



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS GRAIN INSURANCE CORPORATION

Financial Audit / Compliance Examination
 For the Two Years Ended June 30, 2015

Release Date: February 25, 2016

FINDINGS THIS AUDIT: 4	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2013		15-2, 15-3	
Category 2:	1	3	4	2005		15-1	
Category 3:	0	0	0				
TOTAL	<u>1</u>	<u>3</u>	<u>4</u>				
FINDINGS LAST AUDIT: 4							

INTRODUCTION

The Illinois Grain Insurance Corporation (Corporation), a component unit of the State of Illinois, was created for the purpose of improving the economic stability of agriculture by establishing funds to pay grain producers and other claimants for losses incurred by the failure of a grain dealer or warehouseman. Fiscal support to carry out the responsibilities of the Corporation is provided by the Illinois Department of Agriculture.

SYNOPSIS

- (15-1) The Corporation has not funded the \$2,000,000 Grain Insurance Reserve Fund as required by the Grain Code.
- (15-3) The Corporation failed to ensure that all required statements were included in cooperative agreements in its administration of federal licensees' participation in the Illinois Grain Insurance Fund.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information and Activity Measures are summarized on next page.}

ILLINOIS GRAIN INSURANCE CORPORATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

REVENUES, EXPENSES AND CHANGES IN NET POSITION	2015	2014	2013
Operating Revenues:			
Charges for Services.....	\$ 181,000	\$ 141,000	\$ 110,000
Operating Expenses:			
Environmental and Business Regulation.....	12,000	15,000	174,000
Operating Income (Loss).....	<u>169,000</u>	<u>126,000</u>	<u>(64,000)</u>
Nonoperating Revenues:			
On Behalf Contributions.....	12,000	15,000	14,000
Recovery on Claims Paid.....	16,000	7,000	7,000
Interest and Investment Income.....	1,000	1,000	5,000
Total Nonoperating Revenues.....	<u>29,000</u>	<u>23,000</u>	<u>26,000</u>
Transfer Out.....	<u>(50,000)</u>	-	-
Change in Fund Net Position.....	148,000	149,000	(38,000)
Net Position, Beginning of the Year.....	<u>7,282,000</u>	<u>7,133,000</u>	<u>7,171,000</u>
Net Position, End of the Year.....	<u>\$ 7,430,000</u>	<u>\$ 7,282,000</u>	<u>\$ 7,133,000</u>

STATEMENT OF NET POSITION	2015	2014	2013
Cash and Cash Equivalents.....	\$ 7,426,000	\$ 7,230,000	\$ 7,083,000
Other Receivables.....	4,000	2,000	-
Due from Primary Government.....	-	50,000	50,000
Total Assets.....	<u>7,430,000</u>	<u>7,282,000</u>	<u>7,133,000</u>
Net Position	<u>\$ 7,430,000</u>	<u>\$ 7,282,000</u>	<u>\$ 7,133,000</u>

SCHEDULE OF GRAIN DEALERS AND WAREHOUSES (UNAUDITED)	2015	2014	2013
Active dealers/warehouses - beginning of year.....	258	268	285
Add: New dealers/warehouses.....	3	3	4
Less: Closed or insolvent dealers/warehouses.....	<u>(11)</u>	<u>(13)</u>	<u>(21)</u>
Active dealers/warehouses - end of year.....	<u>250</u>	<u>258</u>	<u>268</u>

CORPORATION PRESIDENT	
During Examination Period:	Phillip Nelson through 9-24-15, Warren Goesch, Acting 9-25-15 through 11-15-15, Raymond Poe, Acting effective 11-16-15
Currently:	Raymond Poe, Acting

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

GRAIN INSURANCE RESERVE FUND NOT FUNDED

Failure to fund \$2,000,000 reserve required by law

The Illinois Grain Insurance Corporation (Corporation) has not established the \$2,000,000 Grain Insurance Reserve Fund as required by the Grain Code (Code) after repayment of funds owed the General Revenue Fund in April 2005.

Funding has not been requested

Based upon the recommendations from the prior audit findings for this issue the Corporation board recommended either funding be sought from the Office of Management and Budget or legislative relief be sought to alleviate the statutory requirement. Regarding the ongoing noncompliance, the Corporation stated the funding for the Grain Insurance Reserve Fund has not been requested. (Finding 1, page 11) **This finding has been repeated since 2005.**

We recommended the Corporation comply with the Code by working with the Office of Management and Budget to obtain the necessary appropriation to fund the Grain Insurance Reserve Fund or seek legislative relief from the statutory requirement.

Corporation officials agree with auditors

Corporation officials agreed with our recommendation and stated the Board of Directors of the Corporation, with input from the Corporation Advisory Committee, will address the non-funding of the Grain Insurance Reserve Fund at its annual board meeting to be held by April 30, 2016. (*For the previous Corporation response, see Digest Footnote #1.*)

COOPERATIVE AGREEMENTS WITH FEDERAL LICENSEES DID NOT INCLUDE ALL REQUIRED STATEMENTS

Cooperative agreements with federal licensed warehouses excluded two required statements of the Grain Code

The Corporation did not ensure all the required statements were included in cooperative agreements in its administration of federal licensees' participation in the Illinois Grain Insurance Fund (Fund).

If a federal licensee wishes to participate in the Fund, they must sign a cooperative agreement with the Illinois Department of Agriculture (Department) on behalf of the Corporation and agree to subject themselves to the Code. During testing of the 15 existing cooperative agreements, auditors found the standard cooperative agreement failed to contain two required provisions of the Code in all of the cooperative agreements.

Corporation management indicated the Department's Bureau of Warehouse staff has worked with the legal staff to draft a revised cooperative agreement, but the revised cooperative agreement had not yet been implemented. (Finding 3, pages 13-14)

We recommended the Corporation implement a revised cooperative agreement which includes all of the requirements outlined in the Grain

Code.

Corporation officials agreed with our recommendation and indicated the Corporation has implemented the recommendation.

Corporation officials agree with auditors

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Corporation. Auditors will review the Corporation's progress towards the implementation of all the recommendations in the next engagement.

AUDITOR'S OPINION

The auditors stated the basic financial statements of the Corporation as of and for the years ended June 30, 2015 and 2014 were fairly presented in all material respects.

ACCOUNTANT'S OPINION

We conducted a compliance examination of the Corporation for the two years ended June 30, 2015, as required by the Illinois State Auditing Act. The auditors stated the Corporation complied, in all material respects, with the requirements described in the report.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:RPU

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit/examination were Sikich LLP.

DIGEST FOOTNOTES

#1 GRAIN INSURANCE RESERVE FUND NOT FUNDED

2013: The Corporation agrees with the finding. The Board of Directors of the Illinois Grain Insurance Corporation (IGIC), with input from the IGIC Advisory Committee, will address the non-funding of the Grain Insurance Reserve Fund at its annual board

meeting to be held by April 30, 2014. Based on the recommendations of the Board, funding will again be sought from the Office of Budget and Management or legislative relief will be sought to alleviate the statutory requirement. Upon the decision / recommendation of the IGIC Board of Directors, the corrective action will be initiated.