Review of
Illinois Finance Authority
Year Ended June 30, 2011

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This review summarizes the auditors’ reports on the Illinois Finance Authority for the year ended June 30, 2011, filed with the Legislative Audit Commission on March 22, 2012 (financial) and May 24, 2012 (compliance). The auditors performed a financial audit and compliance examination in accordance with State law and Government Auditing Standards. The auditors stated that the financial statements of the Illinois Finance Authority were fairly presented.

The Illinois Finance Authority was created by PA 93-205 which became effective January 1, 2004. The Public Act consolidated seven of the State’s existing finance authorities— Illinois Health Facilities Authority, the Illinois Educational Facilities Authority, the Illinois Development Finance Authority, the Illinois Rural Bond Bank, the Illinois Farm Development Authority, the Illinois Community Development Finance Corporation, and the Research Park Authority—creating the Illinois Finance Authority. The activities of each of the bonding authorities were transferred to the IFA. The mission of the Authority is to foster economic development to the public and private institutions that create and retain jobs, and improve the quality of life in Illinois by providing access to capital.

The Authority is governed by a 15-member board of directors, appointed by the Governor with the advice and consent of the Senate. As specified in the law, the amount of outstanding bonds issued by the Authority cannot exceed $28.150 billion.

The Authority is a body politic and corporate that provides capital asset financing to 501(c)(3) non-profit organizations and private-sector companies that retain and create jobs for the people of Illinois. A construct of federalism, the IFA is the primary delivery system in Illinois for federal tax benefits that support lower interest rate financing of capital projects by qualified borrowers under the federal tax code (also known as conduit debt). In addition to issuing conduit debt, the IFA administers certain State-backed loan guarantee and credit enhancement programs as well as a limited number of direct and participation loan programs to support businesses and essential purpose infrastructure for local governments.
The Director of the Illinois Finance Authority during the audit period and presently is Christopher Meister. Director Meister was appointed in July 2009 after serving for two years as the Authority’s general counsel and deputy director.

The average number of employees was 23 at June 30, 2011. The predecessor Authorities had 40 employees. The IFA adopted the 2010 Compensation Plan wherein the Compensation Committee of the Board reviews the Plan for merit compensation for the coming fiscal year based on prevailing business conditions. Changes to an employee’s individual compensation will be a function of the program approved by the entire Board and his/her individual performance. For FY11, the Authority paid bonuses of $17,000 to four employees. The IFA has offices located in Chicago, Mt. Vernon, Peoria, and Springfield.

Financial Information

The Illinois Finance Authority was created on January 1, 2004 following the consolidation of seven existing State authorities into this new organization. The predecessor authorities contributed $72,585,451 in capital to the newly established Authority.

The Authority has several proprietary funds. The following is a description of the major and some of the non-major funds:

- **General Operating Fund**—This fund receives all revenues from program applications. All administrative expenses for establishing and monitoring the Authority’s programs are paid out of this fund.
- **Bond Fund**—The purpose of the fund is to collect bond proceeds, purchase local governmental securities and remit bond issuance costs paid for with bond proceeds. The fund also collects interest and principal payments from the local governmental units and makes payments and interest on the moral obligation bonds payable.
- **Fire Truck Revolving Loan Fund**—The program provides zero-interest loans for the purchase of fire trucks by a fire department, a fire protection district or a township fire department based on need, as determined by the State Fire Marshal.
- **Industrial Revenue Bond Insurance Fund**—This fund was established to give small and midsize businesses access to Industrial Revenue Bond funds at advantageous rates.
- **Illinois Agricultural Loan Guarantee Fund**—This fund was established to issue state guarantees for farmers’ existing debts held by a lender.
- **Illinois Farmer Agribusiness Loan Guarantee Fund**—This fund accounts for the activity of the Farmer and Agri-Business Loan Guarantee Program, the Specialized Livestock Loan Guarantee Program and the Young Farmers Loan Guarantee Program. Monies held in this fund primarily serve to fund losses on uncollectible loans guaranteed under the programs.

