has available capacity to complete the project.

Prior to making a payment to contractor, IDOT personnel prepare a summary of project costs from reports prepared and approved by the assigned resident engineer. This summary is required to be reviewed and approved by the chief accountant prior to making payment to the contractor.

During testwork over 65 contractor payments (totaling $67,884,479) and the related procurement files and other source documentation, auditors noted the following exceptions:

- The affidavit of availability could not be located for six contractors (with sampled payments of about $3 million).
- The summary of project costs approved by the chief accountant could not be located for testwork for three contractors (with sampled payments of $1.2 million).

Upon further review, these projects were originally bid prior to fiscal year 2005 and the affidavits of availability and approved summary of project costs were purged in accordance with IDOT's record retention policy which only requires documentation of this nature to be retained for a five-year period. Accordingly, IDOT has purged the affidavits of availability and summaries of project costs for all projects which were bid prior to July 1, 2005, including those for open constructions projects and advance construction projects claimed in the current period. As federal regulations require records to be retained for a period of three years after final payments and all other pending matters are closed, these affidavits of availability, contractor invoice, and weekly certified payrolls and statement of compliance should have been retained by IDOT.

In each of the procurement and contract files missing the affidavit of availability and summary of project costs, each of the advance approval criteria and cost information was verified through additional supporting documentation in IDOT's electronic records. Therefore all information necessary to establish and support the advance approval procedures had been performed for the period was available; however, evidence of IDOT personnel's review and approval could not be located.

Response: The Department agrees with the finding. It is IDOT's policy to prepare all construction projects according to federal regulations even if the contract will not be paid with federal funds. Occasionally, IDOT is allowed to convert non-federally funded

contracts and reclaim federal funds for a portion of the work. At the time the contract work was performed, these contracts did not have federal funds. Last fiscal year, the Department was able to convert this group of contracts from state funded to federally funded and seek reimbursement from FHWA for the allowable costs. The Department will review current processes to ensure all required documents are being properly retained.

Updated Response: Accepted. A uniform project file retention process is being developed and will be implemented agency wide. Electronic signature and document retention process is being discussed to address missing pre-qualification and signed invoice documents. The Department will meet with auditors to discuss options and ensure the process meets requirements.

11-77. The auditors recommend IDOT establish procedures to ensure weekly payroll certifications are received prior to making payments to the contractors.

Findings: IDOT did not obtain certified payrolls prior to making payments to contractors for the Highway Planning Program.

Non-federal entities are required to comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations applicable to contracts governing federally financed and assisted construction. Each subcontractor subject to the Davis-Bacon Act must submit payrolls on a weekly basis and include a signed certification that they have complied with the prevailing wage rates. The resident engineer on each project uses a two week calendar report which records the receipt of the certified payrolls. The two week calendar report is reviewed by the resident engineers prior to approving contractor payments to ensure the required certifications and related payrolls have been received.

During testwork of 65 contractor payments for regular construction projects (totaling approximately $67 million) and 65 contractor payments for advanced construction projects, auditors noted the following:

- The certified payrolls for 20 contractor payments on regular construction projects (totaling approximately $26 million) were received 7 to 218 days late.
- The certified payrolls for 28 contractor payments on regular construction projects (totaling approximately $26 million) were not dated.
- The certified payrolls for five contractor payments on advanced construction projects (totaling approximately $2.6 million) could not be located for testwork.

Response: The Department agrees with the finding. The collection of weekly payroll certifications is done in the individual district offices. The Supplemental Specifications and Recurring Special Provision, Check Sheet #5, IV, 3, states that certified payrolls must be submitted each week. Construction Memorandum 09-14 also outlines the requirements for reporting and submission of payrolls. We will reiterate these contract requirements and policies to the districts.

Updated Response: Implemented. The contract requirements outlined in Construction Memorandum 09-14 were reiterated during the Fall Implementation meeting held 9/19/12. Joint Construction reviews will continue to give emphasis to this process. All required paperwork must be submitted prior to closing contract. Any adjustments in payment for non-compliance can made at that time.

11-78. The auditors recommend IDOT establish procedures to ensure that: (1) expenditures passed through to subrecipients per IDOT's records are reconciled to the schedule of expenditures of federal awards submitted in the subrecipients' OMB Circular A-133 audit reports, (2) follow up procedures are performed for all delinquent OMB Circular A-133 reports (3) desk reviews are performed on a timely basis, and (4) management decisions are issued within six months after receipt of the subrecipients' OMB Circular A-133 audit reports. (Repeated-2002)

Findings: IDOT does not have an adequate process to review subrecipient OMB Circular A-133 reports.

