

MID-AMERICA MEDICAL DISTRICT COMMISSION

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2010

MID-AMERICA MEDICAL DISTRICT COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010

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MID-AMERICA MEDICAL DISTRICT COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010

COMMISSION OFFICIALS

President (Current)	Mr. Richard Coolbaugh
President (At June 30, 2010)	Mr. Brendan Kelly
Vice-President (Current)	Ms. Marsha Johnson
Vice President (At June 30, 2010)	Ms. Elizabeth Patton-Whiteside
Treasurer (Current)	Ms. Elizabeth Patton-Whiteside
Treasurer (At June 30, 2010)	Mr. Richard Coolbaugh
Secretary	Ms. Dorothy Burns

Commission's office is located at:

327 Missouri Avenue
East Saint Louis, IL 62201



July 18, 2011

Honorable William G. Holland
Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, IL 62703
Attention: Lisa Warden, Audit Manager

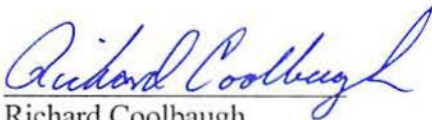
Dear Mr. Holland:

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 Mid America Medical District Commission (Commission). 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 Commission's compliance with the following assertions during the two-year period ended June 30, 2010. Based on this evaluation, we assert that during the years ended June 30, 2009 and June 30, 2010, the Commission has materially complied with the assertions below.

- A. The Commission 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 Commission 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 Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Yours very truly,

Mid America Medical District Commission


Richard Coolbaugh,
Commission President

MID-AMERICA MEDICAL DISTRICT COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
	1	N/A

This is the first compliance examination of the Mid-America Medical District Commission.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (<i>STATE COMPLIANCE</i>)			
10-1	8	Commission not fully seated and no oath of office taken	Significant Deficiency and Noncompliance.

EXIT CONFERENCE

Commission representatives waived a formal exit conference in correspondence dated July 14, 2011 from Edie Koch, ex-officio Commission member and examination liaison.

The response to the recommendation was provided by Edie Koch, ex-officio Commission member and examination liaison, in correspondence dated July 15, 2011.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the Mid-America Medical District Commission's compliance with the 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, 2010. The management of the Mid-America Medical District Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Mid-America Medical District Commission's compliance based on our examination.

- A. The Mid-America Medical District Commission 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 Mid-America Medical District Commission 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 Mid-America Medical District Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

We conducted our examination 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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Mid-America Medical District Commission's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Mid-America Medical District

Commission's compliance with specified requirements.

In our opinion, the Mid-America Medical District Commission complied, in all material respects with the requirements listed in the first paragraph of this report during the two years ended June 30, 2010. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the *Audit Guide*, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as finding 10-1.

Internal Control

The management of the Mid-America Medical District Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Mid-America Medical District Commission's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *Audit Guide* issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Mid-America Medical District Commission's internal control over compliance.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings as item 10-1. A *significant deficiency over compliance* is a deficiency, or 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.

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

The Mid-America Medical District Commission's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the

Mid-America Medical District Commission's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the *Audit Guide* as adopted by the Auditor General to the 2009 and 2010 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and the Mid-America Medical District Commission, and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA
Director of Financial and Compliance Audits

July 18, 2011

MID-AMERICA MEDICAL DISTRICT COMMISSION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010

10-1. **FINDING** (Commission not fully seated and no oath of office taken)

The Mid-America Medical District Commission (Commission) did not consist of 12 members throughout fiscal years 2009 and 2010, and Commission members did not take an oath of office as required by the Mid-America Medical District Act.

The Commission was statutorily created to provide for the orderly creation, maintenance, development, and expansion of health care and related facilities, as well as medical research and high technology parks within the Mid-America Medical District.

During our testing we noted the following:

- The Commission had three vacancies during Fiscal Years 2009 and 2010. All three of these vacancies were to be filled by appointees selected by the Governor and had not been filled at the conclusion of our fieldwork.
- Commission members had not taken an oath of office for the faithful performance of their duties.

We also noted that the Commission did not submit a required biennial report to the General Assembly by March 1, 2009.

The Mid-America Medical District Act (Act) (70 ILCS 930/10) requires the Commission to be composed of 12 members, including three members appointed by the Governor, three members appointed by the Mayor of East Saint Louis, three members appointed by the Chairman of the Board of St. Clair County, and three ex-officio members. The Act was effective January 1, 2007 and required staggered terms, with the first three appointments expiring at the end of 2007.