Appendix A provides a Statement of Net Assets at June 30, 2011. Net assets were $90.9 million in FY11 compared to $88.2 million in FY10. The decrease in total assets and total liabilities in FY11 occurred because the Authority used the proceeds from maturing
investments to make a portion of the principal payments due during the year on its long-term debt.

Appendix B provides a comparative summary of revenues and expenses for the years ended June 30, 2011 and 2010. Revenues increased from $18.3 million at June 30, 2010 to $20.1 million, due primarily to the decline in the value of investments in FY10 and the gain on the sale of investments in FY11. Total expenses decreased from $19.1 million at June 30, 2010 to $17.4 million at June 30, 2011 due to a lay-off of employees in FY10 and declining interest expense.

Appendix C provides a summary of the Authority’s cash funds and depositories and investments. The Authority is permitted by statute and its investment policy to invest any of its funds in federal government securities and securities of federal agencies, securities guaranteed by the federal government, savings accounts, certificates of deposit, savings and loans insured by the FDIC, short-term obligations of U.S. corporations, money market mutual funds, dividend-bearing share accounts, the Illinois Treasurer’s Investment Pool, a fund managed, operated and administered by a bank, repurchase agreements of government securities, obligations issued by any state, unit of local government, or school district that carry investment grade ratings. The Authority’s investment policy excludes funds committed to credit enhancement, debt service reserve, federally assisted programs and funds held by bond trustees governed by the provisions of bond agreements. The Authority’s investment policy places the following restrictions on concentrations of investments:

- Certificates of Deposit from any single institution may not comprise more than 20% of the Authority’s portfolio or 5% of the institution’s total deposits.
- Commercial Paper purchases may not exceed 20% of the Authority’s portfolio or 5% of the Authority’s portfolio in any single issuer’s name.
- No investment category shall exceed 30% of the portfolio with the exception of U.S. Treasury securities and cash equivalents, including CDs.

Total cash funds and depositories were $174.4 million in FY11 and investments were almost $25.5 million, compared to $177.6 million in cash and depositories and $24.4 million in investments in FY10. The Authority currently has investments, valued at about $2.2 million, in one partnership and six companies. These investments were made to accomplish the statutory purpose of the Venture Investment Fund. There is no established market for the purchase or sale of the partnerships and company interests or the equity securities in which the partnerships have investments. Eleven other companies have zero values.

The Authority issues limited obligation revenue bonds and participates in lending and leasing agreements to provide low cost financing to businesses, agribusinesses, health care facilities, educational facilities, municipalities, and other organizations to stabilize and strengthen the Illinois economy. The bonds and leases are secured by the property financed. Upon repayment of the debt, ownership of the acquired facilities transfers to the entity. As of June 30, 2011 the aggregate amount of conduit debt outstanding was almost
$25.49 billion comprised of 1,726 outstanding issues. There were 45 new bond issues and loans valued at $2.58 billion in FY11.

Property and Equipment

Appendix D summarizes the Authority’s property and equipment. The value of the Authority’s capital assets, net of accumulated depreciation was $113,080 at June 30, 2011. The increase from 2010 was due primarily to the purchase of new servers and computers and converting to a virtual system.

Jobs Created or Retained

According to the Authority’s records, 9,761 jobs were created or retained as the result of IFA direct loans and other bond programs in FY11. Unaudited data regarding the number of jobs created or retained is found in Appendix E.

Loan and Bond Programs

The Authority has several agricultural bond and loan programs available to eligible individuals and businesses. The Authority receives a $100 - $300 application fee from each program plus a fee of 0.25% to 1.5% of the principal amount of the bond or loan. Appendix F provides a historical summary for currently available agricultural programs. The following is a summary of the various programs at June 30, 2011:

- Agricultural Development Bond Programs, created in 1982, is comprised of the Beginning Farmer Bond, Agriculture Manufacturing Bond and Beginning Farmer Contract Bond. Principal outstanding is $82,277,648.
- State Guarantee Program of Restructuring Agricultural Debt was created in 1985 to consolidate and spread out the farmer’s existing debt over a longer period of time at a reduced interest rate. Outstanding loans amount to $17,330,482.
- Farmer and Agri-Business Loan Guarantee Program, created in 1985 to encourage diversification and vertical integration of Illinois agriculture, had outstanding loans which amount to $32,575,292.
- Young Farmer Loan Guarantee Program, created in 1993 to enhance credit availability for younger farmers purchasing capital assets, had outstanding loans, which amount to $3,391,476.
- Specialized Livestock Loan Guarantee Program, created in 1996 to encourage the development of the Illinois livestock industry, had outstanding loans, which amount to $5,551,691.