IDOT passed through approximately $29 million and $146 million to subrecipients of the Airport Improvement Program, and the Highway Planning Program, respectively, during FY11. During testwork of thirteen subrecipients of the Airport Improvement Program and 42 subrecipients of the Highway Planning, auditors noted the following regarding the desk review process:

- The OMB Circular A-133 audit reports for three subrecipients of the Airport Improvement Program and nine subrecipients of the Highway Planning Program were not received timely and IDOT did not perform follow up procedures to obtain the reports. The number of days delinquent ranged from 5 to 150 days.
- The OMB Circular A-133 reports for three subrecipients of the Airport Improvement Program and five subrecipients of the Highway Planning Program were not reviewed by IDOT as of the date of testwork. Amounts passed through to these subrecipients during the year ended June 30, 2011 totaled $11,866,000 and $2,766,000, respectively.
- The OMB Circular A-133 audit report for one subrecipient of the Highway Planning Program was not date stamped.
- IDOT did not issue a management decision related to findings reported by one subrecipient of the Highway Planning Program.
- IDOT did not issue management decisions related to findings reported by two subrecipients of the Airport Improvement Program.

Additionally, the standard checklist used by IDOT to document the review of A-133 reports received did not include procedures to determine whether: (1) the audit reports met the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconciled to IDOT records to ensure subrecipients

properly included amounts in the SEFA; and (3) Type A programs were audited at least every three years.

In discussing these conditions with IDOT officials, they stated due to transitioning responsibilities to a new area, the process was not properly monitored due to lack of availability of staff.

Response: The Department agrees with the finding. The Department recognizes the importance of monitoring the OMB Circular A-133 Single Audit requirements. Staff has been allocated to focus on revising and implementing proper procedures as necessary to address the federal requirements and recommendations of the auditors.

Updated Response: Accepted. Current process flow was reviewed and revised procedures have been drafted. The Department is working to implement and finalize process. 1/2/13 staff was added to oversee this process. Completion expected by 3/31/13.

11-79. 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 Airport Improvement Program, Highway Planning, and the High-Speed Rail programs for the year ended June 30, 2011.

During testwork of 40 grant awards to 30 subrecipients who received approximately $13.7 million of Airport Improvement Program funds, 40 grant awards to 30 subrecipients who received approximately $4.8 million of Highway Planning funds, and one subrecipient who received approximately $76.7 million of High Speed Rail funds, auditors noted the following:

- Twenty grant award notices for the Airport Improvement Program and fifteen grant award notices for the Highway Planning Program did not communicate the need for an audit in accordance with OMB Circular A-133.
- Twenty grant award notices for the Airport Improvement Program and seventeen grant award notices for the Highway Planning Program included incorrect information regarding the need for an audit.
- Four grant award notices for the Airport Improvement Program and twenty-two grant award notices for the Highway Planning Program did not communicate the specific program or CFDA number and title under which federal funding had been provided.
- The grant award notice for the High-Speed Rail Program communicated the incorrect CFDA number for the program.

In discussing these conditions with IDOT officials, they stated that the projects identified were initiated prior to the full implementation of prior year corrective actions.

Response: The Department partially agrees with the finding. The Department implemented a revised version of the standard agreement in FY10. The projects identified in this finding were initiated prior to full implementation of the revised agreement. The Department is exploring the cost and requirements involved with notifying all subrecipients with open agreements that were initiated prior to the implementation of the revised agreement.

The Department disagrees with the finding for the High Speed Rail program. It is the Department's interpretation that this program does not have any subrecipients.

Auditors' Comment: *As discussed in our auditors' comment in finding 11-85, we believe the for-profit entity to which IDOT passed through High Speed Rail funding is a subrecipient. Accordingly, IDOT was required to communicate the CFDA number, CFDA title, award number and year, and program regulations to this entity.*

Updated Response: Partially Implemented. The Department implemented a revised version of the standard agreement in 2010. The Department has analyzed the possibility of notifying past subrecipients of the requirements of OMB Circular A-133. Due to the number of open federal projects (>4,000), notifying individual local agencies with project specific information is not feasible with current staffing levels.

