

1 ILLINOIS FINANCE AUTHORITY BOARD
2 PUBLIC NOTICE OF AUDIT, BUDGET, FINANCE, INVESTMENT
3 AND PROCUREMENT COMMITTEE MEETING
4 March 1st, 2016, at 10:00 o'clock a.m.
5
6
7

8 Report of Proceedings had at the Meeting of the
9 Illinois Finance Authority Board of Directors, Public Notice
10 of Audit, Budget, Finance, Investment and Procurement
11 Committee Meeting on March 1st, 2016, at the hour of 10:00
12 o'clock a.m., pursuant to notice, at 160 North LaSalle
13 Street, Suite S1000, Chicago, Illinois.
14
15
16
17
18
19
20
21
22
23
24

MARZULLO REPORTING AGENCY (312) 321-9365

♀

1 APPEARANCE:
2 COMMITTEE MEMBERS

3 MS. GILA J. BRONNER, Chair
4 MR. ADAM ISRAELOV
5 MR. LERRY KNOX
6 R. ROBERT FUNDERBURG, Ex-Offi ci o
7 MR. LYLE McCOY
8 MR. ROGER POOLE (Vi a audi o conference)
9 MR. ERIC ANDERBERG (Vi a audi o conference)

7

8

ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

9

10 MS. ELIZABETH WEBER, General Counsel
11 MS. XIMENA GRANDA, Controller
12 MR. CHRISTOPHER B. MEISTER, Executive Director
13 MS. MELINDA GILDART, CFO

12

13

14

15

16

17

18

19

20

21

22

23

24

MARZULLO REPORTING AGENCY (312) 321-9365

♀

3

1 CHAIRWOMAN BRONNER: Good morni ng, everyone. I
2 would like to call the Audit Plus Commi ttee Meeting
3 to order, and I would like to ask General Counsel
4 Weber to please take roll.

5 WEBER: Certai nly. Mr. Anderberg?

6 ANDERBERG: Here.

7 WEBER: Mr. I srael ov?

8 ISRAELOV: Here.
9 WEBER: Mr. Knox?
10 KNOX: Here.
11 WEBER: Mr. McCoy?
12 McCOY: Here.
13 WEBER: Mr. Pool e?
14 POOLE: Here.
15 WEBER: Mr. Yonover? Chai r Bronner?
16 CHAI RWOMAN BRONNER: Here.
17 WEBER: And Mr. Funderburg?
18 FUNDERBURG: Here.
19 WEBER: Ex-offi ci o.
20 CHAI RWOMAN BRONNER: Great. I bel i eve we have
21 a quorum.
22 WEBER: Yes.
23 CHAI RWOMAN BRONNER: Thank you. I woul d then
24 l i ke to di rect your at tention to I tem No. 2, whi ch
MARZULLO REPORTING AGENCY (312) 321-9365

♀

4

1 woul d be Revi ew and Adopti on of the Audi t Pl us
2 Commi ttee Meeti ng Mi nutes from December 10th, 2015.
3 Are there any members that wi sh to correct
4 any errors in the mi nutes? If not, I woul d l i ke to
5 ask for a moti on to adopt them.
6 KNOX: So moved.
7 ISRAELOV: Second.
8 CHAI RWOMAN BRONNER: Okay. Mr. Knox and
9 Mr. Israel ov. Let us take a voice vote. Then all
10 i n favor?
11 (A chorus of ayes.)

12 CHAIRWOMAN BRONNER: Opposed?

13 (No response.)

14 CHAIRWOMAN BRONNER: The minutes are adopted.
15 Moving on to our exciting agenda items. We are on
16 to the Presentation and Consideration of the Fiscal
17 Year 2015 Financial Audit.

18 Ms. Gildhart will give us an oral report
19 and let us know where we stand on that.

20 GILDART: The Fiscal Year 2015 Financial Audit
21 is completed. OAG posted the audit on January 28th,
22 2016. As far as the government auditing findings,
23 the Fiscal Year 2015 Audit produced two findings.
24 It's flat from 2014 where we also had two GAS

MARZULLO REPORTING AGENCY (312) 321-9365

♀

5

1 findings, and down 50 percent from 2013 where we had
2 four GAS findings.

3 CHAIRWOMAN BRONNER: I believe, Melinda, we're
4 going to separately talk about the audit findings
5 and the corrective action plan. So let's hold off
6 on that just for a moment.

7 You all have received a copy of the
8 financial report. It is in your packets, and I
9 believe it was also electronically -- or I don't
10 know. No? I'm just wondering if the members on the
11 phone, if they all received it.

12 POOLE: Yes.

13 ANDERBERG: And, yes.

14 MEISTER: Yes.

15 CHAIRWOMAN BRONNER: Okay, great. I would like
16 to then ask if there are any questions or any

17 discussion, rather, to the FY2015 report before we
18 separately address the findings.

19 And if not, I would like to ask for a
20 motion to accept the financial audit.

21 KNOX: So moved.

22 ISRAELOV: Second.

23 CHAIRWOMAN BRONNER: Lerry Knox got in on the
24 first so moved, and Member Israelov on the second.

MARZULLO REPORTING AGENCY (312) 321-9365

†

6

1 Whoever is on the phone, we'll save you for
2 compliance. Let us then take a voice vote.

3 All in favor of accepting the FY2015
4 financial audit?

5 (A chorus of ayes.)

6 CHAIRWOMAN BRONNER: Any opposed?

7 (No response.)

8 CHAIRWOMAN BRONNER: So the 2015 financial
9 audit is accepted. Let us then move on to the
10 compliance examination, and I think it's important
11 to note for the members of the committee, you may
12 say, "Why do we have a separate compliance
13 examination?"

14 Typically, you would think that if we have
15 a financial audit, the auditors would come in, and
16 they would look at all matters relating to the
17 operations of the Authority.

18 In government, and with the Auditor
19 General's Office, what they do because in
20 government, we do have a responsibility to satisfy

21 both GAAP and legal requirements, as part of
22 generally accepted accounting principles, to some
23 extent at a very high level, looking for any
24 material deviations from that perspective, or it

MARZULLO REPORTING AGENCY (312) 321-9365

♀

7

1 would be considered as part of the annual financial
2 audit.

3 Separately, though, we have a whole body
4 from minor to less minor compliance requirements
5 that I think many of us have already become familiar
6 with, even as it relates to our own ethics and other
7 kinds of rules within State government, that the
8 Auditor General conducts periodically. In some
9 cases, it might be every other year, it might be
10 every third year, for various agencies to target in
11 on very specific compliance requirements, and that
12 is called separately a compliance audit.

13 So while you may have a finding, and we'll
14 talk about the findings, because there is varying
15 levels of findings: Those that relate to your
16 financial statements, and those that relate to
17 compliance with various rules and laws of the State
18 of Illinois that are more compliance in nature.

19 So we separate compliance report, and
20 there, too, we will have various findings that
21 Melinda is going to talk us through. So I just
22 wanted to at least provide a little background
23 context for why we have two separate examinations.

24 So with that. Sorry. Melinda?

MARZULLO REPORTING AGENCY (312) 321-9365
Page 6

1 GILDART: This year's compliance audit was
2 actually a two-year audit. In previous years, the
3 Authority was subject to an annual compliance audit.

4 So due to our outreach to the Office of
5 the Auditor General and discussions with them, they
6 agreed to put us on the two-year schedule, which the
7 audit actually runs concurrently with the financial
8 audit, but it only occurs every other year, and that
9 audit was released by the OAG in February of 2016.

10 CHAIRWOMAN BRONNER: Great. And so are there
11 any comments or questions, relative to the nature or
12 content of the compliance audit from any committee
13 members?

14 KNOX: Quick question.

15 CHAIRWOMAN BRONNER: Yes.

16 KNOX: So I understand the difference between
17 audit and compliance exam. So if there's findings
18 in the compliance exam that are not associated with
19 the audit, it is a separate issue?

