



**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021**

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021**

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**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021**

BOARD OFFICIALS

Director (12/19/21 – Present)	Julie Rachford
Director (07/01/19 – 12/18/21)	Keith Fanning

Director (12/16/19 – Present)	Johanna Helm
Director (07/01/19 – 12/15/19)	Tyler White

BOARD OFFICERS

Chair of the Board (04/20/20 – Present)	Jerry Costello II
Chair of the Board (Acting) (03/02/20 – 04/19/20)	Jerry Costello II
Chair of the Board (Acting) (01/14/20 – 03/01/20)	Jeremy Flynn
Chair of the Board (07/01/19 – 01/13/20)	John Sullivan

Secretary of the Board (01/27/22 – Present)	Vanessa Minson
Secretary of the Board (10/02/21 – 01/26/22)	Vacant
Secretary of the Board (01/15/21 – 10/01/21)	Anthony Swanagan
Secretary of the Board (12/1/20 – 01/14/21)	Vacant
Secretary of the Board (07/01/19 – 11/30/20)	Dylan Grady

Treasurer of the Board	Elizabeth Turner
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BOARD OFFICES

The Illinois Grain Insurance Corporation Board of Director's primary administrative offices are located at:

John R. Block Building
801 E. Sangamon Avenue
Springfield, Illinois 62702



JB Pritzker, Governor
Jerry Costello II, Director

Executive Office

State Fairgrounds • P.O. Box 19281 • Springfield, IL 62794-9281 • 217/782-2895 • TTY 866/287-2999 • Fax 217/524-7801

MANAGEMENT ASSERTION LETTER

May 26, 2022

Adelfia LLC
Certified Public Accountants
400 East Randolph Street
Suite 700
Chicago, Illinois 60601

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Grain Insurance Corporation (Corporation). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Corporation's compliance with the following specified requirements during the two -year period ended June 30, 2021. Based on this evaluation, we assert that during the years ended June 30, 2020, and June 30, 2021, the Corporation has materially complied with the specified requirements listed below.

- A. The Corporation has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Corporation has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what was previously disclosed and reported in the Schedule of Finding, the Corporation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Corporation are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Corporation on behalf of the State or held in trust by the Corporation have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois Grain Insurance Corporation

SIGNED ORIGINAL ON FILE

Jerry Costello II, President
Board of Directors

SIGNED ORIGINAL ON FILE

Johanna Helm, Member
Board of Directors

**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021**

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance.

SUMMARY OF FINDING

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	1	2
Repeated Findings	1	1
Prior Recommendations Implemented or Not Repeated	1	4

SCHEDULE OF FINDING

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Finding				
2021-001	8	2019/2005	Grain Insurance Reserve Fund not funded	Material Weakness and Material Noncompliance
Prior Finding Not Repeated				
A	10	2019/2019	Improper authorization of temporary storage space	

EXIT CONFERENCE

The Corporation waived an exit conference in a correspondence from Joe Small, Bureau Chief of Warehouses, on May 13, 2022. The response to the recommendation was provided by Joe Small, Bureau Chief of Warehouses, in a correspondence dated May 17, 2022.



INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Grain Insurance Corporation

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois Grain Insurance Corporation (Corporation) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2021. Management of the Corporation is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Corporation's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Corporation has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Corporation has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Corporation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Corporation are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the Corporation on behalf of the State or held in trust by the Corporation have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Corporation complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Corporation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

Our examination does not provide a legal determination on the Corporation's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Corporation during the two years ended June 30, 2021. As described in the accompanying Schedule of Finding as item 2021-001, the Corporation had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirement described in the preceding paragraph, the Corporation complied with the specified requirements during the two years ended June 30, 2021, in all material respects.

The Corporation's response to the compliance finding identified in our examination is described in the accompanying Schedule of Finding. The Corporation's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Corporation's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Corporation's compliance with the specified requirements and to test and report on the Corporation's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the

effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Finding as item 2021-001 that we consider to be a material weakness.

There were no immaterial findings that have been excluded from this report.

The Corporation's response to the internal control finding identified in our examination is described in the accompanying Schedule of Finding. The Corporation's response was not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
May 26, 2022

**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
SCHEDULE OF FINDING
For the Two Years Ended June 30, 2021**

2021-001

FINDING (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.

On April 5, 2005, the Corporation remitted the \$4,000,000 balance due 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 Grain Code after repayment of funds owed the General Revenue Fund.