The Act also requires each Commissioner to take an oath of office for the faithful performance of his or her duties. In addition, the Act requires the Commission to submit to the General Assembly a detailed report of past and future operations no later than March 1 of each odd numbered year.

Commission management stated they have communicated vacancies to the Governor's Office on numerous occasions, but the vacancies remain unfilled. Commission management also stated the Commission was not aware of a time limit for the oath of office requirement. Further, management stated a report was not submitted in March 2009 because the Commission was not formed until later that month.

Failure of the Commission to be composed of 12 members is noncompliance with State statute, and limits the input into Commission decisions by all parties intended by statute. Failure to take an oath of office prior to serving and to submit a report to the General Assembly lessens accountability of the Commission and constitutes noncompliance with State statute. (Finding Code No. 10-1)

MID-AMERICA MEDICAL DISTRICT COMMISSION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010, Continued

RECOMMENDATION

We recommend the Commission continue communications with the Governor's Office to request that the vacancies be filled. We recommend that each Commissioner take an oath of office at his or her first Commission meeting. We further recommend that the Commission meet all reporting requirements in the Act.

COMMISSION RESPONSE

The Commission agrees that the Board is not fully seated. The Governor has yet to appoint the three members required under the Act. **Corrective Action:** Soon after its first operational meeting on March 25, 2009, the Commission reached out to the Governor's Office in regard to appointing the 3 members. When the new administration established the Boards and Commission website, on the encouragement of the Commission, several qualified individuals self-nominated themselves via the submission process offered by this website. Recently, the Governor's Office was contacted again in regard to securing these appointees for the Commission. Also, the help of Representative Tom Holbrook has been solicited to speak with the Governor's office on this issue. The Commission plans to continue to solicit the Governor's Office on this matter.

The Commission agrees that Commissioners did not take an oath of office for the faithful performance of duties. **Corrective Action:** All current members have now taken an oath of office as of June of 2011. A policy will be put in place that requires all future appointees and/or replacements to take an oath of office prior to beginning their terms.

The Commission agrees that a report was not filed with the General Assembly by March 1, 2009. Although appointing authorities did designate appointees to serve prior to the end of calendar year 2007, the Commission did not begin operations until March 25, 2009. **Corrective Action:** The Commission submitted a detailed report to the General Assembly covering its operations for the 2 preceding calendar years and a statement of its program for the next two years on March 1, 2011. The Commission plans to file its next report on March 1, 2013 and every odd numbered year thereafter as required by the Act.

MID-AMERICA MEDICAL DISTRICT COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of State Grant Funds – Cash Basis
- Analysis of Operations:
 - Commission Functions and Planning Program

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2009 and 2010 Supplementary Information for State Compliance Purposes. However, the accountants do not express an opinion on the supplementary information.

MID-AMERICA MEDICAL DISTRICT COMMISSION
SCHEDULE OF STATE GRANT FUNDS – CASH BASIS
For the Two Years Ended June 30, 2010

The Southwestern Illinois Development Authority (SWIDA) received a \$250,000 grant from the Department of Commerce and Economic Opportunity in July 2007 for start-up costs of the Mid-America Medical District Commission (Commission). SWIDA received custody of the funds in fiscal year 2008 and was charged with administering the funds due to the fact that the Commission had not yet begun meeting when the grant was awarded. SWIDA began expending these funds, as directed by the Commission, during the examination period for the Commission’s Master Plan. The contract for the Master Plan was entered into with a vendor in late May, 2009.

	State Grant Funds
Beginning Balance at July 1, 2008	\$ 250,000
Receipts	-
Disbursements	(750)
Ending Balance at June 30, 2009	\$ 249,250
Beginning Balance at July 1, 2009	\$ 249,250
Receipts	-
Disbursements	(184,400)
Ending Balance at June 30, 2010	\$ 64,850

Note: This schedule was prepared based on Commission records as reported by and reconciled to bank statements of SWIDA. This schedule does not include accrued interest.

MID-AMERICA MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2010

COMMISSION FUNCTIONS AND PLANNING PROGRAM

FUNCTIONS

The Mid-America Medical District Commission at East Saint Louis (Commission) was created January 1, 2007, as a result of Public Act 94-1036. The Mid-America Medical District Act (70 ILCS 930/1 *et seq.*) provides the powers and duties of the Commission. The Commission's mission is to attract and retain academic centers of excellence, viable health care facilities, medical research facilities, emerging high technology enterprises, and other facilities and uses as permitted by the Act.