20 CHAIRWOMAN BRONNER: We have to fix them all.

21 KNOX: Okay.

22 CHAIRWOMAN BRONNER: But some affect -- you
23 know, ultimately when you look at the findings
24 related to your financial audit, those could impact

MARZULLO REPORTING AGENCY (312) 321-9365

1 whether you have a clean opinion.

2 KNOX: Correct.

3 CHAIRWOMAN BRONNER: It could impact -- no,
4 those deal with GAAP. Those deal with external
5 parties that are looking at really whether or not we
6 present fairly our financial statements.

7 KNOX: And the compliance examination doesn't
8 deal with that?

9 CHAIRWOMAN BRONNER: The compliance examination
10 is focused on rules and procedures, and other kinds
11 of laws and regulatory compliance, and has a
12 different focus.

13 So this would be looking at, we see
14 relative to travel compliance, did we turn in the
15 right voucher within 60 days or it says 90 days?

16 Did it reconcile to something else we were
17 required to submit to CMS or the procurement office?
18 So it has a very different tone.

19 These, while not relating to your
20 generally-accepted accounting principles,
21 nevertheless, are also deemed if we want to be a
22 well-run organization, and we don't want findings.
23 We want to minimize our findings.

24 KNOX: Last question then. So as it relates to
MARZULLO REPORTING AGENCY (312) 321-9365

♀

10

1 disclosure, MSRB-type disclosures, the audit clearly
2 has to go out because we're an issuer?

3 CHAIRWOMAN BRONNER: Correct.

4 KNOX: The compliance examination is internal
5 State purposes for operational aspect? So
6 bondholders do not get the compliance examination,
7 only the audit?

8 MEISTER: Let's have Melinda clarify a couple
9 of these points.

10 GILDART: Taking a step back, any findings that
11 are attributable to the financial audit do appear in
12 the report for the compliance examination. So they
13 do carry over.

14 KNOX: Okay.

15 GILDART: But as far as public -- you know,
16 they are public with the Office of the Auditor
17 General. They are on their website.

18 It's posted on our website and linked to
19 the report, but we upload the CAFR to EMMA.

20 KNOX: Correct.

21 GILDART: Which is public, too.

22 CHAIRWOMAN BRONNER: Which is the Comprehensive
23 Annual Financial Report.

24 KNOX: Right.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

11

1 GILDART: And it does not include any findings.

2 KNOX: It doesn't include any findings? It
3 doesn't include the compliance examination?

4 GILDART: No.

5 KNOX: So the bondholders just get the
6 documents, which are the CAFR and the financial
7 audit?

8 GILDART: Not even the financial audit.

9 KNOX: Just the CAFR?

10 GILDART: Just the CAFR.

11 CHAIRWOMAN BRONNER: They would have the basic

12 financial statements, which would be included in the
13 comprehensive Annual Financial Report; and,
14 actually, the Comprehensive Annual Financial Report
15 is really something that the Authority should be
16 very proud of.

17 It requires really going the extra mile,
18 in terms of full disclosure, and includes various
19 sections and elements that go way beyond the basic
20 financial statements.

21 KNOX: Okay.

22 CHAIRWOMAN BRONNER: So that's a very good
23 thing, and we have been recognized nationally for
24 that by the GFOA, the Government Finance Officer's
 MARZULLO REPORTING AGENCY (312) 321-9365

‡

12

1 Association, and it is something we should be very
2 proud of as an Illinois State agency.

3 KNOX: Okay. Thank for the clarification.

4 ISRAELOV: I just had a couple comments. So
5 first I wanted to thank Melinda and her team for all
6 their hard work and efforts for the audit. I know
7 it takes an extraordinary amount of work. So we're
8 grateful for that. Thank you.

9 And then with respect to the compliance
10 audit, just something for us to think about, you
11 know, I think we need to be mindful kind of what the
12 cost constraints are on the Authority for
13 implementing these remediation and mitigation steps.

14 I think it's important if we do a risk
15 assessment to determine the appropriate remediation
16 and mitigation plan, in light of the resources that

17 the Authority has; and make sure that, you know, at
18 the end of the day, that we're meeting the goal of
19 the IFA Act.

20 CHAIRWOMAN BRONNER: And let me say to that,
21 but I want to --that will be Item 5 specifically
22 next. So first what I would like to do is, if we
23 can, if there aren't other specific questions just
24 on content, if we could have a motion for acceptance

MARZULLO REPORTING AGENCY (312) 321-9365

†

13

1 of the compliance report.

2 ISRAELOV: So moved.

3 CHAIRWOMAN BRONNER: Okay. Mr. Israel ov. And
4 a second?

5 KNOX: Second.

6 CHAIRWOMAN BRONNER: Second Mr. Knox. Those of
7 you on the phone, it's nothing personal. It's just
8 they're right here at the table and it's quicker.

9 ANDERBERG: Understood.

10 CHAIRWOMAN BRONNER: Okay. Let us now, then,
11 move actually to Presentation and Consideration of
12 the Findings and the Mitigation and Remediation
13 Plan, because I think you raised some very important
14 points.

15 ISRAELOV: Great. Thanks.

16 CHAIRWOMAN BRONNER: Melinda?

17 GILDART: Just to give overview again of the
18 structure of the Illinois Finance Authority, the
19 Authority reports activity for its primary
20 operations general fund, and some of the local

21 government fund, the primary government fund that we
22 set up to track the State of Illinois activity, but
23 also we have multiple special revenue programs.

24 We have the Ag programs. We have the
MARZULLO REPORTING AGENCY (312) 321-9365

♀

14

1 housing partnership program. So a lot of special
2 revenue funds that we account for. In addition to
3 fiduciary activities, that's the Metro East Police
4 District Commission; and also, we have a
5 not-for-profit entity. So all of those functions
6 collectively make up the Illinois Finance Authority.

7 In addition to the transactions for the
8 State of Illinois for debt issued through us, for
9 the Illinois Environmental Protection Agency,
10 Northern Illinois University Foundation, the
11 Illinois Medical District Commission, and we also
12 obviously report transactions through the Office of
13 the State Fire Marshal, and the revolving loan
14 programs for fire truck and ambulance.

15 So, overall, in FY15 the Government
16 Auditing Standards, we'll call them the GAS
17 findings, they were reduced 50 percent from 2013.

18 So that's going from four to two findings.
19 In 2013, we had four findings for inadequate
20 internal controls for monitoring borrower covenant
21 and basically that was for all of those component
22 units that I just spoke of.

23 The second finding was for not exercising
24 adequate internal control over financial reporting,

1 that was a finding specific to the Illinois
2 Environmental Protection Agency.

3 Third was failure to enter into an
4 inter-governmental agreement with the Office of the
5 State Fire Marshal; and then the last finding was
6 for carrying uncollectible loans and guarantees and
7 venture capital investments that we deem
8 uncollectible on our financial statements.

9 So in FY14, we were able to remove the
10 finding for inadequate controls for monitoring
11 borrow covenant compliance, and also the internal
12 control finding for financial reporting for the
13 IEPA.

14 So we had a new finding, inaccurate
15 financial statements for the locally-held fire truck
16 and ambulance revolving loan programs; and a second
17 finding, which was repeated from previous years, the
18 uncollectible balances that we were carrying.

19 In 2015, we were able to remove that
20 finding from 14 for inaccurate financial statements
21 for the fire truck program, and we picked up a new
22 finding for the inaccurate financial statements for
23 the Industrial Project Insurance Fund, which also
24 includes the two State Ag Guarantee Funds that we

MARZULLO REPORTING AGENCY (312) 321-9365

1 carry on our books.

2 And then we have the same repeat findings

3 of uncollectibles as the second GAS finding in 2015.