This finding was first reported during the Corporation's *State Compliance Examination* for the two years ended June 30, 2005. During Fiscal Year 2020 and 2021, management did not take adequate corrective action to implement appropriate and reasonable corrective action for this finding.

The Grain Code (240 ILCS 40/30-25) states, "Upon payment in full of all money that has been transferred to the (Grain Insurance Reserve) Fund prior to June 30, 2003 from the General Revenue Fund...the State of Illinois shall remit \$2,000,000 to the Corporation to be held in a separate and discrete account to be used to the extent the assets in the (Grain Insurance Reserve) Fund are insufficient to satisfy claimants as payment of their claims become due... The remittance of the \$2,000,000 reserve shall be made to the (Illinois Grain Insurance) Corporation within 60 days of payment in full of all money transferred to the (Grain Insurance Reserve) Fund as set forth above in this Section 30-25."

Corporation management indicated the funding for the Grain Insurance Reserve Fund was not requested and legislative remedy was not sought for the current engagement period due to management oversight. However, the Department did start seeking legislative remedy with House Bill 5186 on January 27, 2022.

Failure to establish the Grain Insurance Reserve Fund decreases the insurance reserves the legislature mandated by State law to further insure grain farmers from the potential losses of failed grain warehouses and dealers. (Finding Code No. 2021-001, 2019-001, 2017-001, 2015-001, 2013-001, 11-1, 09-1, 07-2, 05-2)

RECOMMENDATION

We recommend the Corporation comply with the law by working with the Governor's Office of Management and Budget and the Illinois General Assembly to obtain the necessary appropriation to fund the Grain Insurance Reserve Fund or continue to seek legislative relief from the statutory requirement.

**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
SCHEDULE OF FINDING
For the Two Years Ended June 30, 2021**

CORPORATION RESPONSE

The Corporation accepts the finding. The Department of Agriculture has requested \$2 million appropriations from the Office of Management and Budget to fund the Grain Insurance Reserve Fund for Fiscal Year 2022 and Fiscal Year 2023 and will continue to request appropriations for future Fiscal Years. In addition, House Bill 5186 was introduced to the 102nd General Assembly in January 2022 and passed both legislative branches in April 2022. This bill will amend the Grain Code (240 ILCS 40/30-25) and provide the legislative relief needed from the statutory requirement.

**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
SCHEDULE OF FINDING – PRIOR FINDING NOT REPEATED
For the Two Years Ended June 30, 2021**

A. **FINDING** (Improper authorization of temporary storage space)

During the prior examination, the Illinois Grain Insurance Corporation (Corporation) improperly authorized the use of temporary storage space as required by the Grain Code. Specifically, we noted previous temporary storage space authorizations had expired but the Corporation failed to timely approve the renewal of the temporary storage space. As a result, the temporary storage spaces were still being utilized to store grain for the applicable companies during the expired periods.

During the current examination, our sample testing indicated the Corporation strengthened its internal controls over temporary storage space authorizations and timely approved the authorizations prior to them expiring. (Finding Code No. 2019-002)

**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
DISCLOSURES ACCOMPANYING A STATE COMPLIANCE EXAMINATION REPORT
For the Two Years Ended June 30, 2021**

DISCLOSURES REPORT

SUMMARY

A reading of the accompanying report components of the Illinois Grain Insurance Corporation (Corporation) was performed by Adelfia LLC.

ACCOUNTANT'S REPORT

The accountants did not conclude an omission or uncorrected material misstatement of the other information exists in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report.

EXIT CONFERENCE

The Corporation waived an exit conference in a correspondence from Joe Small, Bureau Chief of Warehouses, on May 13, 2022.



INDEPENDENT ACCOUNTANT'S REPORT
ON DISCLOSURES ACCOMPANYING
A STATE COMPLIANCE EXAMINATION REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Grain Insurance Corporation

Disclosures Accompanying a State Compliance Examination Report

Management of the Illinois Grain Insurance Corporation (Corporation) is responsible for the *Disclosures Accompanying a State Compliance Examination Report* (other information), which consists of the Fiscal Schedules and Analysis and Analysis of Operations report components as listed in the Table of Contents. The other information comprises disclosures which must be presented by management in accordance with *Report Components* memorandum published by the Auditor General of the State of Illinois, but does not include our *Independent Accountant's Report on State Compliance and on Internal Control over Compliance* found in the separate *State Compliance Examination Report* included within this document. Our opinion on the Corporation's State compliance and internal control over compliance does not cover this other information, and we do not express an opinion or any form of assurance thereon.