The Fire Truck Revolving Loan Program, re-created in 2005, had outstanding loans of $17,486,608. The Ambulance Revolving Loan Program, authorized in 2006, had outstanding loans of $832,213.
Accountants’ Findings and Recommendations

Condensed below are the 13 findings and recommendations, five repeated, presented in the reports. The following recommendations are classified on the basis of updated information provided by Chris Meister, Executive Director, via email dated July 26, 2012.

Accepted or Implemented

1. Require staff to become familiar with the requirements of the Intermediary Relending Program. Further, improve internal controls over reporting and comply with the monitoring requirements of the Intermediary Relending Program. (Repeated-2010)

Finding: The Illinois Finance Authority (Authority) did not comply with certain monitoring and reporting requirements of the Intermediary Relending Program.

The Authority is a recipient of a loan from the U.S. Department of Agriculture Rural Development (USDARD), and acts as the intermediary of the USDARD to provide loans to ultimate recipients to fund community development projects, establishment of new businesses, expansion of existing businesses, and creation and retention of jobs. During testing of the Intermediary Relending Program (IRP), auditors noted the following:

- During fiscal year 2011, the Authority conducted the required on-site visits. However, the Authority did not request or obtain certificate of management adherence to covenants of employment practices from ultimate recipients as a supplement to on-site visits.

- The semi-annual IRP Lending Activity Report obtained from the Authority showed no evidence of review other than the preparer.

Authority management stated that due to staff turnover, new personnel was not aware of the program work plan requirement such as certification of management adherence to covenants of employment practices from ultimate recipients. Because of lesser activity in the program, the Authority did not think it was necessary that the reports were reviewed by independent personnel.

Updated Response: Implemented. The Authority completed the site visits required by the Intermediary Relending Program. IFA Staff is in the process of collecting the information required by the Program. Additionally, the Authority implemented a Control Sheet to ensure compliance with the Program.
Accepted or Implemented – continued

2. Revisit the requirements of the grant and reinitiate negotiations with U.S. Department of Commerce Economic Development Administration (EDA) to determine whether to continue or terminate a program and return the grant funds to EDA.

Finding: The Authority did not meet the capitalization utilization requirements of the Economic Adjustment Assistance Program.

The Authority is a recipient of a grant from the U.S. Department of Commerce Economic Development Administration (EDA) through the Illinois Department of Commerce and Economic Opportunity. The grant was used to establish the Title IX Revolving Loan Fund (RLF) to provide low-cost supplemental financing to manufacturing companies located in areas declared eligible for economic adjustment assistance. The RLF fund was capitalized with a federal grant of $424,000 and the Authority contributed $141,334 as its share of the total project amount.

The program had been inactive since 1998 and the Authority had not been meeting the capital utilization requirements of the program. In March 2002, EDA sequestered the excess cash of the program because of the Authority's continued noncompliance with the capital utilization requirement. Discussions between the Authority and EDA occurred subsequent to 2002 to either mutually terminate the program or revitalize the program until a final agreement was reached in 2008 whereby, the Authority paid back interest for sequestered excess cash from the time of noncompliance up to 2008. As of June 30, 2011, the RLF fund has a cash balance of $748,763 which includes the sequestered cash of $519,378.

During the audit of the Economic Adjustments Assistance Program (program), the auditors noted the following:

- The Authority did not pursue negotiations with EDA to revitalize the program by submitting an updated revolving loan fund plan to EDA. In addition, the Authority continued to be noncompliant with the capitalization requirement of the program beyond reasonable time.