4 CHAIRWOMAN BRONNER: So that was a little hard
5 to follow, in terms of where we were looking for all
6 of this.

7 I think, Melinda, it would be helpful if
8 we look on page 5 of the compliance report, we see
9 here there are a few things we need to explain, in
10 terms of the types of findings and what they mean,
11 in terms of material, non-compliance, significant
12 deficiency, in terms of certainly they are from
13 Governmental Auditing Standards, as well as just
14 compliance.

15 But I think if we look on page 5, what we
16 see is that the number of findings in the current
17 report are eight, and the prior year report was
18 eleven.

19 GILDART: Yes.

20 CHAIRWOMAN BRONNER: So we still have eight.
21 We also have six that were repeated, and five have
22 been implemented or not repeated, which I think
23 that's good, but we have a ways to go, in terms of
24 addressing all of our findings.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

17

1 Now, some of these findings and, Melinda,
2 you can probably I think offer some perspective on
3 this, some are more in our control than others.

4 GILDART: Yes.

5 CHAIRWOMAN BRONNER: And maybe you could talk a
6 little bit about that.

7 GILDART: So I pretty much detailed out in the
Page 14

8 mitigation section which findings are --

9 CHAIRWOMAN BRONNER: This is the handout that
10 is in the folder page 2 of it, middle of the page.

11 POOLE: Is that in the big book?

12 MEISTER: It's a two-and-a-quarter page
13 document that has IFA written on the top.

14 CHAIRWOMAN BRONNER: And it's the executive
15 summary for the financial audit and compliance
16 examination.

17 GILDART: Does everyone have it? Okay. So the
18 middle of page 2, the mitigation and remediation
19 plan, so we separated the findings and actions that
20 need to be taken into sections for primary
21 responsibility.

22 So the Authority is responsible for
23 findings for under the compliance audit examination
24 for travel, employee personal services, time entry,

MARZULLO REPORTING AGENCY (312) 321-9365

♀

18

1 and things like that.

2 So the plan that we would need to
3 implement would be to update and provide enforcement
4 for those policies that we currently have. We just
5 need to go a step further to ensure that employees
6 are compliant with our own stated policies, and
7 we've taken steps to remediate that so far.

8 And also, we want to maintain regular
9 meetings with our component units, and the primary
10 reason why we were able to get rid of some of the
11 other findings is because we have more than enough

12 correspondence and communication with IEPA, with the
13 Medical District, with the Fire Marshal.

14 We make sure that we tie our balances, not
15 only at the end of the year, but quarterly, to make
16 sure we're all on the same page; and nothing comes
17 up at last minute, or is considered a subsequent
18 event. That sort of throws a wrench into
19 everybody's process.

20 ISRAELOV: Melinda, as we go through these, I
21 was just curious to know if we currently have the
22 resources, sufficient resources to implement these
23 remediation and mitigation measures.

24 GILDART: Currently, we do not.

MARZULLO REPORTING AGENCY (312) 321-9365

†

19

1 CHAIRWOMAN BRONNER: Well, I would take them
2 one by one.

3 MEISTER: Yes.

4 CHAIRWOMAN BRONNER: Because some of these are
5 just enforcing policies.

6 GILDART: The first, number one, yes, because
7 that is just enforcing the travel plan and employee
8 reimbursement, and time-entry policies. Maintaining
9 regular meetings with the component unit, yes, that
10 is sending E-mails, picking up the phone and making
11 phone calls.

12 MEISTER: And again, identify for the Board
13 what is defined in the eyes of the Auditor General
14 as State component units and what our relationship
15 is with them.

16 GILDART: So under a previous GASB

17 interpretation, so it's a lower level from an actual
18 GASB Standard, but it's still authoritative in the
19 eyes of initially the State Comptroller, right; and
20 then the Auditor General pretty much agreed to that
21 interpretation that we would report any transactions
22 from the IEPA, the Illinois Northern University
23 Foundation, basically any kind of debt.

24 MEISTER: And the Medical Commission.

MARZULLO REPORTING AGENCY (312) 321-9365

†

20

1 GILDART: The medical District. And even
2 previously, the local government pool, any debt that
3 the Authority issues on behalf of another state
4 entity would be reported on our book.

5 So as we don't report the \$24,000,000,000
6 in straight conduit debt to healthcare and business
7 and industry, because those are state component
8 units or state agencies, we carry them on our books
9 just as we carry our own activity.

10 CHAIRWOMAN BRONNER: So one and two we can
11 address?

12 GILDART: Yes.

13 CHAIRWOMAN BRONNER: And are addressing?

14 MEISTER: Yes.

15 KNOX: I have a quick question. So in the memo
16 in the executive summary for the mitigation and
17 remediation for the findings, we show 10 findings,
18 correct, or 10 items?

19 CHAIRWOMAN BRONNER: Yes.

20 KNOX: And then the report says there were

21 eight findings.

22 GILDART: There are eight findings. It's not
23 one for one.

24 MEISTER: Okay.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

21

1 CHAIRWOMAN BRONNER: I think number one
2 aggregated a few of them --

3 GILDART: Yes.

4 CHAIRWOMAN BRONNER: -- together, because there
5 was one on travel. So those got all lumped
6 together. For those, we need to do a better job of
7 enforcing.

8 KNOX: Okay. And so then the compliance
9 findings, are some of them related to the Authority
10 directly, but there are some that we've got findings
11 for, but they're not our responsibility?

12 MEISTER: They are not fully within our
13 control.

14 CHAIRWOMAN BRONNER: Right. We're going to get
15 to that because I think the next one, even if you
16 look at No. 3 and, Mr. Chairman, I'm sure -- I sort
17 of resent No. 3, because we made a bad choice.

18 We went forward with implementing an
19 internal audit program, and we just didn't have good
20 luck with the -- or good experience with the
21 particular vendor we engaged.

22 But in this particular case, we actually
23 did -- we need to, I think, take a fresh look at
24 that to determine whether it merits a full-time

MARZULLO REPORTING AGENCY (312) 321-9365

1 internal auditor or not, or whether this continues
2 to be contracted out.

3 I think that's a more immediate term
4 decision on the part of Authority, but I do think
5 the spirit was to, indeed, move forward with
6 internal audit; and there were two attempts on it,
7 both first with Crowe, and then with Clifton Larson
8 in both cases.

9 So it was not that this was ignored, it
10 just didn't go quite the way we expected it to go.

11 GILDART: And, to be honest, we had various
12 discussions with the Auditor General. The final
13 finding is the result of many, many discussions with
14 the Auditor General, and they actually changed the
15 finding.

16 In previous years, it was failure to
17 establish an internal audit function.

18 CHAIRWOMAN BRONNER: Right.

19 GILDART: So they gave us credit for
20 establishing a function, but we did not comply with
21 every single requirement within the Fiscal Control
22 Internal Audit Act, and that is where resources
23 comes in.

24 CHAIRWOMAN BRONNER: Yes, exactly. So that
MARZULLO REPORTING AGENCY (312) 321-9365

1 would be one, Adam, where the question is: Do we
2 have the resources? I will defer to management on

3 that determination, but we did invest substantially
4 in the contracting piece of it.

5 Perhaps it's time to assess whether that
6 would be better if we focused on a full-time
7 internal auditor within the organization. It's
8 something to think about, options.

9 MEISTER: Yes. And again, one of the things
10 not covered is that under Melinda's leadership,
11 there was some independent IT -- internal IT
12 auditing that was performed.

13 Maybe you could just briefly highlight
14 what you did.

15 GILDART: Yes. In the attempt to comply with
16 all of the requirements of the Fiscal Control
17 Internal Auditing Act, we brought in an external
18 firm to perform the required IT audits for systems
19 that we were implementing, and we concluded the
20 audits prior to the beginning of the next fiscal
21 year, but there was a disagreement between us and
22 the Auditor General over whether those audits should
23 have been performed by our designated chief internal
24 auditor or an outside firm.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

24

1 MEISTER: Although our choice actually ended up
2 performing the work to our satisfaction.

3 GILDART: Yes, and timely. Timely and to our
4 satisfaction.

5 CHAIRWOMAN BRONNER: So, then, with No. 4, that
6 would be one, I would think, that might speak to
7 your issue, No. 4, Melinda.

