



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS GRAIN INSURANCE CORPORATION

**FINANCIAL AUDIT AND COMPLIANCE
EXAMINATION**

For the Two Years Ended: June 30, 2011

Release Date: March 27, 2012

Summary of Findings:

Total this audit: 2

Total last audit: 2

Repeated from last audit: 1

INTRODUCTION

The Illinois Grain Corporation, a component unit of the State of Illinois, was created for the purpose of providing 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 Department of Agriculture.

SYNOPSIS

- The Corporation has not established the \$2,000,000 Grain Insurance Reserve Fund as required by the Grain Code.
- The Corporation's accounting system had several errors relating to receivables.

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

ILLINOIS GRAIN INSURANCE CORPORATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011

FINANCIAL ACTIVITY	2011	2010	2009
Statement of Revenues, Expenses and			
Change in Net Assets			
Operating Revenues:			
Charges for Services.....	\$ 223,000	\$ 266,000	\$ 1,568,000
Less Charges Written Off.....	-	(44,000)	-
Total Operating Revenues.....	<u>223,000</u>	<u>222,000</u>	<u>1,568,000</u>
Operating Expenses:			
Environmental and Business Regulation.....	<u>13,000</u>	<u>16,000</u>	<u>35,000</u>
Operating Income (Loss).....	<u>210,000</u>	<u>206,000</u>	<u>1,533,000</u>
Nonoperating Revenues:			
On Behalf Contributions.....	13,000	16,000	13,000
Recovery on Claims Paid.....	11,000	284,000	-
Interest and Investment Income.....	<u>8,000</u>	<u>8,000</u>	<u>47,000</u>
Total Nonoperating Revenues.....	<u>32,000</u>	<u>308,000</u>	<u>60,000</u>
Change in Net Assets.....	242,000	514,000	1,593,000
Net Assets (Deficit), Beginning of the Year.....	<u>6,772,000</u>	<u>6,258,000</u>	<u>4,655,000</u>
Net Assets (Deficit), End of the Year.....	\$ 7,014,000	\$ 6,772,000	\$ 6,248,000
Statement of Net Assets			
Cash and Cash Equivalents.....	\$ 6,961,000	\$ 6,716,000	\$ 5,264,000
Other Receivables.....	4,000	7,000	968,000
Due from Primary Government.....	<u>49,000</u>	<u>49,000</u>	<u>26,000</u>
Total Assets.....	<u>7,014,000</u>	<u>6,772,000</u>	<u>6,258,000</u>
Net Assets (Deficit).....	\$ 7,014,000	\$ 6,772,000	\$ 6,258,000

SCHEDULE OF GRAIN DEALERS (UNAUDITED)	2011	2010	2009
Active dealers - beginning of year.....	312	319	337
Add: New dealers.....	7	9	9
Less: Closed or insolvent dealers.....	<u>(16)</u>	<u>(16)</u>	<u>(27)</u>
Active Dealers - end of year.....	<u>303</u>	<u>312</u>	<u>319</u>

CORPORATION PRESIDENT
During Examination Period: Tom Jennings
Currently: Robert F. Flider, Acting

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

GRAIN INSURANCE FUND NOT FUNDED

\$2 million Reserve Fund not funded

The Illinois Grain Insurance Corporation has not funded the \$2,000,000 Grain Insurance Reserve Fund required by the Grain Code.

As of the end of examination fieldwork, the Corporation had not established the \$2,000,000 Grain Insurance Reserve Fund.

Appropriation request not made

The Corporation's management indicated the Grain Insurance Reserve Fund was not funded because the funds were not appropriated. Management also indicated they did not request an appropriation in fiscal years 2010 and 2011 because of budgetary constraints on the General Revenue Fund. (Finding 1, page 11) **This finding has been repeated since 2005.**

We recommend the Corporation comply with the law 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 they will request the appropriation in future budget years. (For previous agency response, see Digest Footnote 1)

ERRORS NOTED IN ASSESSMENT ACCOUNTING SYSTEM

The Illinois Grain Insurance Corporation's accounting system had several errors relating to assessment receivables that required adjustments.

Accounts receivables subsidiary ledgers did not agree to the trial balance

When testing receivables, we noted the subsidiary receivable ledger had 28 accounts netting a balance of \$1,525 even though the trial balance indicated a balance of zero. Account errors ranged from a few cents to over \$2,000.

The Corporation's management stated that staff was unaware of the need to adjust the subsidiary receivable as well as the trial balance.

We recommended the Corporation provide necessary training and develop procedures to facilitate proper posting and reconciliation of its accounting system.

Corporation officials agree with auditors

Corporation officials agreed with our recommendation and will review both the system and its procedures for correcting errors in the receivables.

AUDITORS' OPINION

Our auditors state the June 30, 2011 financial statements of the Grain Insurance Corporation are presented fairly in all material respects.

A handwritten signature in blue ink, appearing to read 'William G. Holland', is written above a horizontal line.

WILLIAM G. HOLLAND
• Auditor General

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SPECIAL ASSISTANT AUDITORS

Sikich, LLP was our special assistant auditors for this audit and examination.

Digest Footnotes

1. GRAIN INSURANCE RESERVE FUND NOT FUNDED

2009: “The Agency agrees with the finding and will attempt to obtain appropriation to fund the Grain Insurance Reserve Fund.”