

MINUTES OF THE NOVEMBER 8, 2011 MEETING OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY

The Board of Directors (the “Board”) of the Illinois Finance Authority (the “IFA”), pursuant to notice duly given, held an Audit Committee meeting on November 8, 2011 at 8:30 a.m. in the IFA Chicago Office, Two Prudential Plaza, 180 North Stetson Avenue, Suite 2555, Chicago, Illinois 60601.

IFA Board Members Present:

1. Gila J. Bronner, Chairwoman
2. Terrence M. O’Brien

IFA Board Members Absent:

1. William A. Brandt, Jr.

IFA Staff Present:

Christopher B. Meister, Executive Director
Brendan M. Cournane, General Counsel
Ximena Granda, Acting Chief Fiscal Officer
Sohair Omar, Policy/Operations Analyst

I. Call to Order

Chairwoman Bronner called the meeting to order at 8:34 a.m. Chairwoman asked the Board Secretary, Mr. Cournane, to call the roll. There being two members present, a quorum was present.

II. Adoption of Minutes

Chairwoman Bronner made a motion to adopt the minutes of the Audit Committee meeting on June 14, 2011. Mr. O’Brien seconded the motion. The motion carried unanimously.

III. Discussion on the Draft of the Financial Audit for the Year ended June 30, 2011

a. Fiscal Year 2011 Financial Statements

Ms. Granda presented the adjustments that would be made on the draft financial statements for fiscal year ended June 30, 2011: (i) an adjustment of \$79,169 due to an accrual of interest on participation loans; (ii) an adjustment on the statement of net assets; (iii) an adjustment on the statement of revenues, expenses and changes in the fund net assets; and (iv) a reclassification of \$14,767 in termination benefits in the statement of cash flow from contractual services to employee services. Ms. Granda stated that in the footnotes the debt service schedule for revenue bonds would need to be revised and additional language on Senate Bill 3719 would be needed.

Mr. Meister noted that Senate Bill 3719 from calendar year 2010 expanded the Ag Guarantee program. It made \$10 million to \$11 million available to support this guarantee fund.

Chairwoman Bronner stated that the IFA does not have too many adjustments and explained that continuity on audit staff is important. Ms. Granda stated that Analie Hoyle is the manager of the external audit staff. Ms. Granda outlined the final external audit schedule, with an exit conference scheduled in December 2011 and the public release of the financial audit scheduled in February 2012.

b. Management Discussion and Analysis

Chairwoman Bronner explained that the management discussion and analysis (the “MD&A”) is an opportunity for a government entity to tell its story. It is encouraged by the Governmental Accounting Standards Board. Ms. Granda stated that the MD&A consists of condensed financial information, including component units and the IFA’s two major funds. Chairwoman Bronner advised the IFA to ensure consistency in numbers and language. Mr. Meister expressed his goal to change the IFA’s statement of activities and balance sheet so that it reflects who the IFA is and what the IFA does. Chairwoman Bronner encouraged the IFA to have a conversation with the Office of the Auditor General about this goal and provide them a package that includes supplemental schedules.

c. Audit Findings

Chairwoman Bronner stated that the IFA has fourteen draft compliance findings for fiscal year 2011. Mr. Meister noted that the IFA staff ranked the draft findings on a scale of one to ten, with one being the least serious and ten being the most serious.

The first finding was regarding an inaccurate workforce report. The IFA staff ranked that at two. It involved an arithmetic error.

The second finding was regarding an untimely removal of authorized bank signatory. The IFA staff ranked that between seven and eight. They have submitted additional paperwork to the external auditors and are subsequently awaiting a response.

The third finding was regarding inadequate controls over contracting procedures. The IFA staff ranked that at six. Mr. Meister explained that the previous IFA staff considered the IFA a private entity with a public charter; therefore, its procurement system was not always consistent with State procurement laws.

The fourth finding was regarding inadequate control over telephone usage and policy. The IFA staff ranked that at minus five. Mr. O’Brien inquired about the IFA’s telephone policy. Mr. Courneane stated that it does not allow personal or long-distance calls, but there are exceptions to this policy.

The fifth finding was regarding inadequate implementation of internal audit. The IFA staff ranked that at five. Mr. Meister stated that the IFA has engaged an internal audit firm that has begun a review of IFA's programs.

The sixth finding was regarding initial new employee ethics training not timely. The IFA staff ranked that at five.

The seventh finding was regarding noncompliance with State and Federal rules. The IFA staff ranked that at eight. It involved an identify protection policy and an identity theft prevention program.

The eighth finding was regarding inadequate control over maintenance of personnel files. The IFA staff ranked that at eight. Ms. Granda stated that a few forms were missing from personnel files.

The ninth finding was regarding required information not included on printed materials. The IFA staff ranked that at one.

The tenth finding was regarding statements of economic interests not properly completed. The IFA staff ranked that at three. They have submitted additional paperwork to the external auditors and are subsequently awaiting a response.

The eleventh finding was regarding noncompliance with an interagency agreement. The IFA staff ranked that at three. The IFA has an Agency Procurement Officer, who is an employee of the Illinois Department of Central Management Services ("CMS"), on the IFA staff. CMS has no mechanism to bill the IFA for the Agency Procurement Officer's time.

The twelfth finding was regarding inadequate control over travel expenditures and noncompliance with the Illinois Travel Guide. The IFA staff ranked that at six. Mr. Meister stated that the IFA would consider opting-out of the Travel Control Board's oversight and would update its travel policy.

The thirteenth finding was regarding appointments of members to the IFA Board. The IFA staff ranked that at three. Mr. Meister stated that the IFA awaits the Governor's appointment of two IFA Board members and reappointment of two IFA Board members.

The fourteenth finding was regarding the IFA's Venture Capital program. The IFA staff ranked that at three. Mr. O'Brien suggested that the IFA sell its venture capital portfolio off.

Mr. Meister stated that of these fourteen draft compliance findings the IFA staff believes that four will be waived, four are repeat findings and four are from predecessor State Agencies. Chairwoman Bronner advised the IFA staff to create a mitigation plan that outlines actions that will be taken to remedy these findings. She also suggested that the IFA staff use a smaller scale to rank the draft findings.

IV. Other Business

Chairwoman Bronner stated that the fee schedule in the statement of work for the internal audit and audit/compliance services is too high. She advised the IFA staff to negotiate a better deal with the internal auditors.

V. Public Comment

None.

VI. Adjournment

A motion to adjourn was made by Mr. O'Brien and seconded by Chairwoman Bronner. The motion carried unanimously.

The Audit Committee meeting adjourned at 9:26 a.m.

Minutes submitted by:
Brendan M. Cournane
Board Secretary