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# REPORT DIGEST

## ILLINOIS GRAIN INSURANCE CORPORATION

### FINANCIAL AND COMPLIANCE AUDIT

For the Year Ended:  
June 30, 1996

#### Summary of Findings:

Total this audit	3
Total last audit	0
Repeated from last audit	0

Release Date:

April 10, 1997



State of Illinois  
Office of the Auditor General

**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

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#### SYNOPSIS

- ◆ The Illinois Grain Insurance Corporation did not invest funds in interest-bearing accounts.
- ◆ The Corporation did not reimburse the Department of Agriculture for administrative costs.

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

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**ILLINOIS GRAIN INSURANCE CORPORATION**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**For The Year Ended June 30, 1996**

FINANCIAL ACTIVITY	FY 1996	FY 1995
Total Revenues .....	\$277,385	\$1,235,023
Assessments .....	115,789	1,043,744
Penalties .....	4,750	2,500
Recovery of Prior Year's Claims .....	-	59,986
Interest .....	156,846	128,793
Expenditures, transfers, other (uses) and sources of funds - (net) .....	\$(1,640,125)	\$173,390
Fund Balance - June 30 .....	\$1,817,106	\$3,179,846

SCHEDULE OF GRAIN DEALERS	FY 1996	FY 1995
Active dealers - beginning of year .....	564	584
Add: New dealers .....	11	10
Less: Closed or insolvent dealers .....	<u>(31)</u>	<u>(30)</u>
Active dealers - end of year .....	<u>544</u>	<u>564</u>

CORPORATION PRESIDENT
During Audit Period: Becky Doyle, Director, Department of Agriculture Currently: Becky Doyle, Director, Department of Agriculture

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

**FUNDS NOT INVESTED IN INTEREST BEARING ACCOUNTS**

**Loss of interest on funds was approximately \$14,750**

The Illinois Grain Insurance Corporation did not transfer funds from a non-interest-bearing clearing account to an interest bearing investment account in Fiscal Year 1996. The balance of cash held in the clearing account at June 30, 1996 was \$355,919. The loss of interest for Fiscal Year 1996 was approximately \$14,750. We also noted that the clearing account was in excess of FDIC coverage, and \$255,919 of the balance was uninsured and uncollateralized. (Finding 1, page 9).

We recommended the Corporation monitor cash to ensure it is invested and that all cash balances are properly collateralized. We also recommended the Corporation establish written procedures for investments.

The Department concurred, stating that the investment function is performed by personnel of the Illinois State Treasurer's office and that the Department would work with representatives from that office to resolve this issue.

**THE CORPORATION DOES NOT REIMBURSE THE DEPARTMENT FOR ADMINISTRATIVE COSTS**

**Significant costs are incurred by the Department of Agriculture on behalf of the Grain Insurance Corporation**

The Grain Insurance Corporation does not reimburse the Department of Agriculture for administrative costs incurred on behalf of the Corporation. For example, in Fiscal Year 1996, the Department incurred about \$22,000 in direct salary costs for six employees on behalf of the Corporation. An analysis of expenditures for direct labor and travel costs associated with two major grain elevator bankruptcies (1993 and 1996) amounted to an estimated \$97,762 in the first case and \$23,044 in the other case. Thus, this analysis indicates that significant costs are incurred by the Department of Agriculture on behalf of the

Corporation in some grain company failures.

Officials indicated it has always been their policy to use grain dealer assessments solely to reimburse grain producers and other claimants for losses incurred by the failure of a grain dealer or warehouseman, and not for administrative costs. The Grain Code (240 ILCS 40/1-1 et seq.) allows for the payment of these administrative costs through reimbursement to the Grain Indemnity Trust Account. (Finding 2, page 10)

We recommended the Illinois Department of Agriculture consider negotiating an agreement with the Corporation for reimbursing, at a minimum, the extraordinary costs incurred as part of major bankruptcies.

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**Not seeking reimbursement of expenses results in the State subsidizing the costs of licensees by keeping assessments artificially low**

The Department did not concur with this recommendation stating that the Corporation has never reimbursed the Department for administrative costs and the statutes prohibited any use of money from the fund other than for the payment of claims. However, the Grain Insurance Code appears to not only allow but to require payment out of the trust account for reasonable expenses incurred in preserving, liquidating and collecting the assets of failed licensees. Not seeking reimbursement of expenses from the Corporation results in the State subsidizing the costs of licensees by keeping assessments paid by grain dealers and warehousemen artificially low.

## **OTHER FINDING**

The remaining finding was less significant. It dealt with the Corporation not filing quarterly reports with the Comptroller and it is being given appropriate attention by the Department of Agriculture. We will review progress toward implementing our recommendations in our next audit.

**AUDITORS' OPINION**

Our auditors state that the Illinois Grain Insurance Corporation's financial statements for the year ending June 30, 1996 are fairly presented.

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WILLIAM G. HOLLAND, Auditor General

WGH:KMC:pp

**SPECIAL ASSISTANT AUDITORS**

Our special assistant auditors for this audit were Sikich Gardner & Co, LLP.