The Department disagreed with the High Speed Rail Program portion of this finding as the program does not have any subrecipient agreements; however this standard agreement will be included in any future subrecipient grant awards

11-80. The auditors recommend IDOT implement procedures to ensure all materials are tested in accordance with the sampling and testing program approved by the FHWA. (Repeated-2009)

Findings: IDOT did not test materials used for construction activities under the Highway Planning Program in accordance with their approved sampling and testing program.

IDOT has developed a comprehensive sampling and testing program as documented in the Project Procedures Guide for Sampling Frequencies for Materials Testing and Inspection (the Guide) and the Manual for Materials Inspection (the Manual) that meets requirements established by federal law and approved by the Federal Highway Administration (FHWA).

During testwork, auditors selected 65 materials from ongoing (open) construction projects and advanced construction projects and noted two instances where materials were accepted using a method of acceptance that was not in accordance with the Manual.

In discussing these conditions with IDOT officials, they stated after discussions with the districts involved it was determined that the correct method of acceptance was used in

both cases; however, the materials inspection (method of acceptance) was not documented correctly. In these two cases, inspected and approved materials were used.

Response: The Department agrees with the finding. The documentation problems associated with these findings are so unique that general training and education would not adequately address these subjects. The Bureau of Materials and Physical Research (BMPR) will notify the districts of the specific findings and provide information as to the correct documentation for each. The BMPR has already worked with the one district to change the failing test (FAIL) to an approved test (APPR) in MISTIC.

Updated Response: Implemented. The Department issued a memo on September 4, 2012 to notify staff to always use proper documentation that matches the acceptance procedure.

11-81. The auditors recommend IDOT implement procedures to ensure ARRA information and requirements are properly communicated to its subrecipients. (Repeated-2010)

Findings: IDOT did not communicate American Recovery and Reinvestment Act (ARRA) information and requirements to subrecipients of the Airport Improvement Program, the Highway Planning, and the High-Speed Rail programs.

During testwork over five ARRA disbursements totaling approximately $2.5 million from the Airport Improvement Program, six ARRA disbursements totaling approximately $1 million from the Highway Planning Program, and 40 ARRA disbursements totaling approximately $19.4 million from the High-Speed Rail Pprogram, auditors noted IDOT did not identify the federal award number, CFDA title and number, or the amount of the award attributable to ARRA at the time of each disbursement. Additionally, IDOT's grant agreements for the Airport Improvement and the Highway Planning Programs did not identify the requirement for their subrecipients to separately report ARRA program expenditures on the schedule of expenditures federal awards (SEFA) and the data collection form. Failure to communicate required ARRA information could result in subrecipients not properly administering the federal programs in accordance with federal regulations.

In discussing these conditions with IDOT officials, they stated that appropriate staff has been made aware of the requirements and the information is now being provided.

Response: The Department partially agrees with the finding. In December, 2011 the Department implemented corrective action required to properly communicate ARRA information to subrecipients. The Department disagrees with the finding for the High Speed Rail program. It is the Department's interpretation that this program does not have any subrecipients.

Auditors' Comment: *As discussed in our auditors' comment in finding 11-85, we believe the for-profit entity to which IDOT passed through High Speed Rail funding is a*

subrecipient. Accordingly, ARRA communications were required to be made with each disbursement of program funds.

Updated Response: Partially Implemented. In December, 2011 the Department notified all voucher processing system (FOA) users of the requirement to properly communicate ARRA information to subrecipients. In addition, each time an ARRA appropriation is used when processing an invoice for payment, the FOA system prompts users that requirements for ARRA communication is necessary.

The Department disagreed with the High Speed Rail Program portion of this finding as the program does not have any subrecipient agreements; however this corrective action affects all users of the FOA system so compliance requirements will be met if the program utilizes subrecipients in the future.

11-82. The auditors recommend IDOT implement procedures to ensure cash draws are performed in accordance with U.S. Treasury Regulations. (Repeated-2010)

Findings: IDOT does not have procedures to ensure cash draws are performed in accordance with the Treasury-State Agreement.

During a review of 80 expenditures totaling approximately $23.7 million, auditors noted warrants for federal funds for three expenditure vouchers totaling approximately $810,700 were issued from 4-6 business days of intended expenditure instead of within three business days of intended expenditure as negotiated in the Treasury-State Agreement. Failure to draw funds in accordance with the US Treasury Regulations could result in an interest liability to the federal government.