- The Authority did not remit to EDA the federal portion of interest from sequestered cash on a quarterly basis as required. The Authority remitted an interest of $278 for first quarter ending September 30, 2010 on June 28, 2011, 241 days after it was due. The interest for December 31, 2010, March 31, 2011 and June 30, 2011 was remitted to EDA as of the date of the report.

Authority management stated that the grant was initially administered by predecessor authorities and the program had been inactive because the interest rates offered in the program are not competitive with the market rates. Due to other priorities that took precedence, negotiations with EDA were put on hold. The Authority did not remit interest
timely because the Authority deemed it appropriate to accumulate interest due to EDA and remits when it reaches a reasonable amount to justify cost of remittance.

**Updated Response:** Implemented. The Revolving Loan Fund (“RLF”) has been inactive since 1998 in part due to the contractual 7.5 percent fixed interest rate on loans originated under the RLF Management Plan. In fact, the Authority and its predecessor had competing loan products that offered superior interest rates and terms and were less costly to administer and manage. For these reasons, the Authority was unable to meet the capitalization utilization requirements of the RLF.

The Authority re-initiated negotiations with EDA in fiscal 2012 in an attempt to (i) bring the Revolving Loan Fund (“RLF”) to compliance with EDA's Standard Terms and Conditions for RLF and Federal Regulations; and (ii) deploy these funds in communities affected by disasters and State facility closures. The Authority and the Illinois Department of Commerce and Economic Opportunity (“DCEO”), successor to the Illinois Department of Commerce and Community Affairs, the official Grantee of the EDA Grant, decided that it was in the best interest of the State of Illinois to transfer the RLF to DCEO on June 29, 2012. The Authority since has terminated its E.D.A. Title IX Restricted RLF account.

3. **Comply with the Travel Guide and strengthen internal control over travel and marketing expenditures to ensure expenditures comply with the Travel Guide. (Repeated-2010)**

**Finding:** The Authority did not exercise adequate control over travel and marketing expenditures to ensure compliance with the Travel Guide for State of Illinois Employees (Travel Guide).

Based on a review of the Authority’s travel policy and travel and marketing expenditures auditors noted the following:

- The Authority’s policy does not require seeking approval from the Governor’s Travel Control Board for any exception from the Travel Guide.

- The Authority’s policy does not require seeking the approval from the Governor's Office of Management and Budget (GOMB) prior to any out-of-state travels. Out-of-state travels are approved by the immediate supervisor of the individual traveling in accordance with its policy.

- Seven of 51 travel vouchers tested contained unallowable travel expenses totaling $308.93. Unallowable travel expenses consist of food and beverage sales taxes, purchases from hotel restaurant and mini bar, gift shop charges, airline perks such as early check-in fee and boarding and flexibility package purchased during air flights.
Accepted or Implemented – continued

- Three of 51 travel vouchers tested were submitted for reimbursement from 92 and 141 days after the completion of travel.

- Certification for the license and insurance of a privately owned aircraft used on State travel was not provided. In fiscal year 2011, the Authority paid a total of $3,018 travel reimbursements related to charges for the use of a privately owned aircraft.

- Four of 51 travel vouchers and one of 16 marketing expense reports did not have supporting receipts totaling $1,764.77 and $79.57, respectively.

- Eight of 51 travel vouchers and one of 16 marketing expense reports had lodging reimbursements in excess of the maximum allowed by the Governor’s Travel Control Board.

- Nine of 51 travel vouchers and 8 of 16 marketing expense vouchers with mileage reimbursements totaling $1,436.00 and $1,355.03, respectively, did not have the points of departure and arrival information.

According to Authority management they are undertaking a comprehensive review of its travel policies to determine whether the compliance regime set forth by the Travel Control Board is appropriate to the Authority’s funding sources, mission and available resources. Their understanding as a self funded agency, the Authority is not under the jurisdiction of the Governor’s Travel Control Board, thus, is not required to adopt the Travel Guide. Expenditures without receipt and incomplete information on the travel expense reports were due to oversight.

