



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, 2017

Release Date: March 15, 2018

FINDINGS THIS AUDIT: 5	AGING SCHEDULE OF REPEATED FINDINGS			
	Repeated Since	Category 1	Category 2	Category 3
	2015		17-4	
	2013		17-2, 17-3	
	2005		17-1	

	<u>New</u>	<u>Repeat</u>	<u>Total</u>
Category 1:	0	0	0
Category 2:	1	4	5
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	1	4	5

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 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

- (17-1) The Corporation did not fund the \$2,000,000 Grain Insurance Reserve Fund as required by the Grain Code.
- (17-3) 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.

- 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.

{Expenditures and Activity Measures are summarized on next page.}

ILLINOIS GRAIN INSURANCE CORPORATION
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

REVENUES, EXPENSES, AND CHANGES IN NET POSITION	2017	2016	2015
Operating Revenues:			
Charges for Services.....	\$ 173,000	\$ 212,000	\$ 181,000
Operating Expenses:			
Environmental and Business Regulation.....	276,000	13,000	12,000
Operating Income (Loss).....	<u>(103,000)</u>	<u>199,000</u>	<u>169,000</u>
Nonoperating Revenues:			
On Behalf Contributions.....	16,000	13,000	12,000
Recovery on Claims Paid.....	8,000	8,000	16,000
Interest and Investment Income.....	44,000	13,000	1,000
Total Nonoperating Revenues.....	<u>68,000</u>	<u>34,000</u>	<u>29,000</u>
Transfer Out.....	-	-	(50,000)
Change in Fund Net Position.....	(35,000)	233,000	148,000
New Position, Beginning of the Year.....	<u>7,663,000</u>	<u>7,430,000</u>	<u>7,282,000</u>
Net Position, End of the Year.....	<u>\$ 7,628,000</u>	<u>\$ 7,663,000</u>	<u>\$ 7,430,000</u>

STATEMENT OF NET POSITION	2017	2016	2015
Cash and Cash Equivalents.....	\$ 7,627,000	\$ 7,652,000	\$ 7,426,000
Other Receivables.....	1,000	11,000	4,000
Total Assets.....	<u>7,628,000</u>	<u>7,663,000</u>	<u>7,430,000</u>
Net Position.....	<u>\$ 7,628,000</u>	<u>\$ 7,663,000</u>	<u>\$ 7,430,000</u>

SCHEDULE OF GRAIN DEALERS AND WAREHOUSES (UNAUDITED)	2017	2016	2015
Active Dealers/Warehouses - Beginning of Year.....	254	250	258
Add: New Dealers/Warehouses.....	4	14	3
Less: Closed or Insolvent Dealers/Warehouses.....	<u>(11)</u>	<u>(10)</u>	<u>(11)</u>
Active Dealers/Warehouses - End of Year.....	<u>247</u>	<u>254</u>	<u>250</u>

CORPORATION PRESIDENT	
During Examination Period:	Phillip Nelson, through 09-25-15 Warren Goesch, Acting, 09-25-15 through 11-15-15 Raymond Poe, effective 11-16-15
Currently:	Raymond Poe

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

GRAIN INSURANCE RESERVE FUND NOT FUNDED

The Illinois Grain Insurance Corporation (Corporation) did not fund the \$2,000,000 Grain Insurance Reserve Fund as required by the Grain Code (Code).

**Corporation failed to establish
Grain Insurance Reserve Fund**

In 2005, the Corporation remitted the \$4,000,000 balance due to the General Revenue Fund that was borrowed prior to June 30, 2003. The Corporation has not yet established the \$2,000,000 Grain Insurance Reserve Fund as required by the Code after repayment of funds owed to the General Revenue Fund. (Finding 1, pages 12-13). **This finding has been repeated since 2005.**

We recommended 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 agrees with auditors

Corporation officials agreed with the finding and stated the Board of Directors, along with the Corporation Advisory Committee, will address the non-funding of the Grain Insurance Reserve Fund at the March 29, 2018 annual meeting. *(For the previous Corporation response, see Digest Footnote #1.)*

**COOPERATIVE AGREEMENTS WITH FEDERAL
LICENSEES DID NOT INCLUDE ALL REQUIRED
STATEMENTS**

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).

**Cooperative agreements did not
contain all required provisions**

If a federal licensee wishes to participate in the Fund, they must sign a cooperative agreement with the Illinois Department of Agriculture on behalf of the Corporation and agree to subject themselves to the Code. During testing of the five existing cooperative agreements, auditors found the cooperative agreement failed to contain two provisions required by the Code in four of the agreements. Also, one cooperative agreement could not be located. (Finding 3, pages 15-16). **This finding has been repeated since 2013.**

**One agreement could not be
located**

We recommended the Corporation execute revised cooperative agreements which include all of the requirements outlined in the Code with federal warehouse licensees participating in the Fund.

Corporation agrees with auditors

Corporation officials agreed with the finding and stated they will request new cooperative agreements from federal warehouse licensees participating in the Illinois Grain Insurance Fund. *(For the previous Corporation response, see Digest Footnote #2.)*

OTHER FINDINGS

The remaining findings pertain to the untimely deposit of cash receipts and weaknesses and errors in reports submitted to the Illinois Office of the Comptroller. We will review the Corporation’s progress towards the implementation of our recommendations in our next financial audit / compliance examination.

AUDITOR’S OPINION

The auditors stated the financial statements of the Corporation as of and for the years ended June 30, 2017, and June 30, 2016, are fairly stated in all material respects.

ACCOUNTANT’S OPINION

The accountants conducted a compliance examination of the Corporation for the two years ended June 30, 2017, 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.

This financial audit / compliance examination was conducted by Adelfia LLC.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:LJK

DIGEST FOOTNOTES

#1 – GRAIN INSURANCE RESERVE FUND NOT FUNDED

2015: 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, 2016. Based on the recommendations of the Board, funding will be sought from the Governor's Office of Management and Budget (GOMB) 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.

#2 - CORPORATION AGREEMENTS WITH FEDERAL LICENSEES DID NOT INCLUDE ALL REQUIRED STATEMENTS

2015: The Corporation agrees with the finding and has implemented the recommendation.