Response: The Department agrees with the finding. The acceptable audit method requires the Department to request funds such that they are deposited in a state account not more than three days prior to the day the state makes a disbursement. This finding states the number of days between receipt of federal funds and the issuance of warrants for three expenditures ranged from four to six business days. The Department's policy is to draw the federal funds once the FOA system indicates the expenditure is vouchered in the FOA system. The cash draw takes one to two business days to be deposited into the State account. Therefore, depending on the number of business days taken to issue a warrant from the time it is vouchered in the FOA system, affects the number of days between receipt of federal funds and the issuance of warrants for these expenditures. The current policy is structured to balance the timing of the issuance of the warrant with the timing of the deposit. In addition, as required by the Cash Management Interest Act, the Department analyzes, calculates and remits interest according to the Treasury State Agreement. The Department will research the implementation of the cash hold process as a possible resolution to this recommendation.

Updated Response: Recommendation Implemented. The Federal/Local Airport Fund was placed on cash managed hold in August 2012 in order to better manage the

cash flow of the federal funds and ensure payment of vouchers occur as soon as the federal funds are received. Additional note: both the FY11 and FY12 CMIA calculation for the Airport Improvement Program has resulted in a receivable due to the program from the FAA.

11-83. The auditors recommend IDOT review the process and procedures in place to prepare and submit ARRA 1512 reports to ensure amounts reported are accurate and reconcile to IDOT's financial records.

Findings: IDOT did not accurately report expenditures in the quarterly ARRA 1512 report for the Highway Planning Program.

During a review of 40 quarterly reports submitted during the fiscal year ended June 30, 2011, auditors noted one quarterly ARRA 1512 report erroneously reported expenditure amounts. Additionally, several differences were identified between the ARRA 1512 reports and IDOT's financial records which were not investigated and resolved before the reports were submitted.

In discussing these conditions with IDOT officials, they stated that expenditures were being reconciled monthly and at project close-out.

Response: The Department agrees with the finding. Highways currently run a quarterly report comparing the 1512's against FMIS. A 'Phase A' review is done each quarter when a project is first entered into the system. A 'Phase B' review, which is a random sample of all projects, is also conducted each quarter and compares job creation numbers and expenditure amounts.

Once a project is finalized, the 1512's will be verified for expenditure amounts, award amounts and sub awards. If there are any discrepancies, the 1512's will be adjusted at that time. IDOT does maintain documentation which tracks and identifies any discrepancies. To effectively utilize both the state and project resources, reconciliation takes place at the time of the project closeout.

11-84. The auditors recommend IDOT establish procedures to follow up on on-site monitoring findings to verify corrective actions have been implemented by subrecipients prior to reimbursing program expenditures.

Findings: IDOT is not adequately performing and documenting on-site monitoring procedures for subrecipients receiving federal awards under the Highway Planning Program.

During a review of monitoring reports and checklists prepared for on-site programmatic reviews conducted for eight Highway Planning subrecipients (with expenditures of $46 million) during FY11, auditors noted IDOT identified and reported several instances of

subrecipient non-compliance with program requirements, including specific IDOT construction policies and procedures. However, IDOT had not performed procedures to ensure subrecipients have taken timely corrective action on monitoring findings prior to reimbursing program expenditures. IDOT's current practice is to follow up on monitoring findings during its final on-site review at the conclusion of the construction project which may occur several months or years later.

Response: The Department agrees with the finding. The Department agrees that we need to provide timelier follow-up to the findings noted during the joint construction reviews. The finding in part takes issue not with the quality of the Department's industry recognized joint construction review program but with the subsequent timeliness of the follow-up on findings. The reviews of concern by the auditors in general and specific to this finding are evaluations of the quality of work performed by the Department's resident engineers overseeing the projects and not the work of construction contractors. They are not reviews of billings prior to payment. The office in question does have audit follow-up procedures which will now be strengthened to timelier follow-up to ensure the resident engineer cited in the finding has taken corrective action.

Updated Response: Implemented. On July 1, 2012, the Department issued a JCPR Audit Finding Follow-up Protocol memorandum which now recommends that the District office perform a follow-up review of compliance weaknesses cited during Joint Progress Construction Reviews prior to the issuance of the final report. The follow-ups should be performed within 60 days, or sooner for critical findings, from the date of the close-out conference with the District for the site review.