**Updated Response:** Implemented. The Authority revised its Travel Policy to reflect the rules set forth by the Travel Regulation Council and Governor’s Travel Control Board in Part 3000 and Part 2800 of the Illinois Administrative Code, respectively, on June 22, 2012. Additionally, the Authority revised its Travel Expense Report and Marketing/Business Development Expense Report to reflect the revisions made to its Travel Policy. The Travel Policy was issued to all employees of the Authority on June 27, 2012.

4. **Take the necessary steps to ensure contract agreements are signed by all the required parties before contract services begin. Also, designate a management person to ensure contracts exceeding $10,000 are filed with the Comptroller as required by the SAMS Manual. (Repealed-2010)**

**Finding:** The Authority did not comply with certain required contracting procedures. During testing of 16 contracts, including four contracts for real property leases, auditors noted the following:
Seven contracts totaling $510,938 had not been signed by all parties before the earliest service allowed under the contract agreement terms. The length of time between the beginning dates of the contractual agreements and dates of final signatures ranged from 18 to 393 days.

Eight contracts each exceeding $10,000 were not filed with the Illinois Office of the Comptroller. The contracts totaled $454,330.

Authority management stated that untimely execution of contracts was due to vendor’s failure to timely return signed contracts. Prompt action to secure and commence legal services was necessary to protect the Authority’s interest while the contract process was completed. Non-filing of contracts with the Comptroller was due to lack of a designated person to handle filing of contracts as a result of staff turnover.

**Updated Response:** Implemented. The Authority will continue to work towards compliance with the Illinois Procurement Code.

5. **Train new personnel responsible for notifying the local legislatures about the Authority’s policies and procedures related to processing bond transactions.** Further, monitor the trustee’s submission of the form C-08s to the Comptroller to ensure compliance with the SAMS requirements. (Repeated-2010)

**Finding:** The Authority did not timely submit the bond closing notifications to local legislatures and did not timely submit required transaction reporting for its revenue bonds to the Illinois Office of the Comptroller. During testing of conduit bond issuances, auditors noted the following:

- The Authority is required to notify local legislatures for new bond issuances in accordance with its policies and procedures. Notification letters to local legislatures for all 12 new issuances tested were not timely transmitted. Notification letters were transmitted from 68 to 376 days after they were due.

- 25 of 223 Notice of Payment of Bond and/or Principal (form C-08) tested were not submitted timely with the Office of the Comptroller. The forms were submitted from 4 to 148 days after they were due.

Authority management stated that staff assigned to prepare notification to local legislatures failed to do so. The bond trustees did not submit Form C-08 to the Comptroller timely as required.

**Updated Response:** Accepted and partially implemented. The Authority continues to work with the Office of the Comptroller and the Trustees to improve the process of the late C-08s. A reminder process was established several years ago to address this issue with great results. Under this reminder process, emails are sent to all third parties responsible for submitting payment information to both the Authority and the Illinois Office of the Comptroller.
Accepted or Implemented – continued

if not received within 10 calendar days of the scheduled payment with repeat reminders sent weekly until received.

The Authority has assigned and trained an Administrative Assistant on its staff to prepare and submit Bond Closing Notifications to Local Legislators pursuant to the Policies and Procedures Manual of the Authority.

6. Strengthen controls over the maintenance of the loan database system to ensure outstanding loans are properly verified and accurate reports are submitted to the Comptroller.

Finding: The Authority did not properly monitor the outstanding bonded indebtedness of the Illinois Farm Development Bonds as of June 30, 2011.

During testing of 25 loans issued under the Illinois Farm Development Bonds program, auditors noted the Authority did not send verification letters to monitor and obtain an updated outstanding bonded indebtedness on three loans tested totaling $519,577.26. The loan database system did not generate the annual verification letters. As a result these loans have not been verified since FY08 and, therefore, the outstanding loan balances reported to the Comptroller may not be accurate.

Authority management stated that the exceptions were due to errors in the loan database system not immediately identified because of inadequate maintenance of the system.