The Mid-America Medical District's (District) boundaries are Martin Luther King Drive on the Northeast, 10th Street up to Trendley Avenue on the Southeast, Trendley Avenue and the confluence of I-64, I-70, and I-55 on the Southwest and West, and a line north of Collinsville, parallel to Collinsville, so as to include both sides of Collinsville on the Northwest, excluding any part of the City Hall complex and any property belonging to the federal government.

Pursuant to the Act, the Commission has the following statutory powers:

- a. To plan, construct, acquire, develop, operate, expand, maintain and/or contract health care facilities and other ancillary or related facilities including but not limited to; hospitals, sanitariums, clinics, laboratories or any other institutions, buildings, or structures.
- b. To preserve the proper surroundings for a medical center and related technology center in order to attract, stabilize, and retain within the District hospitals, clinics, research facilities, educational facilities, or other facilities.
- c. To exercise the right to sell, convey, transfer, or lease, all at fair market value, any title or interest in real property owned by it to any person or persons.
- d. To secure grants, loans or appropriations from the State of Illinois, the Federal government, any State or Federal agency or instrumentality, any unit of local government, or any other person or entity to be used for any of the purposes of the Commission.
- e. To collect assessments or fees from entities that enter into such a contract for District enhancement and improvements, common area shared services, shared facilities or other activities or expenditures.

MID-AMERICA MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2010

FUNCTIONS (Continued)

- f. To acquire the fee simple title to real property lying within the District and personal property required for its purposes, by gift, purchase, or otherwise.
- g. To provide relocation assistance to persons and entities displaced by the Commission's acquisition of property and improvement of the District.
- h. To prepare and approve a comprehensive master plan for the orderly development and management of all property within the District.
- i. To establish an advisory council, appointed by the Mayor of East Saint Louis, to review and make recommendations to the District with respect to the comprehensive Master Plan.
- j. To exercise the right to use all money received as rentals for the purposes of planning, acquisition, and development of property within the District, for the operation, maintenance, and improvement of property of the District, and for all purposes and powers set forth in the Act.

COMMISSIONERS

The Commission began operations in March 2009. The Commission consists of 9 appointed members and 3 ex-officio members. Three members are appointed by the Governor. Three members are appointed by the Mayor of East St. Louis, with the consent of the city council. Three members are appointed by the Chairman of the County Board of St. Clair County. The Director of Commerce and Economic Opportunity (DCEO) or his or her designee, the Director of the Department of Public Health (DPH) or his or her designee, and the Secretary of the Department of Human Services (DHS) or his or her designee serve as ex-officio members. Mr. Brendan Kelly was elected President on March 25, 2009 and served as President throughout the examination period.

Members serve three year staggered terms. Seven Commissioners constitute a quorum. The Commission members at June 30, 2010 were as follows:

Mayoral Appointments

Brendan Kelly, President
Dorothy Burns, Secretary
Dr. Denise Hooks-Anderson

Gubernatorial Appointments

None

MID-AMERICA MEDICAL DISTRICT COMMISSION
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2010

COMMISSIONERS (Continued)

County Board Appointments

Richard Coolbaugh, Treasurer
Marsha Johnson
Elizabeth Patton-Whiteside, Vice President

Ex-Officio Members

Edie Koch - DCEO
Marilyn Green - DPH
Dr. Myrtis Sullivan - DHS

PLANNING PROGRAM

The Mid-America Medical District Commission meets as necessary, usually once a month, to conduct business and to discuss various planning and marketing strategies. The Master Plan was developed during the examination period and approved unanimously by the Commission in May 2010 and the Commission's Advisory Counsel in April 2010. The Master Plan now serves as the official guide for future District development activity. The Commission's strategic goals include increasing and enhancing awareness of the District through implementation of portions of the Commission's new marketing plan. The Commission is taking steps to begin meeting with other key developers in East St. Louis to establish and promote the Commission as an entity able to sustain the organization and accomplish its redevelopment mission. The Commission also plans to create a public information network and effective marketing designed to attract health and wellness institutions, investors, and developers, physicians, and other medical talent and consumers to the District.

The Mid-America Medical District Commission received no State appropriations or grants and maintained no assets during FY09 and FY10. The Commission did have expenditures against a grant from DCEO. Those grant funds were held by SWIDA on behalf of the Commission and grant expenditures were processed directly by SWIDA at the direction of the Commission.

SUBSEQUENT EVENT

House Bill 3425 (introduced 2/24/11) proposes expanding the district to include O'Fallon and Belleville and adding six new Commission members (three appointed by the mayor of each city). If signed into law, it will also give the Commission bonding authority. On May 31, 2011, the bill was approved by both the House and the Senate. It becomes a law upon being signed by the Governor.