8 GILDART: No. 4 would be the implementation of
9 a debt management system. So we went out to bid in
10 the summer of 2014 for a comprehensive debt
11 management solution. We received proposals back in
12 October.

13 We made an award to a vendor in May of
14 2015, and now we just need to execute a contract
15 with this IT firm to bring in -- to bring online a
16 web-based system that would take away excess
17 databases, SQL databases, spreadsheets, and other
18 functionality that we use separately within the
19 organization; and also externally using loan
20 servicers and paying agents into one solution that
21 will allow us to not only tackle a lot of these
22 long-standing compliance issues, but it would allow
23 us to streamline very tedious manual processes.

24 Just to give you an idea, the principal
MARZULLO REPORTING AGENCY (312) 321-9365

♀

25

1 and interest payment notifications that we receive
2 from the trustees and the borrowers, we get about
3 3500 of them per year; and we have one individual
4 that takes the paper or E-mailed documents and has
5 to rekey them into our current database, a database
6 which is not fully supported at this time also.

7 So that's why we saw the need that we
8 needed to have a more comprehensive solution, and we
9 just need to follow through in implementing.

10 CHAIRWOMAN BRONNER: And so the status of that
11 right now, what's the schedule for moving forward on

12 that?

13 GILDART: I would defer to Chris on that.

14 MEISTER: So we had some resource issues on
15 reducing this contract to writing. There was a
16 concern that I had about the risk of entering into a
17 contract where we would fail on implementation or
18 licensing, because these are areas not -- where we
19 are not expert.

20 We had hoped to avail ourselves of some
21 State-level resources that we had hoped might help
22 us. Recent conversations with the State --

23 CHAIRWOMAN BRONNER: Do it?

24 MEISTER: Yes. They have no resources to
MARZULLO REPORTING AGENCY (312) 321-9365

‡

26

1 provide --

2 CHAIRWOMAN BRONNER: They are all implementing
3 the ERP.

4 MEISTER: Well, they are very -- actually, we
5 didn't talk about much about our needs, but we had a
6 lengthy discussion about how desirable it would be
7 from their perspective to put us all under
8 illinois.gov E-mails and to come on to the ERP.

9 And, of course, we actually have an ERP in
10 the form of Great Plains that is appropriately sized
11 and supported for our agency, and that's where our
12 finances are.

13 So we did identify an outside counsel with
14 expertise on -- I think we have four IT licensing
15 legal analyses that need to be performed.

16 CHAIRWOMAN BRONNER: To determine that the

17 functionality and the capacity --

18 MEISTER: Yes.

19 CHAIRWOMAN BRONNER: -- is exactly what we
20 need?

21 MEISTER: Yes. And the context for the Board
22 is important because prior to '07, I believe there
23 to be, Six? Your tenure dates back. I believe we
24 had two attempts to build bond databases in the

MARZULLO REPORTING AGENCY (312) 321-9365

†

27

1 past.

2 GRANDA: Yes, we did.

3 MEISTER: Both of which were expensive
4 failures. It predated my term and Melinda's term
5 and, frankly, most of the Board and Elizabeth's
6 term, but it's something that we're aware of. They
7 were expensive. They were not implemented.

8 CHAIRWOMAN BRONNER: This is probably a little
9 late in the game to ask this question, but are there
10 other similar agencies across the country that have
11 implemented solutions that are more a public domain
12 that you might be able to leverage, in terms of
13 working with other governments?

14 So if it was government developed, because
15 I know that happens quite frequently in the
16 accounting and financial systems arena.

17 GILDART: Yes. This is pretty much a niche
18 market. When we were researching it, there are just
19 a handful that actually provided these services. So
20 they are all fighting for the same municipal

21 customers. The vendor that was chosen --

22 KNOX: Do you mind naming some of the vendors
23 that are in the space? We have a contract?

24 MEISTER: Well, we made an award.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

28

1 KNOX: You made an award?

2 MEISTER: Yes.

3 KNOX: Can we talk about it?

4 MEISTER: Yes.

5 GILDART: Tech PG is out of Indianapolis.

6 CHAIRWOMAN BRONNER: What's it called?

7 GILDART: Tech PG. And they work with
8 authorities in Wisconsin, Indiana, I believe
9 Washington. Don't quote me on the Washington. It's
10 somewhere on the west coast, and a couple on the
11 east coast. So they have vast experience with
12 dealing with municipal customers.

13 A previous one -- I'm trying to think.
14 SRM -- I'm trying to remember what the acronym
15 stands for. There were actually a couple of firms
16 that responded, and then another one Emphasys
17 Software, and they pretty much have swept the market
18 with those three or four vendors.

19 CHAIRWOMAN BRONNER: It's interesting Emphasys
20 in this arena, I tend to think of them as really
21 limited to housing authorities. So it's interesting
22 that they have expanded their reach, but they were
23 not the one we selected.

24 So that's good to know. So where we stand

MARZULLO REPORTING AGENCY (312) 321-9365

1 right now is you made the award, you're determining
2 whether to move forward, how to proceed?

3 MEISTER: Well, we're reducing it so that we
4 can have a contract that will not inadvertently harm
5 us on the implementation. We're identifying a means
6 for a project manager, whether that is a shared
7 State employee, or a new hire, or a personal
8 services contract, or a contract to a third-party
9 intermediary.

10 CHAIRWOMAN BRONNER: So, again, coming back to
11 Adam's question, from a resource perspective, are we
12 currently budgeted for this?

13 MEISTER: Yes.

14 CHAIRWOMAN BRONNER: Okay. So it's in the
15 budget.

16 MEISTER: And the budget -- again, I think it's
17 important for me to talk about the magnitude of this
18 investment. The award I believe is \$550,000.

19 GILDART: Yes.

20 MEISTER: Which is very large for an
21 organization and budget of our size. It will not --
22 particularly for us.

23 CHAIRWOMAN BRONNER: It's a lot of money.

24 MEISTER: Because our annual budget is

MARZULLO REPORTING AGENCY (312) 321-9365

1 \$5,000,000 or just below. A project manager is
2 probably in the range of \$60 to \$90,000. There's

3 probably a six-month implementation, six- to
4 eight-month implementation curve, and we're going to
5 be able to -- the accounting word is escaping me.
6 Divide it up over several years.

7 GILDART: Depreciation.

8 MEISTER: Yes, we're going to be able to
9 depreciate it with the investment for several years.
10 So it is substantial, and we're doing this against a
11 backdrop of prior Board and prior management teams
12 failing.

13 CHAIRWOMAN BRONNER: Yes.

14 MEISTER: And again, Gila, as you know working
15 with public entities, it is not uncommon for public
16 entities to fail in implementing IT solutions.

17 CHAIRWOMAN BRONNER: It's more common, more the
18 rule than the exception. Although, I would say that
19 this is critical to our mission and our business.

20 KNOX: Does this software contemplate the
21 expansion of services that we're working with IEPA,
22 you know, some of these more --

23 GILDART: No. Well, this was two years ago.
24 The RFP went out two years ago.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

31

1 MEISTER: But it could provide a platform, once
2 we get it built.

3 GILDART: Yes. I just can't speak to if it's
4 going to accommodate the --

5 GRANDA: The IEPA.

6 GILDART: Yes. I can't speak to that because
7 they bid on us.

8 MEISTER: And the other agency for the program
9 that you are identifying has recently made a large
10 multi-million dollar investment in their own
11 platform within the last 12 to 14 months.

12 KNOX: So there could be two platforms?

13 MEISTER: Well, there could be two platforms,
14 or it could be shifted over to us.

15 CHAIRWOMAN BRONNER: I'm sorry. Please, go
16 ahead.

17 ISRAELOV: Just going back to the cost of the
18 debt management program, so it sounds like it's
19 about 10 percent of our overall budget, right?