Updated Response: Implemented. The Authority manually verified that all the certification letters were sent to all the lenders and will continue to do until an automated solution is developed and implemented. The Authority is working with its IT Consultant towards an automated solution. Additionally, the Authority is the process of acquiring a new database that will manage all the Bonds and Loans of the Authority, which will improve the Authority’s IT functionality.

7. Reinforce the efforts to monitor completion of ethics training within the required timeframe and ensure employees complete timesheets to ensure compliance with the Act.

Finding: During testing, auditors noted the following:

- The Authority did not ensure newly hired employees and board members complete the required ethics training within 30 days after commencement of employment and office with the Authority. Three and two newly hired employees and board members, respectively, completed the initial ethics training 16 to 238 days after they were due.
• The Authority did not have adequate controls over completion and maintenance of
time sheets to ensure employees’ work hours are properly recorded and
documented. Auditors noted missing time sheets in two of seven employees tested.
One employee did not have timesheets for two pay periods and another employee
did not have a timesheet for one pay period.

According to Authority management, these exceptions were due to oversight.

Updated Response: Accepted and Implemented. The Authority modified its time
keeping web-based system to comply with the requirement of the Illinois State Officials
and Employees Ethics Act. The Authority has also established a process for the required
ethics training for newly hired employees and appointed and confirmed board members.

8. Develop and maintain a list of manufacturing firms or divisions thereof, located
within the State that are available for purchase, merger, or acquisition to
comply with the State statute or continue to seek legislative remedy from the
statutory requirement. (Repeated-2010)

Finding: The Authority did not develop and maintain a list of manufacturing firms
located within the State that are available for purchase, merger, or acquisition as required
by the Illinois Finance Authority Act.

According to Authority officials, on March 15, 2011, an amendment was introduced that
would make the requirement voluntary or subject to a specific request by the General
Assembly.

Updated Response: Implemented. House Bill 5452 (PA 97-0789) was signed into
law on July 13, 2012. The Authority is no longer mandated to develop and maintain a list
of manufacturing firms, or divisions thereof, located within the State that are available for
purchase, merger, or acquisition. Furthermore, the Authority disposed of its Technology
Development Bridge (also referred to as Seed State Venture Capital Fund) Portfolio on
June 8, 2012.

9. Comply with statute and implement an internal auditing program.

Finding: The Authority did not implement the internal auditing program in fiscal year
2011 in accordance with the Fiscal Control and Internal Auditing Act.

Although the Authority contracted with an external firm to provide performance of internal
auditing program in FY10 for a three-year term ending FY13, the Authority did not actually
implement the internal auditing program during the current fiscal year. The Authority did
not prepare an internal audit plan and no internal audits were undertaken in FY11. The
Authority approved a two-year internal audit plan for FY12 and FY13 created by the
external firm on June 27, 2011.
Accepted or Implemented – continued

Authority management stated that due to staff turnover, the development of the internal audit was not completed within the required timeframe.

**Updated Response:** Implemented. The Authority has a two-year internal audit plan in place. The Authority in conjunction with our Internal Auditors is in the process of finalizing the first year internal audit. The internal audit reports are in draft form and will be finalized by the end of July of this year.

10. Enforce timekeeping requirements and require the interagency employee to submit timesheets for time spent on Authority work to the nearest quarter hour. Further, amend the interagency agreement to pay CMS for salary and salary related expenses of the interagency employee for work pertaining to the actual time spent on Authority related matters.

**Finding:** The Authority did not reimburse the Department of Central Management Services (CMS) for the salary and salary related expenses of a State employee shared among the Authority, CMS, and the Department of Revenue (DOR) in accordance with the interagency agreement among the three agencies.

During FY11, the Authority entered into an interagency agreement with CMS and DOR to share the services of a CMS employee (liaison) for procurement consulting services. The agreement states that the liaison will serve 40% of her time with CMS, 40% with the Authority and 20% with DOR. The agreement also states that the Authority, the CMS and DOR are responsible for 40%, 40% and 20%, respectively, of the liaison’s salary, State-paid contributions for retirement and Social Security. Testing disclosed that CMS paid 100% of the liaison’s salary, State-paid contributions for retirement and Social Security.

