



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**EAST ST. LOUIS FINANCIAL ADVISORY AUTHORITY**

**FINANCIAL AUDIT**

**For the Year Ended: June 30, 2012**

**COMPLIANCE EXAMINATION**

**For the Two Years Ended: June 30, 2012**

**Summary of Findings:**

**Total this audit: 7**

**Total last audit: 12**

**Repeated from last audit: 5**

**Release Date: March 7, 2013**

**INTRODUCTION**

This digest covers the financial audit for the year ended June 30, 2012 and the compliance examination for the two years ended June 30, 2012

**SYNOPSIS**

- The Authority lacks adequate segregation of duties in its accounting and financial procedures.
- The Authority did not comply with all provisions in the Open Meetings Act.
- The Authority did not follow the State statute regarding repayment of vacation and sick leave.

{Expenditures and Activity Measures are summarized on the reverse page.}

**EAST ST. LOUIS FINANCIAL ADVISORY AUTHORITY  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

<b>EXPENDITURE STATISTICS</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Total Expenditures (All Funds).....</b>	<b>\$ 111,168</b>	<b>\$ 186,857</b>	<b>\$ 259,749</b>
Locally Held Funds Total.....	\$ 6,684	\$ 70,463	\$ 139,814
% of Total Expenditures.....	6%	38%	54%
Appropriated Funds Total.....	\$ 104,484	\$ 116,394	\$ 119,935
% of Total Expenditures.....	94%	62%	46%
<b>Average Number of Employees.....</b>	<b>3</b>	<b>4</b>	<b>4</b>

<b>SUMMARY OF SIGNIFICANT ACCOUNTS</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Cash and Cash Equivalents.....	\$ 158,592	\$ 166,572	\$ 287,065
Investments.....	\$ 6,934,261	\$ 6,616,642	\$ 6,436,883
Ending Balance-Locally Held Funds (Accrual Basis).....	\$ 7,092,853	\$ 6,778,777	\$ 6,730,966

<b>AGENCY DIRECTOR</b>
During Examination Period: Ms. Patrice R. Rencher
Currently: Vacant

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**INADEQUATE SEGREGATION OF DUTIES**

The East St. Louis Financial Advisory Authority (Authority) lacks adequate segregation of duties in its accounting and financial procedures.

**Lack of control over receipts and disbursements**

The Authority's cash and investment receipts and disbursement procedures often require one individual be responsible for all duties. These procedures should be performed by at least two people. Specifically, it was noted that approvals for expenditures paid directly to the Head of the Agency are approved by the Head of the Agency and the Board of Directors approval occurs after the expenditure has already taken place. (Finding 12-1, page 11)

**Head of Agency approving own expenditure reimbursement**

We recommended the Authority comply with the Fiscal Control and Internal Auditing Act and establish internal fiscal and administrative controls that would require a member of the Board of Directors to approve all transactions that are incurred by the Head of the Agency. In addition, payroll should be reviewed and documented. Further, all expenditures of reimbursements to the Head of the Agency should be reviewed and documented prior to the expenditures by a member of the Board of Directors. **This finding was first reported in 2006.**

**Authority agrees with auditors**

Authority officials agreed with the recommendation. (For previous agency response, see Digest Footnote #1)

**FAILURE TO COMPLY WITH OPEN MEETINGS ACT**

The Authority did not comply with all provisions in the Open Meetings Act including taking action while in closed session and obtaining appropriate training in compliance with the Act.

**Individual not designated to be responsible for compliance with Open Meetings Act**

During the two year period, the Authority held 25 regular meetings and maintained written and audio documentation. However, the Authority inappropriately voted on action while in closed session at four of the 25 meetings. Also, the Authority failed to designate an individual to be responsible for compliance with the Open Meetings Act and did not receive the required annual training for Fiscal Year 2011. (Finding 12-3, pages 14-15)

We recommended that the Authority staff receive training on the Open Meetings Act. We also recommended a semi-annual review of closed session meetings to determine when they should be made available to the public because it is no longer necessary to protect the public interest or the privacy of an individual by keeping them confidential.

Authority officials agreed with the recommendation. (For previous agency response, see Digest Footnote #2)

**Authority agrees with auditors**

#### **FAILURE TO COMPLY WITH STATE STATUTE REGARDING VACATION PAYOUT**

The Authority did not follow the State statute regarding repayment of vacation and sick leave.

**Lump sum payment to an employee was never repaid**

On May 31<sup>st</sup>, 2011, an employee was laid off. Upon termination, this employee received a single lump sum payment of the remaining accrued vacation leave. On June 13<sup>th</sup>, 2011, this employee returned to the Agency. Because this employee was rehired within 30 days of termination, this lump sum should have been repaid.

The State Finance Act (30 ILCS 105/14a(c)) requires that “upon the retirement or resignation of a State employee from State service, his or her accrued vacation, overtime, and qualifying sick leave shall be payable to the employee in a single lump sum payment. However, if the employee returns to employment in any capacity with the same agency or department within 30 days of the termination of his or her previous State employment, the employee must, as a condition of his or her new State employment, repay the lump sum amount within 30 days after his or her new State employment commences.” (Finding 12-5, page 19)

We recommended the Authority seek reimbursement from the employee for the lump sum amount. Further, the Authority should implement controls and policies that reflect current State statutes regarding the termination and subsequent rehire of individuals.

Authority officials agreed with the recommendation.

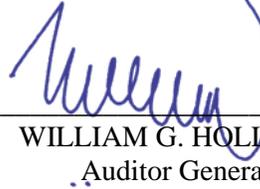
**Authority agrees with auditors**

#### **OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Authority. We will follow up on the findings during the next examination.

## **AUDITORS' OPINION**

Our auditors stated the financial statements of Authority as of and for the year ended June 30, 2012 are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

WGH:MFP:rt

## **AUDITORS ASSIGNED**

Schorb & Schmersahl, LLC were our special assistant auditors for this audit.

## **DIGEST FOOTNOTES**

### **#1 - INADEQUATE SEGREGATION OF DUTIES - Previous Agency Response**

2010: We agree. It is difficult to segregate duties with only three employees. However, the Board of Directors reviews, accepts and approves all transactions of the Authority by resolution on a monthly basis with the exception of the Agency's payroll and vacation requests. The City of East St. Louis Financial Advisory Authority Personnel Policies and Procedures designates the Executive Director to sign payroll vouchers for the Agency.

The Chair authorized the Executive Director to sign commercial (travel/non-travel), payroll/contractual payroll/retirement and C-02 vouchers as provided for by signature authorization cards (Form SCO-095).

### **#2 - FAILURE TO COMPLY WITH OPEN MEETINGS ACT - Previous Agency Response**

2010: We agree. The Authority did not have all seven of its closed session meetings audio/video recorded. However, the Authority does have all written minutes of the closed sessions that were approved by the Board of Directors.

The Executive Director explained that under the advisement of legal counsel, closed session meetings are only to be released for the purpose of litigation due to their confidential nature. The Executive Director never stated that she believed that there was no requirement to record and maintain all Executive Session meetings due to the confidential nature of discussions held during closed meetings.

However, Authority staff will begin audio/video recordings of all closed session meetings as well as provide a written record to be approved by the Board of Directors.