11-85. The auditors recommend IDOT implement procedures to monitor each compliance requirement administered by its for-profit subrecipient of the High Speed Rail Program.

Findings: IDOT did not monitor all applicable compliance requirements for a subrecipient receiving funding under the High-Speed Rail Program.

IDOT received a grant for approximately $1.1 billion to construct and install the infrastructure necessary to operate high speed passenger rail service between Illinois and Missouri. The agreement between USDOT and IDOT specified a for-profit organization would assist IDOT in completing the construction and installation of the high speed rails. Although IDOT did not consider this entity a subrecipient, the organization is responsible for carrying out significant compliance requirements that normally would be carried out by the State relative to this program. Specifically: (1) designing and engineering the rails, (2) purchasing any materials required to construct and install the rails, (3) selecting and contracting with vendors to assist in constructing and installing the rails, and (4) purchasing real estate along the project route and paying relocation assistance, as necessary.

During testwork, auditors noted IDOT has implemented certain procedures to monitor its for-profit subrecipient, which include: reviewing supporting documentation relative to time and material charges incurred by the for-profit subrecipient and its subcontractors, inspecting materials used in the construction of the rails, and performing site visits to monitor the progress of on-going construction and installation activities. However, IDOT has not established procedures to monitor whether the for-profit subrecipient and its subcontractors have complied with the Davis-Bacon Act prevailing wage rate requirements or procured services relative to this project in accordance with the Illinois Procurement Code.

Response: The Department disagrees with the finding. The High-Speed Rail program is breaking new ground across the country and we respect the Office of the Auditor General's position on the vendor/subrecipient issue.

One additional criterion in OMB Circular A-133 for subrecipient determination is the use of judgment in making the determination. The Circular provides, "there may be unusual circumstances or exceptions to the listed characteristics. In making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgment should be used in determining whether an entity is a subrecipient or vendor."

Given that virtually all funding for our high-speed rail program comes from the U.S. Department of Transportation and its Federal Railroad Administration, we rely on USDOT/FRA's judgment on many issues concerning the program. And we believe that the circumstances surrounding this issue are such that their judgment should come into play. FRA and the USDOT/OIG's recognized National Single Audit Coordinator have both stated that in their judgment, railroads are not subrecipients. We believe it would be inappropriate for us to dismiss the judgment of these transportation experts.

Auditors' Comment: *As stated in the finding above, in our judgment, the for-profit entity receiving the High Speed Rail program funding is a subrecipient of IDOT because it is responsible for making programmatic decisions on IDOT's behalf and carrying out significant compliance requirements that normally would have been performed by IDOT. IDOT indicated in its response that the Federal Railroad Admnistration and US Department of Transportation Office of the Inspector General both stated that the for-profit entity referenced in this finding is not a subrecipient; however, IDOT was not able to provide documentation supporting this statement.*

Updated Response: Partially Implemented. The Department disagrees with the finding, the High Speed Rail Program does not have any subrecipients. FRA has concurred with the Department's assessment of the for-profit vendor in question, the for-profit entity was properly treated as a vendor. However, the Department accepts the recommendation and has drafted a monitoring memo in order to be prepared to properly monitor potential subrecipients in the future and ensure compliance with OMB A-133 requirements.

11-86. The auditors recommend IDOT review the process and procedures in place to prepare financial reports required for the High Speed Rail Program and implement the additional procedures necessary to ensure the reports are accurate.

Findings: IDOT did not prepare accurate periodic financial reports for the High-Speed Rail program.

IDOT is required to prepare quarterly financial status (SF-425) and ARRA 1512 reports for the High Speed Rail Program. In addition, IDOT is required to prepare a request for advance or reimbursement (SF-270) report to support each of its cash requests for the High Speed Rail Program. The auditors noted several errors in the reports selected for testwork.

Report	Report Line Item	Amount Reported	Actual Amount	Difference
ARRA 1512	Total Federal Amount of ARRA Expenditures	$78,282,179	$74,353,681	$3,928,498
SF-270	Total Program Outlays to Date	$74,394,250	$74,353,681	$40,569

In addition, auditors noted the SF-425 report and SF-270 report (each prepared for the period ended March 31, 2011) improperly reported other required award information, as follows:

- the Catalog of Federal Domestic Assistance number was reported incorrectly;
- the reporting period was reported as ending March 31, 2010, instead of March 31, 2011 on the SF-425 report; and
- the reporting period was reported as ending February 28, 2011, instead of March 31, 2011 on the SF-270 report.