20 MEISTER: Yes.

21 ISRAELOV: How is it structured? How is the
22 cost structured in the contract?

23 MEISTER: Melinda?

24 GILDART: The total cost for three years is
MARZULLO REPORTING AGENCY (312) 321-9365

♀

32

1 \$552, but that includes the licenses, the
2 implementation, and also the maintenance and support
3 for the subsequent years and also hosting.

4 So that's all in for three years, but we
5 would only depreciate a third of that every year.

6 ISRAELOV: I see. So our budget is over
7 \$5,000,000, but the cost of over a half a million of
8 this will be over a three-year period?

9 GILDART: It would be over three years. So the
10 operational cost would be just for hosting, which is
11 about \$12,000 a year; and then maintenance support,

12 that is either \$9 or \$10.

13 MEISTER: Yes.

14 CHAIRWOMAN BRONNER: On an ongoing perspective
15 basis.

16 GILDART: Yes. Let's just say between \$30 and
17 \$40,000 a year.

18 CHAIRWOMAN BRONNER: Well, it would seem to me
19 there might be some opportunity for certain members
20 of the Board, through a committee, to also
21 participate from a project management or oversight
22 perspective, certainly in looking at functionality,
23 relating it to our mission and vision and our
24 various programs and projects.

MARZULLO REPORTING AGENCY (312) 321-9365

†

33

1 So that's something to consider as well,
2 how to leverage one or two or three, you know, some
3 individuals that may have expertise in the area.

4 MEISTER: Yes. And we would welcome that.

5 FUNDERBURG: I think to Lerry's question just a
6 minute ago regarding add-on, if you will, your
7 answer is: No, it didn't contemplate, because the
8 timing two years ago, any additional business that
9 we might pick up.

10 But his point is worth following up with a
11 phone call, just to find out. Those add-on
12 oftentimes, if available, are also very expensive.

13 GILDART: So the functionality is there. It
14 has a separate loan servicing piece, which is why we
15 would look to get rid of our loan services, but it's
16 just a magnitude of that entity with IEPA.

17 We don't know how expandable it is. They
18 are hosting for us. So they would need to have that
19 capacity to make sure, you know, we don't suffer.
20 And we go in, and there are multiple users, and we
21 could still get the services. We want to make sure
22 that's in tact before we go forward.

23 KNOX: I know these things are, you know, from
24 a time perspective. It takes a while to get

MARZULLO REPORTING AGENCY (312) 321-9365

‡

34

1 procurements done. RFPs are not fun fees to deal
2 with; but considering two years has passed and, you
3 know, the organization has changed in that period of
4 time.

5 And when we think, you know, five, ten
6 years from where we are today, where we think we're
7 going to be, does it make sense to have a
8 supplemental RFP or two? Do we have the services
9 that we need going forward, or all we did was solve
10 the problem that was at hand?

11 MEISTER: Well, I think, just to expand on one
12 of the points that Melinda made, is that if we are
13 able to stand this up and make it operational within
14 the next six to ten months, it would allow us to
15 eliminate two outside vendors or loan servicers to
16 individual outside vendors for the guarantees.

17 CHAIRWOMAN BRONNER: Which is good.

18 MEISTER: And for the local government
19 portfolio.

20 KNOX: Okay.

21 MEISTER: And again, with the C-08s, I think
22 that that's something that was -- frankly, the
23 foundation was not properly laid back in '03 and
24 '04, and the organization has suffered since.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

35

1 Although, several times within the last five years,
2 we had rather severe revenue drops that we had to
3 take into account.

4 I think that for the future, we're going
5 to explore this and open this with the vendor in the
6 context of the contractual negotiations and then
7 with the procurement regulators. At the same time
8 we don't know on the longer mid-term expansion --
9 execution against expansion.

10 KNOX: Right.

11 MEISTER: Because that's not really -- that's
12 been -- those discussions have been on an
13 agency-to-agency level, and it's more of a '17 or
14 '18.

15 KNOX: Period?

16 MEISTER: No, no. For the calendar fiscal year
17 2018, 2017, that we would be doing that. So,
18 hopefully, what we would have is a platform; and
19 again, we would welcome the involvement of the Board
20 and how it gets integrated with the sister agency.

21 As Melinda pointed out, as she pointed out
22 to me, our sister agency invested rather heavily in
23 a management process for this particular program.
24 They have been advised by the people in charge of IT

MARZULLO REPORTING AGENCY (312) 321-9365

1 in the State that their desire is to replace this
2 brand new system with a new platform. Those were
3 the preliminary discussions.

4 CHAIRWOMAN BRONNER: Wow.

5 MEISTER: And our sister agency volunteered to
6 be first in, because -- sort of like the
7 conversation that we had.

8 CHAIRWOMAN BRONNER: Yes.

9 MEISTER: We have a problem. We'll raise our
10 hands, "Can you help us solve it?"

11 CHAIRWOMAN BRONNER: Right.

12 MEISTER: So maybe there is a way to transfer
13 this system, which is designed for this particular
14 program, if the program is transferred to us.

15 KNOX: And it serves the same function?

16 MEISTER: Yes.

17 KNOX: Functionally, right?

18 MEISTER: Yes.

19 KNOX: It's the same type of system, and I
20 don't want to appear -- I know this is a lot of work
21 implementing these things. It's taken two years.

22 MEISTER: Yes.

23 KNOX: I just want to be cognizant that once
24 you grab something like this, and you put it into

MARZULLO REPORTING AGENCY (312) 321-9365

1 your internal system, one of the problems with
2 software solutions are that they change rapidly.

3 And once you get in bed with one, then
4 we're talking about a small universe of suppliers,
5 of vendors to use, right, which means largely
6 proprietary systems.

7 GILDART: Yes.

8 KNOX: Suddenly, you are locked in. I mean,
9 they got you, and that's not necessarily bad. You
10 know, that's not a value judgment. It's just kind
11 of a factual statement.

12 And I just know that, you know, time waits
13 for no person or agency. We continue to move and,
14 you know, it's more complexity rather than less that
15 we've assumed over the past, you know, two to three
16 years.

17 MEISTER: Yes.

18 KNOX: So those are just kind of the thoughts
19 that I'm having that I want to make sure we think it
20 through, or at least I asked the question. I
21 appreciate the time.

22 CHAIRWOMAN BRONNER: That's probably a separate
23 conversation outside.

24 KNOX: I agree.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

38

1 CHAIRWOMAN BRONNER: Specifically around --

2 KNOX: From an audit standpoint?

3 CHAIRWOMAN BRONNER: Yes. But I think these
4 are all very important points. And then the last
5 one that we have responsibility for, Melinda, No. 5.

6 GILDART: So we are proposing statutory changes
7 that would remedy findings, the first finding from

8 2014, which had to do with the locally-held
9 ambulance and fire truck revolving loan funds.

10 And then the first finding in 2015, which
11 had to do with the Industrial Project Insurance
12 Fund, and the two State Ag Guarantee Funds. If
13 Elizabeth wants to speak to that, the statutory
14 changes.

15 WEBER: We've worked with outside counsel to
16 come up with some proposed changes that will address
17 these audit findings and, Chris, maybe you can
18 describe that process.

19 MEISTER: I think to Adam's point, both of
20 those findings, which were front and center in this
21 year's compliance and financial, and last year's,
22 the fire truck, last year's financial audit, and I
23 think it's worth -- because this underscores the
24 difference of the Illinois Auditor General's process

MARZULLO REPORTING AGENCY (312) 321-9365

♀

39

1 and its comprehensiveness and its, frankly, lack of
2 control of priorities of the auditee agency.

3 Frankly, we were written up on two efforts
4 over the last -- successful efforts to improve, two
5 programs, where we had direct interaction with the
6 State's balance sheet.