Auditors also noted the Authority had no documentation to support the 40% allocated share of the liaison’s salary and salary related expenses. The liaison officer had not indicated her time spent at the Authority on her timesheets submitted to CMS nor had she submitted a timesheet to the Authority for her time spent on Authority procurement consulting services.

Authority management stated that they made every effort to comply with the interagency agreement by communicating with CMS for the reimbursement process of the liaison’s salary and State paid contributions.

**Updated Response:** Implemented. The Authority offered to reimburse the Illinois Department of Central Management Services for 40% of the CMS employee’s salary, but was unable to for accounting reasons. The Authority and CMS have agreed in an intergovernmental agreement that CMS shall be responsible for the full amount of the CMS employee’s salary for fiscal 2013.
11. Comply with the Identity Protection Act, the “Red Flags Rule” of the FTC, and the Open Meetings Act. Further, establish adequate policies and procedures to timely identify, monitor and comply with new laws and regulations applicable to the Authority to ensure compliance.

Finding: The Authority did not have an adequate process to timely identify new laws and regulations applicable to the Authority to ensure compliance. During testing, auditors noted the Authority did not develop and implement the following policies and procedures to comply with federal and State statutes recently enacted:

- The Authority did not draft and approve an identity protection policy to comply with the Identity Protection Act.
- The Authority did not develop and implement written identity theft prevention programs on or before December 31, 2010 to enforce the Federal Trade Commission’s (FTC) rules on identity theft, known as “Red Flags Rule.”
- The Authority did not designate employees, officers or members to receive training on compliance with the Open Meetings Act on or before July 1, 2010.

According to Authority management noncompliance of the statutes was due to the lack of awareness of the Identity Protection Act and oversight of the Open Meetings Act.


Pursuant to the Open Meetings Act, the Authority designated a member of its staff to receive training on compliance with the Open Meetings Act and notified the Public Access Counselor of this designation on April 23, 2012.

12. Improve controls over monitoring amendments to the Illinois Finance Authority Act to ensure compliance with any new or amended provisions of the Act.


The Authority received a total reallocation cap of $295,923,000 and issued eight bonds totaling $211,488,000 from August 24, 2010 through December 31, 2010. In accordance with the statute, the Authority is required to submit monthly reports to the General Assembly starting September 15, 2010 detailing its implementation of the ARRA provision. The Authority did not submit the monthly reports as required. The Authority filed a report
Accepted or Implemented – concluded
detailing its implementation of the ARRA provisions regarding the recovery zone bonds on June 28, 2011.

According to Authority management, the failure to file monthly reports was due to oversight.

**Updated Response:** Implemented. The Authority filed the reports required by the Illinois Finance Authority Act in FY12. The Authority has also implemented an agency-wide report monitoring mechanism, where upcoming reports are discussed at the Authority’s weekly senior management meetings.

13. **Comply with statutory requirements by communicating with the Office of the Governor regarding the vacancies in the Authority’s Board until the vacancies are filled.**

**Finding:** The Authority’s Board was composed of 13 members instead of 15 members as required by the Illinois Finance Authority Act. The vacancies, which originated in April 2011, are to be filled through an appointment from the Office of the Governor.

Authority management stated appointments and reappointments are at the discretion of the Governor and not of the Authority.

**Updated Response:** Accepted. The Authority makes every effort to comply with the Illinois Finance Authority. The Authority provides weekly reports to the Office of the Governor regarding vacancies on its Board. The IFA Board appointment process is not self-perpetuating. Neither IFA Board Members nor IFA Staff have the statutory ability to appoint or confirm Board Members.

**Emergency Purchases**

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

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

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

During FY11, the Illinois Finance Authority did not file any affidavits for emergency purchases.

Headquarters Designations

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

The Illinois Finance Authority filed a Travel Headquarters Designation form on July 18, 2011 which indicated one person spent more than 50% of their work time at locations other than their official headquarters.