

REPORT DIGEST

**ILLINOIS DEVELOPMENT FINANCE AUTHORITY
FINANCIAL AND COMPLIANCE AUDIT
(In Accordance with the Single Audit Act
of 1984 and OMB Circular A-128)
FOR THE YEAR ENDED JUNE 30, 1995**

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

ILLINOIS DEVELOPMENT FINANCE AUTHORITY
FINANCIAL AND COMPLIANCE AUDIT
For The Year Ended June 30, 1995

REVENUE AND EXPENSE STATISTICS	FY 1995	FY 1994	FY 1993
●Total Operating Revenue	\$4,569,219	\$3,344,956	\$1,737,514
<u>OPERATIONS TOTAL</u>	\$4,569,219	\$3,344,956	\$1,737,514
% of Total Revenues	100%	100%	100%
Application Fees	\$118,675	\$123,300	\$63,658
% of Total Revenues	2.6%	3.7%	3.7%
Annual Fees	\$2,569,199	\$2,699,706	\$1,114,831
% of Total Revenues	56.2%	80.7%	64.2%
Interest and Other Income	\$1,881,345	\$521,951	\$559,025
% of Total Revenues	41.2%	15.6%	32.1%
●Total Expenses/expenditures	\$6,635,638	\$7,303,063	\$4,245,162
<u>OPERATIONS TOTAL</u>	\$4,634,481	\$3,890,823	\$4,155,179
% of Total Operations	69.8%	53.3%	97.9%
Salaries and Benefits	\$1,030,752	\$1,288,861	\$1,807,902
% of Operations Expenses	22.2%	33.1%	43.5%
Average No. of Employees	19	23	32
Contractual Services	\$2,462,663	\$1,372,803	\$1,504,524
% of Operations Expenses	53.1%	35.3%	36.2%
All Other Operations Items	\$1,140,846	\$1,229,159	\$842,753
% of Operations Expenses	24.6%	31.6%	20.3%
<u>GRANTS TOTAL</u>	-0-	\$3,000,000	-0-
% of Total Expenses/expenditures	0.0%	41.1%	0.0%
Cost of Property and Equipment	\$497,832	\$684,886	\$624,219

SELECTED ACTIVITY MEASURES	FY 1995	FY 1994	FY 1993
● Total Direct Loan Amounts	\$509,776	\$1,227,583	\$587,000
● Jobs Created or Retained by Direct Loans	252	122	61
● Industrial Revenue Bonds (IRB)	\$147,720,000	\$181,075,000	\$444,930,000
● Jobs Created or Retained by IRB	1,797	741	594
● Federal Program Amounts	\$467,000	\$277,000	\$648,000
● Jobs Created or Retained by Federal Programs	19	93	51

AGENCY DIRECTOR

During the Audit Period: Mr. Bobby J. Wilkerson, Executive Director
Currently: Mr. Bobby J. Wilkerson, Executive Director

INTRODUCTIONS

This report concerns our Compliance Single Audit of the Illinois Development Finance Authority for the year ended June 30, 1995. Our financial audit of the Authority for the year ended June 30, 1995 has been previously issued.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE RECONCILIATION PROCEDURES

The Authority's monthly reconciliation procedures were inadequate and resulted in unreconciled differences ranging between \$4,071 and \$77,460 in various accounts.

Monthly reconciliations of general ledger accounts were not performed for the first nine months of the fiscal year. Reconciliations performed as of June 30, 1995 identified reconciling items that were at least 90 days old for cash and investment accounts. We also noted the following conditions during our testing:

- The General Operating Fund had an aged reconciling difference between the book and bank balance of \$54,252 in the cash account and a net reconciling difference of \$4,071 in the certificate of deposit account.
- The Pooled Bond investment account had aged reconciling differences between the book and bank balances of \$44,453 and \$77,460.
- Accrued interest income on an \$81,427 investment in the Venture Investment Fund was not recorded as of June 30, 1995.

Untimely reconciliation of general ledger account balances results in inaccurate interim financial reports and reduces the effectiveness of budgets, projections and management decision making. (Finding 1, page 7)

Authority officials accepted our recommendations and stated that procedures have been developed and implemented.

INADEQUATE CONTROLS OVER PERSONNEL FILES

The Authority has not implemented effective controls to ensure personnel records are properly updated and maintained.

During our review of five employee personnel files, we noted the following deficiencies:

- Personnel files for five employees did not contain copies of written annual performance evaluations. The Authority had not conducted formal performance evaluations on its employees for over three years.

- Personnel files for three employees did not contain tax withholding request forms matching the withholdings and deductions reflected on the payroll journal. Direct deposit authorizations and leave/absence requests form were also not evident in the files.

- Personnel files for two employees lacked job applications and one file did not contain a job description of the employee's position.

Good business practice and personnel management would dictate that complete personnel files be maintained and regularly scheduled performance evaluations be conducted. (Finding 7, page 15)

Authority officials accepted our finding and recommendation and stated that a Human Resource Administrator has been hired.

FAILURE TO MONITOR BOND ISSUES AND TRUSTEE COMPLIANCE

The Authority has not implemented formal procedures to monitor bonds issued and trustee compliance with bond agreements.

The Authority still was unable to compile a complete listing of all bonds issued and outstanding as of June 30, 1995. Authority management employed an outside contractor to assist in providing a listing of bonds outstanding. However, we were still unable to obtain adequate assurance on the accuracy and completeness of the listing as of close of our fieldwork. The authority stated that it had no formal procedures to monitor compliance with the bond agreements, but that a system would be implemented in fiscal year 1996. (Finding 10, page 18)

Authority officials agreed with our finding and recommendation. They said the Authority's Board had engaged a contractor to maintain the bond records and prepare required reports. They also said that their February 1, 1996 bond report has been 98 percent reconciled with the State Comptroller's Office.

OTHER FINDINGS

The remaining findings were less significant and have been given appropriate attention by the Authority. We will review the Authority's progress towards the implementation of our recommendations in our next compliance audit.

Authority responses were provided by Mr. Bobby J Wilkerson, Executive Director.

AUDITORS' OPINION

Our auditors state the June 30, 1995 financial statements of the Illinois Development Finance Authority are fairly presented.

SUMMARY OF AUDIT FINDINGS

Number of Current Audit Prior Audit

Audit findings 15 20

Repeated audit findings 10 4

Prior recommendations implemented or
or not repeated 10 2

SPECIAL ASSISTANT AUDITORS

The accounting firm of Arthur Andersen LLP was our special assistant auditor.