7 And I think it's instructive, as the Board
8 has already seen, other than the C-08 process, which
9 we've talked about the bond database, the priority
10 of the Auditor General's is not if we were a
11 free-standing independent agency, we would probably

12 be having a lot more conversations about the Federal
13 Internal Revenue Service and about the MSRB, and
14 some of the others, and the SEC, and some of the
15 other alphabet soup of federal agencies that touch
16 our world that we manage.

17 However, the State law is what the State
18 law is, and we are a creature of State Law. Over
19 the past several years, we've had some success in
20 working with the General Assembly, and improving
21 programs, making them more transparent, responsive,
22 appropriately backed by finances.

23 And a number of years ago, we worked with
24 our partner, the auditor -- or the State Fire

MARZULLO REPORTING AGENCY (312) 321-9365

‡

40

1 Marshal, in order to be able to charge interest and
2 to hold the funds for the fire truck and ambulance
3 funds in locally-held IFA accounts.

4 This would allow us to move quickly, and
5 basically meet the function of these programs. In
6 connection with a heavily-negotiated bill,
7 inadvertently there was an interpretation on the
8 fire trucks that Melinda and I have come to identify
9 as the connecting flight.

10 GILDART: Connecting flight.

11 MEISTER: A statutory issue, and why don't you
12 -- if we had a dollar under the connecting flight
13 scenario, tell us the path of that dollar.

14 GILDART: I think Six is the queen of
15 describing the connecting flight.

16 GRANDA: Well, let me try to explain the

17 connecting flight. With the fire truck revolving
18 loan program, you know, we collect loan repayments
19 from these various fire districts. So the fire
20 district basically sends the Authority a check for
21 their loan payment.

22 MEISTER: For a dollar.

23 CHAIRWOMAN BRONNER: For a dollar.

24 GRANDA: For a dollar. So that dollar -- we

MARZULLO REPORTING AGENCY (312) 321-9365

‡

41

1 have to deposit that dollar into the State
2 treasury-held account for the fire truck and
3 ambulance; and then in return, the Fire Marshal
4 requests that dollar to be transferred back to us,
5 to our locally-held funds.

6 So I think the purpose is to have that
7 return-back dollar back to the Authority, as we
8 originally received that dollar in our office.

9 MEISTER: And I think that there -- and how
10 many sets of government employees, then, audit and
11 touch that dollar?

12 GRANDA: There's various.

13 GILDART: The Fire Marshal's staff, the
14 Comptroller's staff, our staff.

15 CHAIRWOMAN BRONNER: The Treasury.

16 GRANDA: The Treasury, right.

17 MEISTER: The Comptroller staff.

18 GRANDA: Yes.

19 GILDART: And treasury.

20 MEISTER: Yes. So three constitutional

21 officers, two state agencies. So now I believe that
22 often with legislation, it could have been done, in
23 a perfect world, better. Although, I would say that
24 it is at least open for interpretation, the Auditor

MARZULLO REPORTING AGENCY (312) 321-9365

♀

42

1 General's interpretation of this connecting flight.

2 Is that true, that it's at least open for
3 interpretation?

4 WEBER: Sure.

5 MEISTER: That may be this dollar would not
6 have to go through all of these other agencies.

7 WEBER: Right. Because it's very literally,
8 they chose to say "To go this route."

9 So the legislative change is to say that
10 the money can stay with us, but it has to be used
11 only for the purpose of the program.

12 CHAIRWOMAN BRONNER: That makes sense.

13 WEBER: To pay their loans.

14 MEISTER: Although, when this was brought to
15 our attention, again, we were involved with the
16 legislative change, and it was heavily negotiated,
17 we began complying with this round trip for the
18 dollar.

19 GILDART: Yes.

20 MEISTER: Which is why we didn't have the
21 finding in this year's financial audit. So we do
22 have someone that we're working with the Fire
23 Marshal.

24 We hope that that can be integrated into

MARZULLO REPORTING AGENCY (312) 321-9365

1 some sort of agreed bill, a larger bill, on some
2 other topic, and maybe it gets done with not a whole
3 lot of drama and effort. So that's the first one.

4 But I think it's illustrative on the
5 tendency of auditors to play lawyer, General
6 Assembly and judge. And the next --

7 CHAIRWOMAN BRONNER: Which brings us to No. 6.

8 MEISTER: Which brings us to No. 6, which is --
9 oh, no, actually, it doesn't. We're still on 5.

10 CHAIRWOMAN BRONNER: We're still on 5.

11 MEISTER: This year, there was a rather lengthy
12 finding in both the financial and the compliance
13 audit, about something -- probably a
14 20-plus-year-old fund that came over -- originally
15 appropriated, and it came over to the Authority at
16 consolidation from the old Developmental Finance
17 Authority, and it's called the Industrial Project
18 Insurance Fund.

19 And what this agency did in 2010 was that
20 since the two treasurer funds that back the Ag
21 Guarantee Funds, were often subject to sweeps by the
22 General Assembly at unpredictable times. We've
23 expanded the use of this fund so it can be an
24 umbrella first pay for any charge on a guarantee.

MARZULLO REPORTING AGENCY (312) 321-9365

1 Frankly, I was involved with that
2 legislation. I have a pretty clear idea of what it

3 said. Elizabeth, who brought fresh eyes to it, also
4 has a pretty clear idea of what it says.

5 And we also worked with outside counsel,
6 who also brought fresh eyes, and it's pretty clear
7 idea of what it said. And the Auditor General's
8 Office audited this issue or audited our books four
9 or five successive years, without this being an
10 issue.

11 CHAIRWOMAN BRONNER: And then it became an
12 issue.

13 MEISTER: And then it became an issue this
14 year. Again, we drafted legislation which hopefully
15 we can add on a train going to something else, but I
16 made my feelings known on this finding in a response
17 to this finding, which then goes to No. 6.

18 CHAIRWOMAN BRONNER: No. 6, which we move out
19 of IFA as primary responsibility.

20 MEISTER: Yes.

21 CHAIRWOMAN BRONNER: Now we're with the
22 Attorney General.

23 MEISTER: So just to be clear, and I'm going to
24 turn this over to Melinda, all losses from all bad

MARZULLO REPORTING AGENCY (312) 321-9365

♀

45

1 loans and all bad venture capital investments have
2 been written off by the Authority, consistent with
3 appropriate accounting procedures.

4 GILDART: Correct. We are not carrying any of
5 those balances on our financial statement. They net
6 to zero. They completely net out.

7 MEISTER: And we are not carrying, as a result,

8 any sort of phantom assets.

9 GILDART: No.

10 MEISTER: Any loans that we are counting as an
11 asset or investments. They are all at zero, and we
12 do that within any given fiscal year where we
13 sustain a loss.

14 GILDART: Yes.

15 MEISTER: So what this is, is a legal
16 requirement that any state entity that has a loss,
17 we write it down, and then we need to go to the
18 Attorney General's Office and have it legally
19 written off.

20 And for the first time in a number of
21 years, last year we engaged a firm, and they had
22 some success in writing \$450,000 of uncollectible
23 debt, most of which predated the creation of the
24 Authority in '04, and it was the first time since

MARZULLO REPORTING AGENCY (312) 321-9365

♀

46

1 creation that we had ever had any success.

2 We have had various attempts of staff to
3 put these paperwork together, present it, get a
4 writeoff, and we were unsuccessful.

5 KNOX: How much do we pay the firm to do that
6 work?

7 MEISTER: Interestingly, we've accrued that,
8 and there appears to have been a billing issue with
9 that. Although, Melinda, you think that the bill,
10 when we receive it, can be paid, correct?

11 GILDART: Yes, we've already accrued the

12 expense in a prior year.

13 MEISTER: So for -- at the moment, we pay
14 nothing for it. Although, we've accrued the
15 expense, and we anticipate getting a bill from them.

