

Meeting of the Illinois Finance Authority Audit Committee

April 12, 2005

The Audit Committee (the "Committee") of the Illinois Finance Authority (the "Authority"), pursuant to notice duly given, held its scheduled meeting at 3:00 p.m. on April 12, 2005 at the Authority's Chicago offices, located at 180 North Stetson Street, Suite 2555, Chicago, Illinois.

MEMBERS PRESENT

Joseph Valenti – Chairman
Demetris Giannoulis
Terrance O'Brien

STAFF PRESENT

Jose Garcia
Michael Pisarcik
Director Jill Rendleman

MEMBERS ABSENT:

Natalia Delgado

Call to Order

The meeting was called to order by Chairman Valenti at 3:00 p.m.

Minutes

The Committee reviewed the minutes of its December 6, 2004 meeting. There being no comments or objections thereto, the Committee approved the minutes.

Chairman's Comments

The Chairman thanked everyone for attending the meeting. He stated that the primary purpose of this meeting was to enable the Members of the Committee to receive a detailed briefing regarding the Authority's just completed audit report, covering the period from January 1, 2004 through June 30, 2004 (the "Audit") as well as the Authority's plan for addressing the Audit's findings.

Discussion

Director Rendleman told the Committee that she has put Jose Garcia, the Authority's new CFO, in charge of the upcoming audit and that he will have responsibility for managing all aspects of the upcoming audit and be the auditors' primary contact. With that, she asked Mr. Garcia to present a detailed summary of the Audit's findings and the action that the Authority is and will be taking in response thereto.

Mr. Garcia gave the Members of the Committee an overview of the Authority's Audit. The Authority had 14 findings – one a material weakness, one a reportable condition material and 12 findings of lesser significance, such as the filing of reports late or a failure to post certain information on the Authority's website. A summary of the findings that the Auditor General considered most important followed:

- Need for a comprehensive accounting system and procedures;
- Segregation of duties needs improvement;

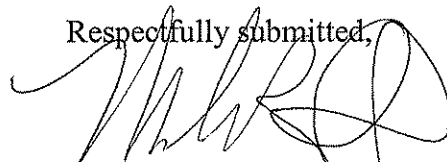
- Segregation of duties needs improvement;
- Monitoring of bond compliance needs improvement;
- Need to improve internal control review of bond trustees;
- Noncompliance with the Illinois Procurement Code and statewide management system procedures;
- Need to comply with the State Officials and Employee Ethics Act; and
- Untimely and inadequate review of monthly review of monthly reconciliations;

Mr. Garcia stated that the Authority had undertaken action to rectify seven of the findings. Of the remaining seven, two were partially complete and five were in the process of completion. Mr. Garcia stated that he anticipated that all of the issues will be completed within the 30 days to one year, indicating that correcting the bond compliance findings will require a major undertaking of time and resources, while correcting the segregation of duties finding should be completed within the next 30 days. He stressed that the material finding (lack of a comprehensive accounting system) has been fully corrected.

Discussion ensued. The Committee made clear that it supports the allocation of all resources and personnel necessary to ensure that the upcoming audit is completed in a thorough and timely manner and to rectify all findings of the Audit. The Committee indicated that it is available as needed to assist with the upcoming audit and instructed Mr. Garcia to keep them informed of all major developments.

The Chairman asked if there was any other business to come before the Committee or if any member of the public wished to address the Committee. There being no further business and no one seeking to address the Committee, Chairman adjourned the meeting at approximately 3:50 p.m.

Respectfully submitted,



Michael R. Pisarcik, Secretary