In connection with our examination of the Corporation, our responsibility is to read the other information and consider whether:

- 1) a material inconsistency exists between the other information and our knowledge and facts of the Corporation we obtained as part of the Corporation's State compliance examination;
- 2) the other information appears to have been omitted; or,
- 3) the other information appears to be materially misstated.

If, based on the work performed, we concluded an omission or uncorrected material misstatement of the other information exists, we are required to describe it in this report.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
May 26, 2022

**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
AGENCY FUNCTIONS AND PLANNING PROGRAM**

For the Two Years Ended June 30, 2021

The Illinois Grain Insurance Corporation (a component unit of the State of Illinois) (Corporation) was created on August 16, 1983 by the Grain Code (240 ILCS 40/1) (Code). The Corporation was created for the purpose of improving 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.

The Corporation is located in the State of Illinois, Illinois Department of Agriculture (IDOA), State Fairgrounds, 801 E. Sangamon Ave., Springfield, Illinois. At June 30, 2021, the Corporation operated under the direction of the following Board of Directors:

Board member and President

Jerry Costello II, Director of IDOA

Board member and Secretary

Anthony Swanagan, Designee of Attorney General

Board member and Treasurer

Elizabeth Turner, Designee of State Treasurer

Board member

Keith A. Fanning, Designee of Illinois Department of Financial and Professional Regulation

Board member

Johanna Helm Chief Fiscal Officer of IDOA

The Board of Directors meet periodically to address the Corporation's operations.

Fiscal support to carry out the responsibilities of the Corporation is provided by the IDOA.

The primary functions of the Corporation are to make investments with funds assessed and collected by the IDOA and to transfer funds to the IDOA's Grain Indemnity Trust Fund when the Director of the IDOA determines it is necessary to compensate claimants in accordance with the Code. The assessments are collected from grain dealers, warehousemen, grain sellers and lenders as established in the Code.

Operating programs of the Corporation are specified by the Code. These operating programs have been established adequately by the Corporation to meet its defined goals and objectives. A system for monitoring the programs of the Code has also been developed by the Corporation.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

ILLINOIS GRAIN INSURANCE CORPORATION
A COMPONENT UNIT OF THE STATE OF ILLINOIS
ANALYSIS OF SIGNIFICANT VARIATIONS IN ACCOUNT BALANCES
For the Two Years Ended June 30, 2021

Fiscal Year 2021 Compared to Fiscal Year 2020

The Illinois Grain Insurance Corporation's Fiscal Year 2021 Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position can be found on pages 6-7 and 9-10, respectively, within its previously(separately) released Fiscal Year 2021 financial audit report. Additionally, the Illinois Grain Insurance Corporation's Fiscal Year 2019 Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position can be found on pages 18-19 and 21-22 respectively, within its previously released Fiscal Year 2019 financial audit report.

Statement of Net Position

Cash

The significant increases in cash was primarily due to the normal assessments that are paid into the Illinois Grain Insurance Fund by licensees without a substantial failure resulting in additional payouts to claimants.

Statement of Revenue, Expenses, and Changes in Net Position

Charges for Services

The significant increases and decreases were due to grain dealer and warehouse assessments as a function of requests for new licenses and increases in permanent, temporary, and emergency storage licenses. These assessments vary based upon the business climate and the size and storage needs of the industry.

Environmental and Business Regulation

The significant increase in Fiscal Year 2020 was due to paying a \$50 settlement to a claimant, and \$24 for claims in the Dillier Hatchery Inc. failure.

Refund from Grain Indemnity Fund (1116)

The significant increase in Fiscal Year 2021 was due to returning the \$24 associated with the Dillier Hatchery Inc. liquidation.

Interest and Investment Income

The significant decreases were due to decline in interest rates.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
SCHEDULE OF GRAIN DEALERS AND GRAIN WAREHOUSES
For the Years Ended June 30, 2021, 2020, and 2019
(Unaudited)

	Fiscal Years		
	2021	2020	2019
Active Dealers/Warehouses - Beginning of Year	240	239	245
Add: New Dealer/Warehouses	7	6	7
Less: Closed or Insolvent Dealers/Warehouses	19	5	13
Active Dealers/Warehouses - End of Year	228	240	239

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.