16 KNOX: Okay. We don't know when?

17 ISRAELOV: I guess what you're getting at how
18 much are we paying in order to get approval to write
19 this off?

20 CHAIRWOMAN BRONNER: And we don't get any
21 benefit.

22 KNOX: Yes.

23 MEISTER: Welcome to Illinois State government.
24 I think it was in the 20 to 40 range.

MARZULLO REPORTING AGENCY (312) 321-9365

‡

47

1 KNOX: Ten percent, okay.

2 MEISTER: Yes.

3 CHAIRWOMAN BRONNER: It's a lot of money.

4 MEISTER: Yes.

5 CHAIRWOMAN BRONNER: It's all a lot of money.

6 MEISTER: As is complying with the Internal
7 Audit Act and having to retain experts.

8 CHAIRWOMAN BRONNER: Absolutely, which gets to
9 Adam -- you know, it comes back to that, in terms of
10 how -- a separate conversation, but how we look at,
11 as IFA, and the size that we are, and our funding
12 streams and what our budget looks like, to place the
13 same, especially on the compliance side, the same
14 level of compliance framework that a large agency
15 would have with appropriated funds as well. It's a
16 very challenging situation for us for many of these.

17 MEISTER: Yes.

18 CHAIRWOMAN BRONNER: Some not so much; but
19 some, yes. And then in the interest of time, I
20 would like to, at least -- I think it's important.
21 There are four, though, that are shared
22 responsibilities, and I think at -- and maybe -- we
23 certainly can go through each one, but I think at a
24 higher level, the question here becomes, you know,

MARZULLO REPORTING AGENCY (312) 321-9365

†

48

1 how do we ensure where we are not either in or out,
2 where we're working in tandem to address something,
3 how we manage that.

4 MEISTER: Yes.

5 GILDART: From the Authority's perspective,
6 getting the debt management solution is definitely
7 going to help. We've also kicked off the
8 communications with trustees and the borrowers.

9 We have a watch list of the ones that
10 consistently submit their C-08s late. We have a
11 secondary review for the C-05s, which is for all our
12 new bond issuances. We set up the compliance
13 hotline. So if they have questions, they can call
14 in. We have an E-mail box that is dedicated to
15 compliance.

16 So we can only go so far, because there's
17 no -- we don't have any authority.

18 CHAIRWOMAN BRONNER: You can't force them.

19 GILDART: We can't force them to submit things
20 timely and complete and accurately. We just work

21 with them what we get, and to do our best to try and
22 stay on top of it.

23 MEISTER: And why don't you define a little bit
24 what the C-05 and the C-08s actually are, and who we

MARZULLO REPORTING AGENCY (312) 321-9365

♀

49

1 work with, which other constitutional agency we work
2 with.

3 GILDART: So both documents go to the
4 Comptroller. Even though the borrowers, the C-08s,
5 are for all the principal and interest payments,
6 they also submit a copy to the Comptroller.

7 The C-05s are strictly for us as the
8 issuer. It basically documents what the payments
9 will be, who the borrower is, and that's a form that
10 we generate ourselves here, and we have to submit to
11 the comptroller within -- how many days?

12 GRANDA: 30 days.

13 GILDART: Within 30 days.

14 GRANDA: Of the issuance.

15 MEISTER: And the actual document that governs
16 creation of C-08s and C-05s?

17 GRANDA: The SAMS.

18 MEISTER: Why don't you explain what it is.

19 GRANDA: That's a statutory policy from the
20 Comptroller's office.

21 CHAIRWOMAN BRONNER: And the Comptroller in the
22 State of Illinois has responsibility for maintaining
23 the central accounting system and, therefore, has
24 the authority to essentially set the accounting

MARZULLO REPORTING AGENCY (312) 321-9365

1 rules for the State and all the different kinds of
2 forms and processes that agencies must follow.

3 MEISTER: Yes.

4 CHAIRWOMAN BRONNER: We must comply. So are
5 there any specific questions -- thank you, Melinda.
6 On any of these ten items that we would like to --
7 anyone would like to address anymore?

8 It strikes me, I think as the remediation
9 plan -- sometime ago, Six, remember back four, five
10 years ago, you had actually put together the GANTT
11 chart, and I think we've tried to update that over
12 years.

13 To give I think -- it would be helpful for
14 the Board and for the Committee, if we could go back
15 to that to get a sense of where we are on progress
16 periodically, maybe set some target dates,
17 especially on those that we control.

18 I think that for the five items that we
19 have primary responsibility for, especially No. 1,
20 in terms of the travel and employees and those kinds
21 of things, I think it would be helpful for us to see
22 continued progress in that area.

23 I don't know if anyone else has any
24 thoughts on that.

MARZULLO REPORTING AGENCY (312) 321-9365

1 ISRAELOV: I agree, that would be helpful.

2 MEISTER: Would that be best on a quarterly

3 basi s?

4 CHAIRWOMAN BRONNER: I would think so. Some of
5 these we could -- I'm not sure monthly, although
6 unless you are very proud, and you've already
7 addressed something, I would say do it biweekly. I
8 think certainly quarterly, and here we are already.
9 We're almost approaching the end of this fiscal
10 year.

11 So I would hope that you would be able to
12 give us a report by the end of March on what you've
13 done to address the findings that relate to the
14 period. We're almost to the end of this fiscal
15 year.

16 I mean, we're already into that period.
17 So since we end June 30, it would be good to know
18 where we stand, relative to addressing findings,
19 before the end of this fiscal year.

20 GILDART: Sure. And I could just follow up
21 with this spreadsheet. This is actually an export
22 out of our project management system, and that's
23 where we track the findings and the progress.

24 So if you take a look at the spreadsheet,
MARZULLO REPORTING AGENCY (312) 321-9365

♀

52

1 you can see which findings repeated, which ones
2 didn't, the prior history, how many years did they
3 repeat, and the likelihood of them repeating in
4 2016, 2017.

5 CHAIRWOMAN BRONNER: But that's not a
6 corrective action telling us that it was repeated,
7 and it's likely to be repeated again, is not

8 corrective action.

9 GILDART: I know that. I just scaled it down
10 for you.

11 CHAIRWOMAN BRONNER: I mean, at a minimum, we
12 have on compliance findings. So if you look on page
13 2 of 2, for those where you have the yeses --

14 KNOX: Is it sort of likely we would repeat it?

15 CHAIRWOMAN BRONNER: It would seem to me we
16 like to know we're attempting to address situations.

17 MEISTER: Yes. And we are.

18 CHAIRWOMAN BRONNER: Right. So, therefore, I
19 think it would be good to demonstrate the measurable
20 progress. These describe what they are, but we
21 don't know what we've actually done.

22 You may have already fixed a lot of No. 1.
23 I don't know.

24 ISRAELOV: With these items, one other thing
MARZULLO REPORTING AGENCY (312) 321-9365

♀

53

1 that I think would be helpful on a spreadsheet like
2 this, is to classify if we view it as a low, medium
3 or high risk.

4 GILDART: Sure.

5 CHAIRWOMAN BRONNER: Any other comments?
6 Anyone on the phone?

7 Okay. Then thank you, Melinda. Thank
8 you, Six. I would like to then ask for a motion to
9 accept the mitigation and remediation plan.

10 ISRAELOV: So moved.

11 KNOX: Second.

12 CHAIRWOMAN BRONNER: Mr. Israelov and Mr. Knox.
13 And then if I could, could we have a voice vote on
14 that? All in favor?

15 (A chorus of ayes.)

16 CHAIRWOMAN BRONNER: Opposed?

17 (No response.)

18 CHAIRWOMAN BRONNER: We have accepted the
19 mitigation and remediation plan.

20 And then I think here is a good quickie
21 and a good one. We now move into the Comprehensive
22 Annual Financial Report. Melinda?

23 GILDART: Fiscal year 2015 is the second year
24 that we prepared a Comprehensive Annual Financial
MARZULLO REPORTING AGENCY (312) 321-9365

†

54

1 Report. We've received the award for first outing
2 for fiscal year 2014, and we do anticipate receiving
3 another award for this year.