Response: The Department agrees with the finding. The period cited in the review was the first in which construction was taking place along the Chicago-St. Louis high-speed rail corridor. Since that time, IDOT has implemented additional reviews in the ARRA report preparation process to ensure that the typographical errors noted in the finding are not repeated.

Updated Response: Implemented. The data continues to be refined and period specific costs are accumulated till just prior to the issuing of the SF-425 report due date which is the 30th day after the period close. Additionally, the PMC has converted all cost records to a database, in so doing substantial reductions in the likelihood of errors and miss capturing data previously contained in Excel workbooks. Additional reviews and QA/QC checks have been instituted to minimize the risk of errors.

11-87. The auditors recommend IDOT establish procedures to accurately report federal expenditures used to prepare the SEFA to the IOC.

Findings: IDOT did not accurately report federal expenditures under the Airport Improvement Program, the Highway Planning Program, and the High-Speed Rail Program to the Illinois Office of the Comptroller (IOC). IDOT used an estimate based on revenues and receipts, instead of actual expenditures. Auditors noted the following differences for the year ended June 30, 2011:

	Federal Expenditures Reported on the SEFA	Federal Expenditures Reported on the Expenditure Pattern	Difference
Airport Improvement Program	$ 69,157,000	$ 68,951,000	$ 206,000
Airport Improvement Program - ARRA	14,244,000	14,123,000	121,000
Highway Planning Program	1,429,462,000	1,406,643,000	22,819,000
Highway Planning Program - ARRA	261,039,000	258,441,000	2,598,000

Additionally, IDOT did not separately identify the federal expenditures of $81,641,000 expended under the High-Speed Rail Program as being funded under the American Reinvestment and Recovery Act (ARRA).

Response: The Department accepts the recommendation. The Department has accurately reported the expenditures in the SEFA. The expenditure pattern work paper is an audit questionnaire completed prior to financial reporting and is not used by the Department to complete the SEFA reporting. The expenditure pattern was not updated to match the final SEFA, but was reconciled to the SEFA, identifying all discrepancies. The Department will make a better effort at ensuring the expenditure pattern is completed using all financial information available and will revise as necessary.

Auditors' Comment: *As noted in the finding above, IDOT was not able to adequately reconcile the differences between the expenditure pattern questionnaire provided to us for our audit testwork and the amounts reported to the Comptroller for reporting in the SEFA. IDOT's responses noted that the expenditure pattern was prepared with incomplete information; however, the final expenditure pattern was provided in December 2011 and was prepared on the* ***cash basis****. Accordingly, we would not expect there to be significant changes in cash basis numbers more than six months after year end.*

Updated Response: Implemented. The Department utilized the FOA systems datamart in order to accurately identify High Speed Rail Program expenditures and incorporated the completion of the audit questionnaire into the financial reporting process. After completion of the Department's annual financial reporting to the Office of the Comptroller, the SCO-563, SCO-567 and SCO-568 are utilized to complete the SEFA reporting in addition to the audit questionnaire.

11-88. The auditors recommend IDOT account for and remit interest earned on the Homeland Security Cluster program funds to the U.S. Treasury. (Repeated-2006)

Findings: IDOT did not account for and remit interest earned on advance funding received under the Homeland Security program.

During the year ended June 30, 2011, IDOT received approximately $2,374,000 in advance funding under the Homeland Security Cluster program. Auditors noted IDOT deposited the advance funding into an interest-bearing account with the State Treasurer which is commingled with other funds. However, IDOT did not account for and remit interest earned on the Homeland Security Cluster program funds to the U.S. Treasury.

Response: The Department agrees with the finding. A separate appropriation was created in 2009 to reimburse Homeland Security expenditures to vendors prior to drawing down any Federal funds. Unfortunately, funds were still deposited before reimbursement was made to the vendor. A new procedure when requesting reimbursement funds has been developed to coincide with the drawdown of Federal funds for this appropriation. This approach will ensure the processing of Homeland Security invoices are paid to the vendor, and reimbursement deposited thereafter. This corrective action was implemented March 1st, 2012 and will address the issue that will alleviate this finding.