4 CHAIRWOMAN BRONNER: And I just want to say
5 it's very -- to be able to go out and receive the
6 certificate on your first effort is quite an honor,
7 and it's really an accomplishment. So
8 congratulations again.

9 GILDART: Thank you. The staff worked hard.

10 CHAIRWOMAN BRONNER: Absolutely, and it shows.

11 MEISTER: And can you share with the Board and
12 the Committee where this document is currently
13 posted?

14 GILDART: It's currently posted on the
15 Authority's website and also on EMMA.

16 MEISTER: EMMA is the MSRB's free public
Page 46

17 website for all conduit issues that are publicly
18 sold.

19 CHAIRWOMAN BRONNER: Thank you. Again, I would
20 like to have a motion to accept the Comprehensive
21 Annual Financial Report.

22 ISRAELOV: So moved.

23 KNOX: Second.

24 CHAIRWOMAN BRONNER: Mr. Israelov and Mr. Knox.

MARZULLO REPORTING AGENCY (312) 321-9365

†

55

1 And also a voice vote. All in favor?

2 (A chorus of ayes.)

3 CHAIRWOMAN BRONNER: Opposed?

4 (No response.)

5 CHAIRWOMAN BRONNER: Thank you. So we've
6 accepted the CAFR, the mitigation plan, and the
7 Financial and Compliance Reports.

8 We then -- Mr. Executive Director, I don't
9 believe -- is there a need for closed session?

10 MEISTER: Let me speak to that. Chair Bronner
11 and I had a brief conversation before this meeting.
12 In my view, it's not necessary.

13 We provided the opportunity for closed
14 session. Item No. 9, and I can just briefly speak
15 to it, and if there are any questions by the Board,
16 certainly we can move into closed session.

17 Procurement is one of the duties of this
18 Committee, and as Chair Bronner and Chair Funderburg
19 know, because we've discussed this in the last
20 quarter of the last fiscal year, the Authority has

21 an ongoing contractual relationship with ADP Total
22 Source that provides payroll services, health
23 insurance, dental, eye, other sorts of employee
24 benefits, and this is a long-standing relationship

MARZULLO REPORTING AGENCY (312) 321-9365

♀

1 that pursuant to law has been extended from time to
2 time.

3 We had a rather lengthy and detailed
4 discussion with the Chief Procurement Officer and
5 her team on Friday, and we basically have three
6 different trains that can achieve the same
7 objective; and we're in the process of reducing the
8 description of these three options, in anticipation
9 of presentation to the Board next week.

10 The challenge that we have is that the
11 State Procurement regulations presume a level of
12 confidentiality and secrecy that is not matched
13 entirely by the Open Meetings Act.

14 And as a result, we need to take care in
15 describing to our Board in open session what exactly
16 we are doing so that we do not trip the regulatory
17 concerns of the Procurement statute. Just like when
18 we proceed on the regulatory concerns of the
19 Procurement statute, we do not inadvertently trip an
20 open meetings violation.

21 So we're working with Counsel Weber to
22 come up with a memo and a resolution that will be
23 presented to the Board next week, to allow the
24 Executive Director and the staff to proceed along

MARZULLO REPORTING AGENCY (312) 321-9365

1 all three of these options.
2 Hopefully, one or more of them will result
3 in a transparent accountable objective, fair and the
4 best deal for the Authority. I'll take any
5 questions.

6 CHAIRWOMAN BRONNER: So with that, then,
7 presenting No. 9, we are not going to move into
8 closed session.

9 MEISTER: Exactly.

10 CHAIRWOMAN BRONNER: As we discussed, is there
11 any other business to come before the Committee?

12 MEISTER: Actually, Melinda can speak to
13 yesterday afternoon's activity with the Auditor
14 General's Office, and I think it's worth updating
15 the Board on where we are.

16 GILDART: So the Authority sat in on the
17 Auditor General's prebid conference for our RFP to
18 select our new auditors.

19 MEISTER: Well, it's their RFPs.

20 CHAIRWOMAN BRONNER: For their auditors.

21 GILDART: For their auditors.

22 CHAIRWOMAN BRONNER: For us as the auditee.

23 GILDART: Yes. We don't get a vote. I don't
24 know if I could divulge who came.

MARZULLO REPORTING AGENCY (312) 321-9365

1 MEISTER: Well, I think it was public. I think
2 it was public.

3 GILDART: Okay. So there was one vendor that
4 attended, Borschak, and the returning -- well, not
5 the returning, the exiting auditing firm,
6 E.C. Ortiz. So it was a very quick meeting.

7 We collectively were not satisfied with
8 the outcome, with the turnout to bid on the OAG's
9 audit for us. We would like to have seen more
10 participation obviously. I was really surprised
11 that there were no MBE, WBE firms that responded.

12 CHAIRWOMAN BRONNER: Question. Was that a
13 mandatory bidder's conference?

14 GILDART: It was a mandatory conference.

15 CHAIRWOMAN BRONNER: It was mandatory?

16 GILDART: Yes.

17 KNOX: And only two came?

18 GRANDA: One.

19 CHAIRWOMAN BRONNER: So one question would be
20 how widely publicized it was, and whether the
21 Auditor General does any outreach.

22 I don't believe I received an E-mail, and
23 I'm a part of the Auditor General's database as a
24 firm indicating the --

MARZULLO REPORTING AGENCY (312) 321-9365

♀

59

1 KNOX: The MBE?

2 CHAIRWOMAN BRONNER: Any, in general.
3 Indicating an awareness of any bidder's conferences.
4 So it would have required a firm to probably have
5 gone to their website to know that they were being
6 held.

7 MEISTER: There's also another level of

8 complexity here, because the Auditor General is not
9 subject to, per se, the Chief Procurement Officer
10 regulations.

11 CHAIRWOMAN BRONNER: They can do what they
12 want.

13 MEISTER: Yes. So although there's been a
14 drive across State Government to drive all vendors
15 to the CPO's website, and all of those requisite
16 disclosures and mandates that are required there.

17 They may have ignored the fact of
18 qualified vendors. So you're going to raise this
19 with the Auditor General?

20 GILDART: Yes.

21 CHAIRWOMAN BRONNER: I think we should raise
22 it, and I think that there's a new Auditor General.
23 It is his first year. There is new staff in place,
24 although Bruce Bullard is still there.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

60

1 So it would seem to me this is very
2 appropriate, and that we believe that this is going
3 to be a long-term contract; and we want to share
4 appropriate qualified competent firms are expressing
5 an interest, and that it's a competitive situation.

6 I mean, that's appropriate. I go on
7 record for that. Probably written record. Thank
8 you.

9 Any other business? Any public comment?
10 In that case, may I entertain a motion to adjourn?

11 KNOX: So moved.

12 ISRAELOV: Second.

13 CHAIRWOMAN BRONNER: Mr. Knox, Mr. Israel ov.

14 And a voice vote. All if favor?

15 (A chorus of ayes.)

16 CHAIRWOMAN BRONNER: Opposed?

17 (No response.)

18 CHAIRWOMAN BRONNER: All right, the meeting is

19 adjourned. Thank you, everyone, on the phone.

20 (WHICH WERE ALL THE PROCEEDINGS HAD at 11:08.)

21

22

23

24

MARZULLO REPORTING AGENCY (312) 321-9365

†

61

1 STATE OF ILLINOIS)

2 COUNTY OF C O O K) SS:

3

4 PAMELA A. MARZULLO, C. S. R., being first duly sworn,

5 says that she is a court reporter doing business in the city

6 of Chicago; that she reported in shorthand the proceedings

7 had at the Proceedings of said cause; that the foregoing is

8 a true and correct transcript of her shorthand notes, so

9 taken as aforesaid, and contains all the proceedings of said

10 meeting.

11

12 PAMELA A. MARZULLO

13 License No. 084-001624

14

15

16

3-1-16. txt

17

18

19

20

21

22

23

24

MARZULLO REPORTING AGENCY (312) 321-9365

†